8 December 2016

ASX Announcement – Changes to Investment Management Arrangements

2016 has seen the final steps of the Company's restructuring program that began earlier in the year with it disposing of its investment manager, and, also its 38% stake in another listed investment company – CIE, coming to an end.

The Board of CTN is pleased to advise that it has heeded the feedback from shareholders during the AGM and comments received by the Company in a recent research report and has reached a series of decisions to improve the independence arrangements between the Company and its investment manager.

It is expected that these initiatives will set CTN aside as a leader in the LIC space, where shareholders' interests are pursued first and foremost through growth in Net Tangible Asset (NTA) value and not compromised by the growth aspirations of its investment managers.

Effective immediately, the Company will appoint a second investment manager initially to be the recipient of the sale proceeds of its recent disposal of CIE shares (approximately $27m). Over time the new manager will become equal in size with the incumbent manager.

The Board believes that the current manager has delivered solid performance in recent years. However, the research report highlights that the capacity constraints on microcap managers provides an unacceptable concentration risk that will now be diversified.

It is recognised that low stock liquidity in the sector and the size of stock positions in portfolios can make it difficult for microcap managers to consistently add value so having multiple managers and restricting the size of their allocations will offer more opportunity for each manager to maximise the returns to shareholders inside their portfolios.
This will provide an opportunity to also review the management fee arrangements payable by the Company to its managers.

In addition, the restructuring has reduced the complexity of the Company, and as such the directors have agreed to an annual reduction of directors' fees in the order of 30%pa, effective immediately.

The Company is also considering a change of name to remove the confusion in the market place associated with the "Contango" brand and provide the Company with a profile independent of its investment managers.

LIC's have become the investment vehicle of choice for many investors and brokers & financial planners on behalf of their clients. With this greater acceptance comes a requirement by shareholders that LIC Boards be more cautious with their capital management initiatives, ensuring that capital raisings are undertaken always aiming towards NTA accretion.

These refinements are to benefit all shareholders and we recommend that shareholders wholeheartedly support these items which the Board believes will lead to higher returns and greater transparency of the Company for shareholders.

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