Contango MicroCap Limited

ABN 47 107 617 381

INVESTMENT COMMENTARY

Quarterly Update
March 2015

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Contango MicroCap Limited

Dear Shareholder

MANAGING DIRECTOR'S COMMENT

I am pleased to advise that the March quarter portfolio investment performance was very good and I congratulate the investment team on a job well done.

The fund returned over 12.5% in the quarter which was 5.2 percentage points higher than the Small Ordinaries Index return of 7.3%, 8.2 percentage points higher than the Emerging Companies Index return of 4.3% and 2.3 percentage points higher than the All Ordinaries Index return of 10.2%. I can assure you that the team is working very hard to continue this positive momentum for the remainder of 2015 and beyond, as we embark on a new phase of growth.

I would also like to take this opportunity to announce that I am stepping down as Chief Investment Officer (CIO) of Contango Asset Management Limited (CAML, which is a wholly owned subsidiary of CTN). I am extremely proud of what we have achieved during my 17 years here, five of them as CIO. Over this period of time we successfully managed through several major market corrections, and I think the results of how we managed these transitions speak for themselves. I feel privileged to have played a role in making Contango what it is today.

However, as we look to embark on a new path of growth and transition, I feel the time is right for the next generation of investment professionals to step up and help to add value for shareholders, as we look to grow the business and broaden our investment offering.

It is in this regard that I would like to introduce and welcome George Boubouras as CAML's new CIO. George has a long and distinguished career in the investment industry and has worked as CIO of Equity Trustees and UBS Wealth Management. George will lead Contango through our new growth phase and into the future, and I'm certain he's the right man for the job.

In addition to George's appointment we recently welcomed two highly credentialed senior analysts to our team in Stephen Scott and Justin Puli. Stephen was most recently Head of Research at Ord Minnett, while Justin joins us from Noah's Rule where he worked as a Senior Analyst. Both bring a wealth of experience to Contango, crucial to our growth strategy, particularly as we look to include income producing products into our offering.

While stepping aside from my former role, I am excited to remain involved in specific growth initiatives for the Company and I look forward to seeing the new team develop.

I thank you for being a shareholder in CTN or your interest in the Company. We welcome your call, if you would like to speak to myself, George Boubouras or Boyd Peters, our Shareholder Communications Manager, please call 03 9222 2333.

Yours sincerely



David Stevens
Managing Director

INVESTMENT UPDATE – MARCH QUARTER 2015

CTN INVESTMENT PORTFOLIO PERFORMANCE

In the March quarter, the CTN investment portfolio generated an investment return of 12.5% which was 5.2 percentage points higher than the Small Ordinaries Index return of 7.3% and 8.2 percentage points higher than the Emerging Companies Index return of 4.3%.

	January	February	March	Quarter
CTN Investment Portfolio Gross return	**-0.1%**	**9.9%**	**2.6%**	**12.5%**
ASX Small Ordinaries Accum. Index	0.9%	8.4%	-1.9%	7.3%
S&P/ASX Emerging Co's Accum. Index	1.8%	2.8%	-0.4%	4.3%

As at 31.03.15. Gross returns. Past performance is no guarantee or predictor of future performance.

Over the longer term, the investment portfolio continues to perform strongly delivering an average annual return of 16.7%. This ranks CTN's investment portfolio performance amongst the best performing Australian equity funds over the corresponding time period. As the table below shows, the fund has outperformed the Small Ordinaries Index over every major time horizon.

	1Yr %	2 Yrs %pa	3 Yrs %pa	4 Yrs %pa	5 Yrs %pa	7 Yrs %pa	10 Yrs %pa	Inception (25/03/04) %pa
CTN Investment Portfolio	9.3%	11.2%	3.3%	1.6%	7.4%	4.8%	13.7%	16.7%
Emerging Co's Accum. Index	-8.2%	-8.3%	-14.8%	-13.9%	-5.9%	-4.8%	1.4%	2.1%
ASX Small Ords Accum. Index	2.3%	0.4%	-1.7%	-3.5%	-0.3%	-2.4%	2.7%	4.2%

As at 31.03.15. Gross returns. Past performance is no guarantee or predictor of future performance.

CTN SHARE VALUE PERFORMANCE

During the quarter the CTN share price rose from $1.045 to $1.08. In addition it paid a dividend to shareholders of 4.0cps in February, generating a total return (including dividends but not including the value of franking) of 7.3% over the quarter.

The table below shows CTN's total shareholder return which has significantly outperformed the return of the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Emerging Companies Accumulation Index.

When comparing the performance of an LIC to the returns of ASX Indices, it is important to recognise that an LIC's NTA and Total Shareholder Return identify performances that are the after-expenses and after-tax numbers – whereas the returns of ASX Indices identify gross returns and do not adjust for any fees or taxes.

	CTN Total Shareholder Return	S&P/ ASX Small Ords Accum	S&P/ASX Emerging Companies Accum
1 Year	14.1%	2.3%	-8.2%
2 years pa	9.1%	0.4%	-8.2%
3 years pa	6.1%	-1.7%	-14.8%
4 years pa	3.7%	-3.5%	-13.9%
5 years pa	12.6%	-0.3%	-5.9%

As at 31.03.15. Total Shareholder Return includes dividends paid. Past performance is no guarantee of future performance.

DIVIDEND INFORMATION

On the 10th of February CTN declared its FY15 Interim Dividend. Key details were:

- Shares trade ex-dividend on Friday 13th February 2015 ("Ex-date").
- Those shareholders recorded in the register at the close of business on Tuesday 17th February 2015 were entitled to receive the dividend ("Record Date").
- The dividend was 50% franked.

Unfranked Dividend	2.0
Franked Dividend	2.0
Total amount per share	4.0 cents per share

- The Company's Dividend Reinvestment Plan continued to operate for this dividend and the price at which shares were issued under the DRP was $1.03.
- The payment of dividend and issue of shares under the Dividend Reinvestment Plan[2] occurred on Friday 27th February 2015. ("Payment Date").
- This dividend contained no Foreign Conduit Income.

CTN OFFERS A FIRM DIVIDEND POLICY

In the NTA statement released to the ASX on the 1st of July 2014, CTN announced an after-tax NTA value of $1.138. In line with the company dividend policy (to pay a minimum of 6% p.a of the 1 July NTA value each year) CTN is able to provide investors with guidance of the proposed FY15 Final Dividend.

This table is not a formal declaration of the FY15 Final Dividend. Shareholders and investors should only rely on the Official Declaration of Dividend for confirmation as to dividend amount and relevant dates including what level of franking may be attached to any dividends declared.

Guidance of future dividends as at 01 April 2015	**Amount**
FY15 Final Payable October 2015: Minimum of	*3.7 cps*

Since declaring its first dividend in December 2004, CTN has declared a total of 83.6 cents per share in dividends to shareholders, amounting to a total payout of over $95.9m.

CONTANGO ASSET MANAGEMENT LIMITED (CAML)

In addition to successfully managing CTN's MicroCap portfolio, CAML has demonstrated it can deliver outperformance across the entire market capitalization spectrum as shown in the table below.

	1 Yr %	3 Yrs % pa	5 Yrs % pa	10 Yrs % pa	Inception % pa	Inception Date
CAML Equities funds						
Contango Large Cap Fund	17.3	16.8	9.3	9.3	10.1	8-Apr-99
Contango Small Cap Fund	3.0	3.1	6.2	9.7	9.5	28-Feb-05
Contango MicroCap Fund	9.3	3.3	7.4	13.7	16.7	25-Mar-04
Contango Leaders Income Fund	20.0	22.3	15.8	7.4	8.9	31-Oct-04
Contango Income Generator Fund (Ex-30)	19.7	20.3	-	-	22.9	21-Dec-12
Contango Global Value Fund	29.4	31.5	21.8	-	15.8	31-Dec-07
ASX Indices performance						
All Ordinaries Accum. Index	13.3	14.7	8.2	8.1	-	-
All Small Ordinaries Accum. Index	2.3	-1.7	-0.3	2.7	-	-
Emerging Companies Accum. Index	-8.2	-14.8	-5.9	1.4	-	-

As at 31.03.15. Gross returns. Past performance is no guarantee or predictor of future performance.

ASX Announcements in the March Quarter

During the quarter, announcements to the ASX included:

- December, January and February NTA statements
- Mid-month investment update
- December Quarter Investment Commentary
- Financial Statements and Results half year ended 31 Dec 2014
- Declaration of FY15 Interim Dividend
- Updated Top 20 shareholders
- Information about senior staff appointment

These documents along with all ASX releases can be found at our website contango.com.au.

CTN Convertible Notes (ASX: CTNG)

On 31 March 2015, the maiden interest payment was made to CTN convertible note holders (ASX code: CTNG). The amount of $1.50 per note was paid representing the interest period from the issue date of the notes in December 2014 up until 31 March 2015. The next interest payment of $2.75 per note is due on 30 September 2015.

The convertible notes have a term of 5 years with a coupon rate of 5.5% pa. Note holders may choose to convert their holdings into CTN shares at the end of the 5 year term, or at other specified times, at the conversion price of $1.30.

Investment Commentary

We are pleased to provide our quarterly investment commentary which includes an overview of current economic conditions and a comprehensive review of CTN's investment portfolio.

QUARTERLY INVESTMENT COMMENTARY

Global Overview

Supportive central bank policy continued to drive markets higher during the March quarter. In the US, the Fed played down the timing and pace of its potential future rate hikes, in Europe the ECB announced a €1.1 trillion bond buying program, and in China the PBoC cut interest rates and lowered the reserve requirement ratio. Domestically, the RBA surprised the market with a 25 basis point cut in the cash rate and signaled an explicit switch to an easing bias.

During the quarter, the world index returned a solid 4.7% (hedged) driven mostly by a 15.4% return from the European Stoxx and a 10.1% return from the Nikkei. The Shanghai Composite Index (15.9%) also rose strongly on the back of PBoC rate cuts. In the US however, the S&P 500 returned only 0.4% weighed down by the markets concerns regarding the timing of the Fed's first rate hike and the impact on earnings from a rising USD and falling oil price.

The domestic market outperformed the global benchmark by a considerable margin to post its best quarterly result since the GFC (10.3%). At a sector level, Energy stocks were the key laggards (-3.7%) as oil prices collapsed, while Financials ex-REITs (14.1%), Consumer Discretionary (13.9%) and Utilities (13.8%) outperformed. Despite the iron ore price hitting decade lows, the Materials sector still managed to finish in the black over the quarter (7.7%).

Global Indices	1 mth	3 mth	12 mth
ASX 300*	-0.1%	10.3%	13.9%
Dow Jones Industrial	-2.0%	-0.3%	8.0%
S&P 500	-1.7%	0.4%	10.4%
NASDAQ Index	-1.3%	3.5%	16.7%
Nikkei 225 Index	2.2%	10.1%	29.5%
Hang Seng Index	0.3%	5.5%	12.4%
Shanghai Composite Index	13.2%	15.9%	84.3%
FTSE 100	-2.5%	3.2%	2.6%
German Aktien Index (DAX)	5.0%	22.0%	25.2%
France CAC40	1.7%	17.8%	14.6%
India BSE 200 Index	-3.7%	3.2%	31.9%
MSCI World ex Aust (hedged)	-0.4%	4.7%	14.0%

* Total Return

US Economy

The outlook for US interest rates continued to dominate news headlines during the quarter. Initially, upbeat FOMC commentary regarding the economy and the removal of the word 'patient' fuelled speculation that a rate hike was imminent.

However, Fed Chair, Janet Yellen, warned against reading this as a sign that rate rises were imminent and stated that an April increase remained "unlikely" and data dependent.

On the data, fourth quarter GDP growth moderated to 2.6% from the third quarters 5.0% on the back of the stronger USD and reduced energy investment. However, consumer spending increased strongly (4.3%) which was a healthy sign for the underlying economy.

Nonfarm payrolls continue to rise with the growing economy. To put the recent strength of the US jobs market into perspective, 3.1 million jobs were created in 2014 which was the most since 1999. The strength continued in the March quarter with the economy adding 257,000 and 295,000 jobs in January and February which was well ahead of expectations. The unemployment rate ended February a touch lower at 5.5% (5.8% in November) whilst the participation rate was unchanged at 62.8%.

On the business surveys, the ISM PMIs remained in expansionary territory, though the rate of expansion moderated somewhat. The manufacturing PMI fell from 59.0 in November to 52.9 in February, and the non-manufacturing survey fell from 59.3 in November to 56.9 in February.

University of Michigan Consumer confidence remained high but moderated from 93.6 in December to 93.0 in March. The Conference Board index on the other hand increased from 93.1 in December to 101.3 in March.

Housing starts plunged in February on the back of poor weather, coming in at a seasonally adjusted annual rate of only 897 000 (consensus 1.049 million). This is down 17% from December's annual rate of 1.081 million.

Building permits, on the other hand, rose 4.0% from December to February to reach an annual rate of 1.092 million. Permits are less correlated to weather and point to a potential pickup in starts in the coming months.

Headline inflation slowed sharply in the quarter with the annual rate moving into outright deflation in January (-0.1%). The decline was driven by falling energy prices which are down 19% over the year. Core inflation held up better than the headline with the annual rate remaining around 1.6% during the quarter.

US Equity Market

The S&P500 posted its 9th consecutive quarter of gains in March to finish up 0.4%. The result was driven by Healthcare (6.2%) and Consumer Discretionary (4.4%) which benefited from improving economic conditions and strong consumer confidence.

Utilities (-6.0%) lagged the broader index on fears of Fed rate hikes whilst Energy (-3.6%) also underperformed on the back of the weak oil price. Financials (-2.5%) underperformed as Banks came under pressure following the release of disappointing earnings results.

China

Economic data continued to ease in China as fourth quarter 2014 GDP growth (7.3%) fell short of the governments stated target of 7.5%. Looking forward, Premier Li lowered the 2015 GDP growth target to 'around 7.0%' at the National People's Congress which was not a surprise.

Given the moderating data, the PBOC announced cuts to its benchmark interest rates. The bank lowered the one-year deposit rate from 2.75% to 2.5% and the one-year lending rate from 5.6% to 5.35%. In addition to the rate cuts, the PBoC also lowered the required reserve ratio (RRR) by 50 basis points.

PBOC governor Zhou Xiaochuan also flagged that policy makers had scope to respond further both with interest rates and quantitative measures if required.

Measures of industrial production growth were distorted by the Chinese New Year but the February reading of 6.8% was well down on Decembers 8.3%.

The monthly PMI data was consistent with subdued conditions in China. The HSBC manufacturing PMI eased form 49.6 in December to 49.2 in March, reaching an 11-month low. The official manufacturing PMI also moderated slightly from 50.1 in December to 49.9 in February. The moderation was driven by new export orders which declined from 49.1 to 48.5.

CPI inflation moderated slightly over the quarter with inflation slowing from 1.5% in December to 1.4% in February. Inflation remains well below the PBOC's target of 3.5%. PPI deflation intensified with February's print coming in at -4.8%, down from December's -3.3%.

Money and credit data was volatile but showed some resilience to the economic slowdown partly due to stimulus from policymakers. M2 money supply growth recovered to 12.5% growth in February following a weak January. Bank lending growth increased from 13.6% in December to 14.3% in February.

China's housing market correction continued in the March quarter with house price growth remaining negative. National house prices declined 0.4%, 0.5% and 0.2% in the three months to February.

Trade data was distorted by the Chinese New Year holiday with imports down in the three months to February while exports had a large bounce in the month of February (48.3%).

Europe and Japan

The main highlight in Europe over the quarter was the announcement of the ECB's €1.1 trillion quantitative easing programme. President Draghi pledged to purchase €60 billion per month through September 2016 with the region's 19 central banks to make 80% of the purchases. The aim of the program is to counter the threat of deflation and lower real interest rates to stimulate growth in the region.

The central bank also raised its GDP growth estimates on the back of the program and lower oil prices. At the same time, the central bank cut its inflation forecast to 0%, down from a previous estimate of 0.7% on the back of the weak oil price.

In Japan, fourth quarter GDP growth came in at a disappointing 2.2% (consensus 3.7%). However, the detail was more positive with all demand components except residential investment rising.

During the quarter, the BoJ pledged it would continue buying enough government bonds to increase the monetary base at an annual pace of about 80 trillion yen. The Policy Board also decided by an 8-1 vote to purchase exchange-traded funds and Japan real estate investment trusts in an attempt to stimulate the economy and inflation.

Global Interest Rates / Credit markets

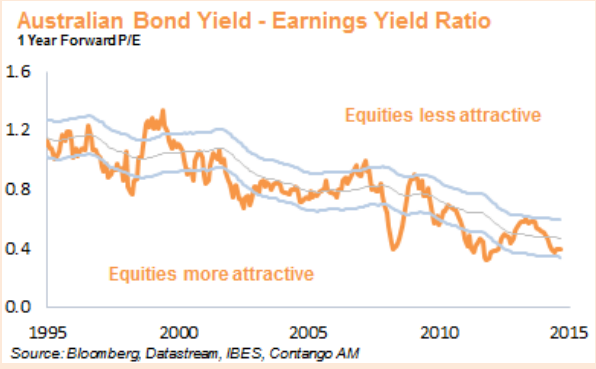
Global interest rates had a somewhat volatile ride in the March quarter.

In the US, the 10-year benchmark yield fell to its lowest level since May 2013 before spiking on speculation over Fed rate hikes. However, yields subsequently retreated after Fed Chair Janet Yellen talked down the timing and future path of interest rates. Over the quarter, the US 10-year yield finished down 41 basis points.

Interest Rates	Level	1 mth	3 mth	12 mth
AUS UBS Composite Bond	7,492.55	-1.1%	0.4%	2.8%
AUS UBS Bank Bill Index	7,852.62	0.2%	0.8%	3.3%
	%	*basis point change*		
AUS Cash Rate	2.25	0	-25	-25
AUS 90 day Bank Bill rate	2.22	-9	-55	-43
AUS 10 year Bond yield	2.32	-15	-41	-177
US Federal Funds rate	0.25	0	0	0
US 30 year Bond yield	2.54	-5	-21	-102
US 10 year Bond yield	1.92	-7	-25	-80

Chart 1: Australian earnings yield vs Bond yield

Australian equities appear cheap relative to bonds



In Australia, easing of 25 basis points by the RBA was more than matched at the long end where the benchmark 10-year yield was down 42 basis points over the quarter.

In Europe, the announcement of QE at the start of March saw German 10-year benchmark yields reach their lowest levels on record, ending the quarter down 36 basis points to 18 basis points.

Exchange Rates

The main development in currency markets in the quarter was a strengthening in the USD (9.4% USD index). Diverging economic and policy outlooks with the rest of the world, especially with the ECB, saw the USD rise the most in a quarter since the GFC.

On the flip side, the Euro posted its largest quarterly depreciation against the USD (-11.2%) since December 1992 as the ECB began its expanded QE programme.

The AUD fell 6.9% over the quarter against the USD, although the move was more modest in trade weighted terms (-4.8%) given the Aussie's rise against the euro (4.9%).

Despite the broader depreciation, RBA minutes reveal that the central bank continues to believe the Aussie remains above fair-value, particularly given recent declines in commodities prices.

Exchange Rates	Level	1 mth	3 mth	12 mth
AUD/USD	0.7606	-2.6%	-6.9%	-17.9%
AUD/YEN	91.35	-2.2%	-6.5%	-4.5%
EURO/USD	1.07	-4.1%	-11.2%	-22.0%
AUD/EUR	0.71	1.5%	4.9%	5.3%
AUST TWI	63.30	-1.2%	-4.8%	-10.8%

Commodities

Key commodity prices fell sharply in the March quarter with Brent oil down 11.3% and Iron ore down 31.4% on the back of strong supply growth and weak demand.

Despite Brent staging a partial recovery in February - after the Baker Hughes US oil rig count fell by 237 - the commodity traded below $50 per barrel for the first time since April 2009. However, the rally was short-lived as March US oil production numbers remained at record levels.

The benchmark spot iron ore price lost significant ground in the quarter, shedding over 30% of its value. The Chinese demand outlook continued to weaken whilst large-cap miners (BHP, Rio and Vale) pushed ahead with plans to increase production.

Gold ended the quarter unchanged despite rallying to 1300 in late January before selling off aggressively in February as the market pared back its outlook for interest rates.

The LME index of base metals declined 5.6% with all major metals down including Nickel (-16.6%), tin (-14.9%), copper (-4.9%), zinc (-4.4%) and aluminium (-2.3%).

Commodities	Level	1 mth	3 mth	12 mth
Gold (US$/oz)	1,183.52	-2.4%	0.0%	-7.8%
Oil WTI (US$/bbl)	47.61	-3.6%	-11.3%	-53.1%
Aluminium (USc/lb) LME	81.15	-0.3%	-2.3%	3.4%
Copper (USc/lb) LME	274.45	2.9%	-4.9%	-8.8%
Nickel (USc/lb) LME	565.18	-11.3%	-16.6%	-20.8%
Iron Ore Price	49.76	-20.8%	-31.4%	-56.7%

Domestic Economic Developments

After a long period of stability, the RBA surprisingly eased the cash rate by 25 basis points at its February policy meeting. The bank commented that it expected the economy's period of sub-trend growth to be 'somewhat longer' and, as such, the peak in the jobless rate would be 'a little higher' than previous expected.

In March, governor Glenn Stevens stated that 'further easing of policy may be appropriate over the period ahead', signaling the likelihood of further rate cuts as the year progresses.

On growth, the economy expanded by 0.5% in the fourth quarter which was in line with already subdued expectations. The annual rate slowed from 2.7% in the third quarter to 2.5% in the fourth. The result was driven by solid exports and consumption which was partly offset by weak business investment. The terms of trade (-10.8%) continue to weigh on the nominal economy with nominal GDP growth of only 1.7% over the year.

The more timely indicators of activity were also consistent with moderating growth. The NAB Business confidence index deteriorated from +1 in November to 0 in February and the Conditions Index from +2.6 in December to +2.1 in February. However, the RBA's rate cuts helped the Westpac-Melbourne Institute index of consumer confidence buck the trend with the index increasing 8% in February to end the quarter up 8.4 points to 99.5.

Retail sales growth moderated somewhat in the quarter after a period of solid growth. Annual growth slowed from 4.9% in November to 3.6% in January.

On the labour market, the economy added 40 500 jobs from December to February, but this was not enough to push the unemployment rate down which increased from 6.1% in December to 6.3% in February.

The local housing market remained strong in the quarter with approvals rising almost 6% in January. The driver of approvals continues to be apartment construction which now accounts for half of all approvals. RPData's measure of house prices continued to growth with increases of 0.9%, 1.3% and 0.3% in the three months to February.

The housing market also continues to drive credit growth with total credit up 6.2% over the year to February. Of the RBA's sectors, housing credit growth was up 7.2% with business credit growth improving to 5.6%. Personal credit growth remains weak at only 0.5%.

Indicator	Outcome
Employment change, persons, mth, Feb	+15 600
Unemployment rate, %, Feb	6.3
Consumer confidence, index, Mar	99.5
NAB business confidence, Feb	0
RBA cash rate, %	2.25
Credit growth, %, yoy, Feb	6.2

Australian Equity Market

The Australian equity market had its strongest quarter since the recovery from the GFC in March. The index was boosted by RBA rate cuts which drove strong performances in Industrials (11.7%) which was partly offset by continued weakness in Resources (3.1%).

Accumulated Australian Indices	1mth	3mth	12mth
ASX 200	-0.1%	10.3%	14.1%
ASX 300	-0.1%	10.3%	13.9%
ASX 300 Industrials	1.1%	11.7%	20.8%
ASX 300 Resources	-6.2%	3.1%	-13.3%
All Ordinaries	0.0%	10.2%	13.2%
Small Ordinaries	-1.9%	7.3%	2.3%

As at 31 March 2015. Source: Iress * Total return

The Small Ordinaries Index (7.3%) underperformed the large cap ASX100 (10.6%) which was boosted by Financials and the Banks. The Small Industrials (7.5%) outperformed the Small Resources (6.3%) although the underperformance was less pronounced than for large caps.

Australian Sector *	1 mth	3 mth	12 mth
Materials	-4.5%	7.7%	-4.8%
Consumer Discretionary	0.1%	13.9%	12.2%
Consumer Staples	-0.6%	4.1%	0.4%
Energy	-5.7%	-3.7%	-16.6%
Financial	1.4%	13.4%	22.6%
Financial (ex LPT's)	2.0%	14.1%	20.7%
Healthcare	2.4%	12.2%	36.4%
Industrials	1.8%	9.0%	17.9%
Information Technology	3.7%	9.4%	9.3%
Property Trusts	-2.0%	9.2%	34.4%
Telecoms	0.1%	8.9%	31.1%
Utilities	-0.5%	13.8%	26.0%
S&P/ASX300	-0.1%	10.3%	13.9%

As at 31 March 2015. Source: Iress * Total return

On the sectors, the best performers over the quarter were generally the interest rate sensitive large caps. Financials ex-REITs (14.1%) outperformed on the back of a strong performance from the Banks (14.3%), and Utilities (13.7%) and Consumer Discretionary (14.3%) also outperformed.

Unsurprisingly, the sector laggard over the quarter was the oil price exposed Energy sector (-3.7%). Outside of Energy, all sectors returned a positive return for the quarter with the other laggards of Consumer Staples (4.1%) and Materials (7.7%) both up.

In company specific news for the quarter, capital management was a prominent theme with RIO, AMC, FMJ, ORI and BLD all announcing on-market buybacks. M&A activity included a $1.4 billion offer for IIN by TPM in March.

Focusing on the March monthly performance, the laggards continued to be the commodity exposed Energy (-5.7%) and Materials (-4.5%) sectors.

With lingering concerns around liquidity and balance sheet strength, STO (-10.1%) was the weakest Energy performer in the month despite announcing a significant oil discovery in Malaysia. OSH (-9.8%) and STO (-7.4%) followed suit, while WPL (-1.9%) outperformed its peers.

Elsewhere CTX (-3.8%) fell late in the month after long-time major shareholder Chevron announced it had entered into an underwriting agreement to divest its 50% stake.

Iron ore prices continued to fall in the month weighing on BHP (-5.4%) which fell despite reiterating its cost out targets, and RIO (-8.8%) declined as investors reacted negatively to news that its 360mt expansion will be complete in the coming months. FMG (-20.1%) was the worst performing stock in the ASX100 this month following news it had withdrawn its US$2.5 billion debt offering and abandoned its debt restructuring plans.

In the gold sector the likes of NCM (-7.1%), IGO (-6.8%) and NST (-1.7%) fell in response to a -2.5% fall in the gold price, and steel stocks were mixed with ARI (-22.7%) and BSL (-12.7%) falling sharply, but SGM (2.6%) finished up.

In the broader Materials space the Builders were mixed. ABC (8.1%) was the standout for the second month in a row, BLD (3.9%) also outperformed on news of a share buyback. Meanwhile JHX (0.8%) and FBU (0.7%) just beat the broader market, while CSR (-6.5%) lagged.

Financials (1.4%) outperformed this month driven by the Banks (2.5%) and Diversified Financials (2.5%). REITS (-2.0%) fell as investors got nervous about the interest rate outlook and Insurance (-1.1%) ended the month down.

In Diversified Financials, MQG (5.2%) recorded a third consecutive month of outperformance and HGG (9.3%) continued its strong run fuelled by the ECB's QE program. These gains were partially offset by weakness from ASX (-4.1%) and MFG (-1.2%), with the latter likely impacted by its ascent into the ASX100 index.

REITs underperformed as bond yields backed up over the month. LLC (-4.1%), SGP (-4.1%) and DXS (-4.1%) were the weakest performers in the sector, with SCG (-3.1%), MGR (-3.4%) and GPT (-2.8%) also down. NVN (2.0%) and GMG (1.8%) outperformed.

The Big 4 Banks performed well this month with ANZ (3.7%) and WBC (3.6%) outperforming CBA (1.6%) and NAB (1.7%). Meanwhile both regionals detracted from performance with BEN (-2.1%) down and BOQ (-1.2%) gave up some of last month's strong gains following a soft 1H15 result.

Insurance was dragged lower by MPL (-9.4%) which fell despite the release of positive industry data. SUN (-3.4%) underperformed after revealing it no longer expects to achieve its 10% ROE target for FY15. AMP (-1.9%) was also weaker. IAG (2.1%) performed well though the company unexpectedly announced a series of management changes and QBE (2.1%) also helped to offset some of the sector's weakness despite a LMI credit rating downgrade.

Consumer Discretionary was flat over the month with modest gains from Retail (0.7%) and Media (0.9%), offset by Consumer Services (-0.5%).

There were some notably divergent performances in the Consumer Services space this month with AGI (17.6%) and ALL (13.3%) leading the outperformers, followed by NVT (6.3%) despite slower than expected growth in first semester enrolments. However, these were largely offset by share price declines from CWN (-11.4%), AAD (-6.7%) on news of its CEO retiring and FLT (-2.6%).

The Retail sector was mixed with strong performances from JBH (6.8%), BRG (4.6%), and AHE (3.4%). PMV (8.7%) outperformed for the second month in a row after reporting a better than expected first half result and special dividend. MYR (-23.2%) gave up all last month's outperformance after the company reported a weak result that was 15% below expectations. KMD (-8.7%) continued its slide from February and DSH (-6.9%) also underperformed.

The Media sector was mixed this month. NEC (5.0%) and APN (3.1%) did well, the latter amid news of a sell-down by two large shareholders and the subsequent acquisition of a 15% stake by NWS (-2.8%). REA (-0.9%) and FXJ (-0.5%) underperformed.

Healthcare (2.4%) was one of the strongest performing sectors in the month led by PRY (18.4%) which rallied on speculation of a leveraged buyout. RMD (13.0%) also performed strongly on no new news. Elsewhere in the space ANN (9.5%), SHL (6.6%) and HSO (5.6%) also did well. The big disappointment was SRX (-41.5%) which fell sharply on news that the SIRFLOW study's primary end point missed statistical significance.

In the defensive space Telcos (0.1%) performed in line with the market, with Consumer Staples (-0.6%) and Utilities (-0.5%) lagging.

In Telcos the big news was TPM's (20.3%) acquisition of IIN (36.2%). Elsewhere market heavyweight TLS (-0.9%) underperformed. Utilities were mixed with AGL (1.0%) leading, SKI (-4.8%) the sector laggard, and APA (-1.5%) also weaker.

In Consumer Staples the weakest performers were GNC (-4.7%) and TWE (-4.6%) with the latter announcing a series of supply chain optimisation plans and cost savings late in the month. WOW (-1.8%) underperformed and MTS (-1.3%) also lagged. WES (0.3%) did marginally better. CCL (3.6%) was the standout performer this month

Australian Equity Market – Outlook

We expect global growth will continue to grind higher over the next 12 months with solid growth in the US supported by improving growth in Europe. However, growth in China is expected to moderate and Japan is forecast to remain weak.

Activity in the US is solid but has moderated somewhat in recent months as the economy adjusts to a higher USD, reduced energy investment and the prospect of higher interest rates. Given the still solid growth outlook, it will be appropriate for the Fed to begin to raise rates in late 2015 at a very slow and measured pace. As such, we expect US bond yields will rise only moderately and remain very low by historical standards.

In Europe, economic activity has been weak and inflation has been very low but following the announcement of QE by the ECB and the stabilisation of the oil price we expect growth and inflation to pick up somewhat in 2015. Growth will also be supported by trade channels with the depreciating Euro and solid growth in the US.

In Japan, the economy continues to struggle with deflation as the Yen depreciation subsides. Growth is unlikely to improve while the government imposes new taxes and consumer sentiment remains subdued.

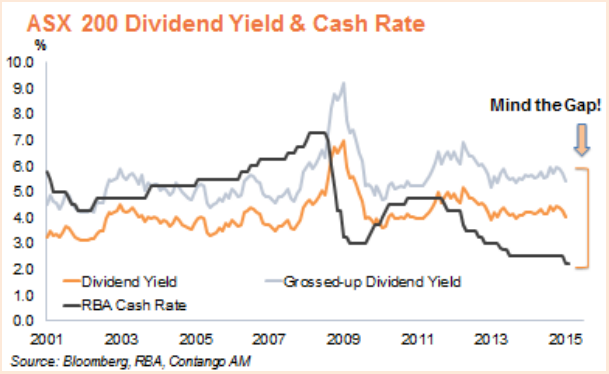
On Emerging Markets, our baseline forecast for China is for no hard landing. We envisage a gradual moderation in trend growth and a well-managed deleveraging with no major debt or credit crisis. So far, this scenario has played out mostly as expected with policymakers providing support as required.

Under this scenario, demand for commodities should remain subdued and commodity prices will remain under pressure including oil and iron ore. Both of these commodities also face unfavourable supply dynamics with increased US shale oil production and new iron ore supply from Australia. However, we remain on the look-out for any potential cuts in supply.

Locally, the outlook is for sub-trend growth as the economy transitions from mining investment to non-mining investment, net exports and consumption. With sub-trend growth and declining terms of trade, corporate Australia is in a difficult position to create jobs and will need further support from policymakers. In this environment, it is likely the unemployment rate will continue to rise putting further pressure on incomes and consumer confidence.

Partly offsetting this will be the RBA's rate cuts which will support asset prices and confidence. We expect at least another rate cut from the RBA to 2.0% with the risk of more if the transition does not accelerate in the second half of the year.

Chart 2: Australian RBA Cash Rate vs Dividend Yield. The gap between the RBA Cash Rate and the dividend yield (net and gross) is widening. Demand for yield will intensify further in the year ahead.



Another key factor in the outlook for the domestic economy is the exchange rate. The Aussie dollar has held up more than expected in recent years but, more recently, it appears that the exchange rate is starting to adjust downward which will support growth and incomes. A lower AUD is still anticipated by year end. This will be a net positive to domestic activity.

Given the economic outlook, equity markets should continue to grind higher as global and domestic interest rates will remain low for at least the next 12 months.

While we don't expect a further PE re-rating, markets should trade higher on solid earnings growth in the second half of the year. Although equities are not cheap, they are still expected to generate higher returns on an accumulation basis than either bonds or cash.

As the Fed begins its normalisation of policy, we expect periods of increased volatility as the market attempts to front run the Fed's rate hikes. This volatility is a normal part of the adjustment process and will support the equity rally over the long term.

The Aussie market in particular will be supported by the global equity rally but also the lower AUD which will boost earnings growth for the trade exposed industrials and resource companies.

In this environment, we prefer companies that have solid growth profiles and high free cash flow yields.

The outlook for small industrials is solid with the low interest rate and lower currency environment supporting earnings. However, without the strong cyclical upswing we continue to look for companies with strong balance sheets and solid growth profiles that are mostly independent of the economic cycle.

Small resources should continue to underperform with the wind down in the mining investment boom and weakness in commodity prices. We continue to monitor for value opportunities where the structural outlook is favourable. We also look for companies exposed to particular commodities that offer unique opportunities.

MicroCap Overview

For the month of December, the MicroCap Fund delivered a return of 2.6% against an index return of -1.9%. Over the quarter the Fund returned 12.6% versus the index return of 7.3%, resulting in 5.3% outperformance.

Over the quarter the Small Ordinaries index return of 7.3% compared to the ASX100 index return of 10.6%. Large Industrials (12.1%) outperformed Small Industrials (7.5%). However Small Resources (6.3%) outperformed Large Resources (2.9%). This differential in performance within resources was mainly due to the iron ore exposed large miners declining whilst the gold exposed small miners delivered positive returns.

The best performing sectors over the quarter were Utilities (+18.4%), Information Technology (+13.4%) and Diversified Financials (+10.5%). The worst performing sectors were Industrials (+0.1%), Energy (+4.2%) and Consumer Staples (+5.1%).

Utilities, which is only a small component of the Small Ordinaries Index (less than 1%), saw all three stocks increase – Energy World Corp. (30.5%), Infigen Energy (16.7%) and ERM Power* (10.1%).

Information Technology was buoyed by some strong performers with Altium* (38.1%) announcing a positive outlook statement at its interim results in February. Nextdc (36.7%) reported its maiden first half profit. iSentia Group (33.4%), which listed in mid-2014, delivered results above prospectus forecasts.

Diversified Financials benefitted from continued strength in Magellan Financials Group (+23.5%). Flexigroup (+17.9%) reported interim results in line with expectations and confirmed full year guidance. Likewise Equity Trustees (+15.3%) reported positive FUM growth at its interim results.

Industrials were the laggard as a result of Capital Goods (-15.5%) continuing to be under pressure. Bradken (-61.0%) fell after announcing that discussions with a potential bidding consortium ceased. NRW Holdings (-44.4%) remained under financial pressure whilst UGL (-33.6%) announced a business review to be initiated by the new CEO.

Consumer Staples were held back by Tassal Group (-11.3%), Bega Cheese (-6.0%) and Fonterra SFU (-5.7%).

Best performing stock over the quarter was Australian Pharmaceutical Industries (+111.0%) after upgrading 1H15 profits on the back of strong trading in its Priceline retail offering. Saracen Minerals* (see above) was the next best performer followed by GBST Holdings* (58.2%) after they announced continued strong growth in their UK operations at the interim results.

Tiger Resources* (-61.5%) was the worst performing stock after the African copper miner announced a poor quarterly result and funding issues. Next weakest performers were mining service companies Bradken (see above) and NRW Holdings (see above). MMA Offshore (-44.4%) fell on the back of further capex cut-backs announced by the large multi-national oil producers.

In the month of March, the Small Ordinaries index declined by -1.9% with Small Industrials down 0.7% whilst Small Resources declined -7.7%. The ASX100 index increased +0.1% with Large Industrials delivering +1.3% whilst Large Resources fell -6.1%.

The best performing sectors over the month included Telecommunications (+6.6%), Information Technology (+6.1%) and Utilities (+5.1%). The worst performing sectors were Energy (-8.6%), Health (-8.1%) and Materials (-6.3%)

Telecommunications benefitted from iiNet (+36.7%) after the Perth-based ISP received a bid from TPG Telecom. TPG has offered $8.60 in cash per share and the bid is unanimously recommended by the Board of iiNet.

Information Technology, as mentioned above, saw stock specific issues lift the sector. Top performers included Altium* (+12.7%), iSentia Group (12.0%) and GBST Holdings* (11.6%).

In line with performance over the quarter, Utilities were one of the better performing sectors in March. Infigen Energy (5.7%), ERM Power* (5.6%) and Energy World Corporation (4.1%) were all positive but on limited news flow.

The energy sector was led lower on the back of weaker oil prices (WTI US$/bbl down -3.6%) with Sundance Energy Australia (-18.9%) the weakest followed by Karoon Gas Australia (-17.6%) and Buru Energy (-15.8%).

Material sector underperformance was driven by weakness across commodity markets with iron ore being the stand-out. Small iron ore miners were under particular pressure and included Atlas Iron (-31.6%), Sundance Resources (-26.9%) and BC Iron (-24.5%).

Healthcare was hampered by the decline in Sirtex Medical (-41.5%) following disappointing trial data from its SIRFLOX clinical study. Acrux (-18.9%) fell after the FDA released a statement that requires labelling changes for all prescription testosterone products to reflect the increased risk of heart attacks and strokes associated with testosterone use. Starpharma Holdings (-14.6%) was another biotechnology company to fall during the month.

Vocation (+77.8%) was the best performer in March after it announced a new CEO and update on its strategic review. To put this share price move into context though, Vocation is down -95% since its peak in September 2014.

Australian Pharmaceutical Industries (+59.2%), as mentioned, up-graded profit guidance. RCG Corporation (+36.4%) announced the acquisition of footwear retailer and wholesaler Accent which is expected to be highly earnings accretive.

Aside from Sirtex Medical (-41.5%), the majority of the underperformers in March were resource or resource related companies. These included Atlas Iron (-31.6%), Regis Resources (-31.0%), Tiger Resources (-28.6%) and Ausdrill (-26.0%).

* denotes stocks held in portfolio

Portfolio changes

Additions - New

Aeris Environment Ltd (AEI) The company is an environment and technology company focussing on global megatrends of Energy efficiency, healthier air, food safety, water quality and long term materials protection. The company has four main divisions (1) air conditioning (2) cold storage (3) water retreatment (4) corrosion protection. The company is just starting to commercialise its IP so we are expecting high growth in sales and profitability from a low base in the coming years.

Praemium Ltd (PPS) The company is a global provider to the financial services industry specifically to the wealth management industry. Its main products include V-wrap which is a portfolio administration system, Wealth Craft a relatively new financial planning product and Smart Investment Management (SIM) a team experienced in multi asset portfolio construction with the first models launched in 2014. The company is transitioning from loss making to EBITDA profitable in FY15. We are expecting the company to be NPAT profitable in FY16.

Sandfire Resources (SFR) The company is an underground producer of copper/gold from its high grade Degussa mine in Western Australia. This is the first mining investment we have made for some quarters and the copper market continues to look well supported around the current spot price of $US2.75/lb. We are forecasting higher copper prices into 2016/17 driven by stronger demand and continued supply disruptions occurring at major copper mines such as Escondida and Freeport as well as a number of the Latin American copper mines.

Additions – Existing

360 Office Fund (TOF) remains one of our preferred real estate companies and over the March quarter we added to the position post a strong interim result and distribution announcement. The stock offers a strong dividend yield of 8.5% and trades at a discount to its NAV of $2.14. As the name suggests, they manage and own office space in both commercial and major suburbs throughout Australia.

Infomedia (IFM) A global automotive Industry solution developer announced In January the loss of a contract with Jaguar as the company decided to take their online service offering in-house and the stock sold off accordingly. Subsequently In February, they announced a 3 year agreement with Hyundai to supply and install components of the super-service platform for their operations in the USA. We see the opportunities for Infomedia to continue to grow its business globally as very exciting.

Mayne Pharma (MYX) The company announced the acquisition of Doryx as well as the restructuring of two of its generic products in the USA for $US65.7m and a subsequent 1 for 3.45 rights issue which we participated in fully. We see this acquisition as being highly accretive to earnings in 2016 and will provide them with the sales framework to launch into new generic drugs.

Godfreys (GFY) the vacuum cleaner manufacturer and retailer continue to operate well. We are attracted to its strong dividend yield of 8% fully franked and p/e of 9.5x which looks cheap in a market that is close to fully valued.

Sales – Removals

We sold out of **Austbrokers (AUB)** after they downgraded their forecasts by 5% due to increased competition at the premium end of the market where they are seeing pressure on rates. We believe this is an industry wide problem and not just Austbrokers Holdings.

Tiger Resources (TGS) was sold during the month also. While the operation is now fully commissioned at 25kt of copper, the issue was over the operating cost of $US1.60/lb versus expectations of sub $US1.00/lb. Also they drew a further $25m in debt from Taurus Funds which has seen their debt increase to $US200m.

Ingenia (INA) was exited from the portfolio. As mentioned above, we prefer the lower risk business model of lifestyle communities than the Ingenia model where they are trying to make a development profit as well as the recurring revenue stream off the rental income from retirees.

Macca (MLD) was exited from the portfolio and while it is the premier mining services company we feel the risk to their business model through exposure to Atlas remains high. The pressure on cutting costs by the mining industry is not going away in the short term

Maxi trans (MXI) The stock continues to struggle with a very soft domestic environment and we see the next 12 months as very similar to the last so domestic focused transport stocks will continue to struggle.

Sales – Reductions

A number of our top 20 holdings such as **Slater & Gordon (SGH), GBST (GBT), Gentrack (GTK)** have performed well over the quarter so we took the opportunity to lock in profits to fund the increased weightings to Mayne Pharma (MYX) and Infomedia (IFM).

IPOs and Placements

The portfolio participated in the following placements & IPOs during the March quarter.

Code	Company	Price
PLACEMENTS		
AFJ	Affinity Education	$1.18
ORE	Orocobre	$2.55
VLW	Villa World	$1.90
MYX	Mayne Pharma	$0.61
IPOs		
TPI	TPI Enterprises	$4.85

Portfolio Details

As at 31 March 2015 there were 70 securities in the portfolio. The tables below show the breakdown of these positions within the portfolio.

Position Weight	# of stocks	% of portfolio
> 3%	6	20.6%
2% - 3%	11	27.1%
1% - 2%	26	37.4%
0.5% - 1%	9	6.6%
< 0.5%	18	4.0%

Market Cap	# of stocks	% of portfolio
$1b+	3	7.4%
$350m- $1b	17	27.6%
$100m-$350m	30	48.3%
$0m - $100m	20	12.4%

1 Yr Fwd	CTN	Small Ords	ASX 100
PE (times)	13.4	13.8	15.7
EPSg (%)	10.1	8	3.4
Yield Net (%)	4.1	4.2	4.5
Yield Gross (%)	5.3	5.2	6

As at 31.03.2015. CTN is of those stocks in the underlying investment portfolio excluding stocks with a P/E > 50. Represents 75% of portfolio. Small Ords and ASX 100 are Consensus valuations. Source Factset

Sector Weights

Sector Weightings	Dec-14	Mar-15
Energy	3.1%	2.6%
Materials	9.6%	5.9%
Industrials	14.7%	12.1%
Consumer Discretionary	22.8%	22.2%
Consumer Staples	1.5%	0.9%
Healthcare	4.8%	8.6%
Financials	18.6%	20.9%
Information Technology	15.1%	17.9%
Telecommunications	1.2%	2.1%
Utilities	2.0%	2.7%
SPI	0.0%	1.5%
Cash	2.6%	2.5%

Top 20 Stock weights

Code	Company Name	Weight
VLW	Villa World Limited	3.6%
SGH	Slater & Gordon Limited	3.6%
MYX	Mayne Pharma Group Limited	3.5%
GBT	GBST Holdings Limited	3.5%
ALU	Altium Limited	3.3%
ASB	Austal Limited	3.1%
IFM	Infomedia Ltd	2.9%
SGF	SG Fleet Group Limited	2.8%
AFJ	Affinity Education Group Limited	2.7%
AHE	Automotive Holdings Group Limited	2.7%
EPW	ERM Power Limited	2.7%
ENN	Elanor Investors Group	2.5%
TGP	360 Capital Group	2.3%
IPP	Iproperty Group Limited	2.3%
AMM	Amcom Telecommunications Ltd	2.1%
PRT	Prime Media Group Limited	2.0%

NHF	NIB Holdings Limited	2.0%
PMP	PMP Limited	2.0%
SAR	Saracen Mineral Holdings Limited	1.9%
GMF	Gpt Metro Office Fund	1.9%

Shown as a percentage of the total CTN investment portfolio.

Villa World Limited (VLW)
Villa World is a residential property developer. The Company has two major residential development brands: Villa World Homes and GEO Developments. Villa World's strategy is to grow the core residential communities development business within Queensland, New South Wales and Victoria.

Slater & Gordon (SGH)
Slater & Gordon Limited (SGH) is an Australian law firm specialising in insurance claims, commercial, family and asbestos-related law. SGH also provides advice to organisations involved in commercial or business disputes. SGH operates core business with 70 offices throughout Australia and across 12 locations in the UK. SGH now includes five brands in total: Slater & Gordon (national), Trilby Misso Lawyers and Conveyancing Works (Queensland), Russell Jones & Walker and Claims Direct (UK).

SGH is currently the market leader in personal injury with 20% market share, with a 30-35% market share target over time through organic through and bolt-on acquisitions. The firm is well known for its "no win no fee" arrangements where if a claim made by its client is unsuccessful, the client does not pay any legal fees. If the claim is successful however, the client is charged legal fees which may include a success fee.

Mayne Pharma Group (MYX)
Mayne Pharma is a specialist pharmaceutical company with an intellectual property portfolio built around the optimisation and delivery of oral dosage form drugs. The businesses are divided into the categories of drug delivery, product, services and manufacturing.

GBST Holdings Limited (GBT)
GBST is a provider of securities transaction and fund administration software to the financial services industry. Following company success and global expansion, three new business units have been set up; Capital Markets, Wealth Management and Financial Services.

Altium Limited (ALU)
Altium builds software products which allow their customers to design electronic products. Their software is used in a variety of industries including aerospace and defence, electronics and life sciences, automotive and consumer electronics.

Austal Limited (ASB)
Austal is a global defence prime contractor. The Company designs, constructs and maintains revolutionary platforms such as the Littoral Combat Ship and the Joint High Speed Vessel for the United States Navy, as well as a range of patrol and auxiliary vessels for defence forces and government agencies globally. Austal s primary facilities comprise a defence shipyard in Henderson, Western Australia; a defence shipyard in Mobile, Alabama; and a commercial shipyard in Balamban, Philippines.

Infomedia Ltd (IFM)
Infomedia is a provider of information solutions to the after sales parts and service sector of the automotive industry. IFM supplies online parts selling systems, menu pricing systems, a range of publications, as well as data analysis and information research for automotive manufacturers. IFM products are used by over 140,000 dealership personnel in over 186 countries.

SG Fleet Group Limited (SGF)
SG Fleet is a provider of fleet management services to corporate and government customers, as well as salary packaged vehicles for customers' employees. The Company operates in the outsourced fleet management and salary packaging sectors, primarily in Australia, with a presence in New Zealand and the United Kingdom.

SGF offers an extensive range of products and services tailored to various market segments. Fleet solution services - including fleet management service, funding options, fleet product which includes maintenance plans, registration renewal, fuel cards and reporting, comprehensive insurance, vehicle acquisition and disposal and fleet innovation.

Affinity Education Group (AFJ)
Affinity is a provider in the Australia market of education and care to children aged six weeks to 12 years. Provision of these services includes long day care, before and after school care and occasional care. Affinity owns and operates 57 child care centres and manages 11 child care centres across Qld, NSW, Vic and the NT. The portfolio of 68 centres is separated into seven geographical clusters and consists of 4,279 configured places. There are 34 owned centres, 2,752 configured places and 10 anaged centres in QLD; 14 owned centres, 823 configured places and 1 managed centre in NSW; 5 owned centres and 398 configured places in VIC; and 4 owned centres and 306 configured places in NT.

Automotive Holdings (AHE)
Automotive Holdings has grown to become the largest motor vehicle dealer group within Australia, with franchises covering 10 out of the top 11 passenger vehicle brands. The group's primary markets are Western Australia and Queensland, although recent acquisitions have given AHE a presence in metropolitan Sydney. AHE also operates a logistics division comprised of a refrigerated transport business, cold storage, warehousing and distribution.

ERM Power Limited (EPW)
ERM Power engages in the sales of electricity to businesses across Australia. EPW sell electricity to small and big business across Australia, operates gas-fired generation assets and has gas exploration projects in East and West Australia. EPW has three business segments being Electricity Sales, Generation and Gas.

Elanor Investors Group (ENN)
Elanor is an investment and funds management business, investing in assets and operating business throughout Australia. We participated in the float and the company recently announced the purchase of the Bell City hotel complex in Preston (VIC). The company raised $12.6m and will retain a 17.0% stake in the development.

360 Group (TPG)
TGP is an evolving diversified real estate and funds management company, deriving earnings from direct rental income, co-investment income and funds management fees.

iProperty Group (IPP)
iProperty is the largest operator of real estate classified and advertising portals in South East Asia, holding market leading positions in Malaysia, Indonesia and Hong Kong and the number two position in Singapore. The company earns income from subscriptions and display advertisements from real estate agents, property developers, banks and insurance companies. The maturity of online classifieds in the region is very early stage, but growing strongly, and IPP's market leading positions offers exposure to this growth.

Amcom Telecommunications (AMM)
A Western Australia based telecommunications company that owns and operates high speed, fibre-optic networks and Data Centre capabilities that allow them to provide integrated telecommunications and converged IT solutions to corporate enterprises, government agencies and third-party telecommunication providers. They have received an all scrip offer from Vocus Telecommunications and we remain positive about the merged group in the medium term.

Prime Media Group (PRT)
Prime operates television broadcasting, radio broadcasting and online media throughout Northern & Southern NSW and Victoria, with the bulk of its group revenues coming from the television division. PRT has had a long affiliation agreement with free-to-air market leader Channel Seven where PRT leverages Seven's strong programming schedule (and consequently ratings).

While the advertisement market has been weak and subdued in recent years, PRT's market leading position and management's strong cost focus has seen earnings grow in the period. The stock has also offered an attractive yield.

NIB Holdings Limited (NHF)
A national provider of private health insurance, life insurance, travel insurance and related health care activities to more than 900,000 people nationwide. NHF's strategy is to provide innovative, low cost health insurance products.

PMP Limited (PMP)
Is engaged in commercial printing, letterbox delivery, digital pre-media and magazine distribution services. PMP provides a range of services including photography, creative services, consumer insights, printing, distribution and multi-channel solutions. PMP operates three main businesses: PMP Australia, PMP New Zealand and Gordon and Gotch. PMP has operations in Australia and New Zealand.

Sacaren Mineral Holdings Limited (SAR)
SAR is a WA gold producer with operations at the Carosue Dam and looking to start another operation at their Thunderbox Project. Their combined resources stands at 6.0Moz and Reserves at 1.6Moz. The Carosue Dam project is serviced by one plant, two mining regions and a number of potential development projects all located NE of Kalgoorlie. The tenements span ~150km from the Carosue Dam District in the south (comprising the 2.4mtpa processing plant and the Whirling Dirvish open pit) to the Red October District in the north (comprising the high grade Red October underground mine).

GPT Metro Office Fund (GMF)
The company is a passive externally managed REIT focused on Australian office and business park assets. GPT is a solid external manager with extremely deep resources in the sector and they own a 12.5% stake in the company. They are a passive office real estate investment trust with six office/business park assets located across Sydney (54%), Melbourne (17%) and Brisbane (29%). Total value of approximately $375.9m.

KEY INVESTMENT INDICES	31/03/2015	Month	Quarter	6 Months	Financial Year to Date	12 Months
Accumulated Australian Indices						
ASX 200	52,006.71	-0.1%	10.3%	13.8%	13.1%	14.1%
ASX 300	51,212.91	-0.1%	10.3%	13.6%	12.9%	13.9%
ASX 300 Industrials	105,345.68	1.1%	11.7%	19.4%	19.3%	20.8%
ASX 300 Resources	18,722.44	-6.2%	3.1%	-10.4%	-12.7%	-13.3%
All Ordinaries	50,746.48	0.0%	10.2%	13.0%	12.7%	13.2%
Small Ordinaries	5,576.95	-1.9%	7.3%	3.1%	4.7%	2.3%
ASX 300 Accumulated GICS Sector Indices						
Materials	65,609.38	-4.5%	7.7%	1.2%	-1.8%	-4.8%
Consumer Discretionary	15,891.14	0.1%	13.9%	13.6%	14.0%	12.2%
Consumer Staples	79,872.23	-0.6%	4.1%	-0.5%	0.1%	0.4%
Energy	82,003.27	-5.7%	-3.7%	-20.8%	-20.6%	-16.6%
Financial	73,380.14	1.4%	13.4%	22.2%	19.8%	22.6%
Financial (ex LPT's)	82,759.64	2.0%	14.1%	22.3%	19.2%	20.7%
Healthcare	102,845.30	2.4%	12.2%	27.2%	39.1%	36.4%
Industrials	40,493.93	1.8%	9.0%	17.3%	18.0%	17.9%
Information Technology	6,364.11	3.7%	9.4%	8.7%	9.6%	9.3%
Property Trusts	37,232.34	-2.0%	9.2%	21.6%	23.1%	34.4%
Telecoms	27,177.69	0.1%	8.9%	22.3%	29.0%	31.1%
Utilities	70,962.54	-0.5%	13.8%	17.2%	17.4%	26.0%
Global Indices						
Dow Jones Industrial	17,776.12	-2.0%	-0.3%	4.3%	5.6%	8.0%
S&P 500	2,067.89	-1.7%	0.4%	4.8%	5.5%	10.4%
NASDAQ Index	4,900.89	-1.3%	3.5%	9.1%	11.2%	16.7%
Nikkei 225 Index	19,206.99	2.2%	10.1%	18.8%	26.7%	29.5%
Hang Seng Index	24,900.89	0.3%	5.5%	8.6%	7.4%	12.4%
Shanghai Composite Index	3,747.90	13.2%	15.9%	58.5%	83.0%	84.3%
FTSE 100	6,773.04	-2.5%	3.2%	2.3%	0.4%	2.6%
German Aktien Index (DAX)	11,966.17	5.0%	22.0%	26.3%	21.7%	25.2%
France CAC40	5,033.64	1.7%	17.8%	14.0%	13.8%	14.6%
India BSE 200 Index	3,537.55	-3.7%	3.2%	8.8%	13.2%	31.9%
MSCI World ex Aust (hedged)	3,549.28	-0.4%	4.7%	8.1%	9.1%	14.0%
S&P 500 US GICS Sector Indices						
Energy	565.76	-2.0%	-3.6%	-14.4%	-22.2%	-13.3%
Materials	306.51	-5.0%	0.4%	-1.9%	-2.2%	2.7%
Industrials	479.66	-2.7%	-1.4%	4.7%	3.0%	6.4%
Consumer Discretionary	597.86	-0.6%	4.4%	13.0%	12.9%	16.5%
Consumer Staples	501.33	-2.4%	0.4%	7.8%	9.1%	13.4%
Health Care	840.73	0.8%	6.2%	13.6%	19.3%	24.2%
Financials	324.95	-0.8%	-2.5%	4.1%	6.0%	7.9%
Information Technology	693.12	-3.4%	0.2%	5.0%	9.6%	16.2%
Telecommunication Services	152.93	-3.8%	0.2%	-5.1%	-3.4%	-0.9%
Utilities	225.68	-1.3%	-6.0%	5.5%	0.3%	7.1%
Commodities						
Gold (US$/oz)	1,183.52	-2.4%	0.0%	-2.0%	-10.8%	-7.8%
Oil WTI (US$/bbl)	47.61	-3.6%	-11.3%	-47.9%	-54.8%	-53.1%
Aluminium (USc/lb) LME	81.15	-0.3%	-2.3%	-7.5%	-3.3%	3.4%
Copper (USc/lb) LME	274.45	2.9%	-4.9%	-10.2%	-13.0%	-8.8%
Nickel (USc/lb) LME	565.18	-11.3%	-16.6%	-24.5%	-33.4%	-20.8%
Iron Ore price	49.76	-20.8%	-31.4%	-35.8%	-47.6%	-56.7%
Interest Rates						
AUS UBS Composite Bond Index	8,567.78	0.8%	2.7%	6.7%	7.8%	11.1%
AUS UBS Bank Bill Index	8,228.62	0.2%	0.7%	1.4%	2.0%	2.7%
	%	basis point change				
AUS Cash Rate	2.25	0	-25	-25	-25	-25
AUS 90 day Bank Bill rate	2.22	-9	-55	-47	-46	-43
AUS 10 year Bond yield	2.32	-15	-41	-117	-122	-177
US Federal Funds rate	0.25	0	0	0	0	0
US 30 year Bond yield	2.54	-5	-21	-66	-82	-102
US 10 year Bond yield	1.92	-7	-25	-57	-61	-80
Exchange Rates						
AUD/USD	0.7606	-2.6%	-6.9%	-13.1%	-19.4%	-17.9%
AUD/YEN	91.35	-2.2%	-6.5%	-4.8%	-4.4%	-4.5%
EURO/USD	1.07	-4.1%	-11.2%	-15.0%	-21.6%	-22.0%
AUD/EUR	0.71	1.5%	4.9%	2.3%	2.8%	5.3%
AUST TWI	63.30	-1.2%	-4.8%	-7.6%	-12.1%	-10.8%

DISTRIBUTION UPDATE

At 31 March 2015 CTN recorded its highest ever number of shareholders (5,652). It is our pleasure to welcome new shareholders and those who may be reading this newsletter for the first time.

This growth in shareholders reflects developments in the Australian investment landscape where the number of Self Managed Superannuation Funds (SMSFs) continues to grow.

Research from industry analysts identify the key reasons investors prefer to invest directly into equities as Control, Transparency, Dividends, Franking and Tax benefits.

CTNs marketing objective is to make as many investors as possible aware of it and familiar with the benefits of owning its shares. The flow on of this is demand for CTN shares and growth in the shareholder base, enabling the share price to more fully reflect the company asset value.

During the March quarter the company remained active in promoting itself to investors, shareholders and brokers across Australia including participating in the Benchmark Media Succession Planning Days in Sydney, Melbourne and Brisbane. As well as this CTN delivered presentations to investor groups in Melbourne, Geelong and Albury-Wodonga, where the Australian Shareholders Association (ASA), Australian Investors Association (AIA) and Australian Retirees Association (ARA) came together for a fine morning discussing microcap stocks and trading strategies.

The upcoming quarter will again see us visible to industry and investors including presenting at the forthcoming ASA and AIA Annual National Conferences held in Melbourne in May and Gold Coast in August respectively.

Details of these events as well as others that CTN will be participating in can be found on the Events page on the CTN web site. CTN shareholders who would like to attend either of these conferences can obtain discounted registration fees. Information on this can also be found on the events page.

ASX FEATURE ARTICLE WITH CTN CIO GEORGE BOUBOURAS



Many investors and CTN Shareholders would be familiar with new Contango CIO George Boubouras through his regular appearances as a commentator on the various Sky business investment programs. The Contango brand is now prominently and regularly featured on this and other mediums including National newspapers.

George wrote the feature article for the March ASX Investor Update, regarding the promising outlook for small stocks. Electronic recipients can read this article here.

VIDEO INTERVIEW ON SWITZER



George is a regular guest on Switzer program on the Sky business channel. In this interview he talks about market confidence following the end of earnings season, and corporate Australia transitioning from the end of the mining boom. (Broadcast Tuesday 10 March 2015.) Electronic recipients can watch the video here.

ENGAGING THE INVESTMENT COMMUNITY

Providing transparency in the company and regular information about the investment portfolio is a priority of the CTN Board. These are contributing factors to ensuring that share price best reflects the asset value of the company.

For information on CTN whereabouts, including having CTN present to your investor group or conference, please visit the Events page on the CTN website.

KEEP UP TO DATE WITH THE LATEST INFORMATION

There is much information available through the Investment Centre on the CTN website. CTN produces articles and papers relevant to Microcaps and LICs which are often published in various industry magazines and websites. Where possible, these are loaded onto the CTN website. Commentaries and research conducted on CTN by stockbrokers and researchers can be found there. Shareholders should keep an eye on the Articles and Events tabs on the CTN Investor Centre website.



CTN WEBSITE RESOURCES

CTN engages its shareholders through providing ongoing information relating to the underlying investment portfolio as well as other important operational matters. Our web site is comprehensive and provides information on the company, the investment portfolio and microcap sector.

SUBSCRIBE TO CTN COMMUNICATIONS

Shareholders and interested investors can use the subscription feature on our web site to receive notification when this and other important documents have been released to the ASX.

CTN ALWAYS ACCESSIBILE TO SHAREHOLDERS

As always, if shareholders or interested parties have any questions, suggestions or requests - such as speaking at an investor group event - please feel welcome to contact us at any time.

If you would like to receive an information and welcome pack (brochure, bookmarks and mouse pad) please call Contango on 03 9222 2333 or contact us via email support@contango.com.au or use the *Contact Us* feature on the Contango MicroCap web site.

WEB PAGES CITED:

CTN Events	www.contango.com.au/ctn_contango_microcap_events_and_dates.php
CTN Research Page	www.contango.com.au/ctn_contango_microcap_research.php
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