



Contango
MicroCap
Limited

Contango MicroCap Limited

ABN 47 107 617 381

INVESTMENT COMMENTARY

Quarterly Update June 2014

"...Since CTN listed on 25 March 2004 the size of its investment portfolio has grown from \$27 million to \$196 million and the company has provided shareholders with over \$82 million in dividend payments..."

Table of Contents

Managing Director's Comment	1-3
Quarterly Investment Update	4-18
Global Overview	
Global Interest Rates	
Exchange Rates	
Commodities	
Domestic Developments	
Australian Equity Market Review	
Australian Equity Market Outlook	
MicroCap Overview	
MicroCap Portfolio Overview	
IPO's & Placements	
Portfolio Details	
Key Investment Indices	
Distribution Update	19-22

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Dear Fellow Shareholder

INVESTMENT UPDATE – JUNE QUARTER 2014

MANAGING DIRECTOR'S COMMENT

CTN is the first and only listed entity that specifically invests in listed microcap companies. Since listing in March 2004 Contango has invested nearly \$1b into Australian microcap companies. In 2014 CTN celebrated its 10 year anniversary as a Listed Investment Company.

While our objective is to grow wealth to shareholders and provide them with reliable income streams from their investment, it has been a pleasure to play an instrumental role in providing essential capital to Australian microcap companies- many of which have significantly contributed to the lives of so many Australians.

While microcap companies do not receive the media attention of their large cap counterparts, their role in generating wealth for investors, employment for Australians and valuable services, new technologies and innovation needs to be recognised. As well as offering world class products, services and technologies, Australian microcap companies are managed by some incredibly talented people.

Shareholders in CTN, in particular those foundation shareholders still with the company, have contributed in ways they probably do not recognise. CTN provided many companies with the capital they required to invest in their future. Many of these have grown into substantial companies and after outgrowing Contango's Microcap portfolio have found a place in Contango's larger cap funds. If it weren't for our shareholders we would not have been able to do this.

Looking to the year ahead CTN anticipates solid but not stellar growth of around 3% as the economy transitions from mining investment to non-mining investment and consumption. In this environment, we prefer companies that have solid growth profiles and high free cash flow yields while avoiding low growth defensives and pure yield companies. CTN continues to see select opportunities within the microcap space.

CTN INVESTMENT PORTFOLIO PERFORMANCE

In the June Quarter, the CTN investment portfolio generated an investment return of -0.62%.

In this time the ASX Small Ordinaries Accumulation Index fell by -2.26% and the S&P/ASX Emerging Companies Index fell by -5.35%.

The following table notes performance for each month and the quarter.

	April	May	June	Quarter
CTN Investment Portfolio*	-3.13%	1.86%	0.73%	-0.62%
ASX Small Ordinaries Accum. Index	-1.24%	0.08%	-1.11%	-2.26%
S&P/ASX Emerging Co's Accum. Index	-6.08%	-0.28%	1.06%	-5.35%

* CTN investment portfolio reflects the gross returns of the underlying investment portfolio and is before the impact of fees, taxes and charges. Past performance is no guarantee or predictor of future performance.

Some major contributors over the quarter included Austal Ltd (which returned 31%), Lonestar Resources Ltd (55%), Sfg Australia Ltd (20%), Slater & Gordon (13%), Icar Asia Ltd (36%) and NIB Holdings Ltd (16%).

Over the 12 months the portfolio held a total of 101 positions in the investment portfolio. Of these, 68-representing approximately 80% of the investment portfolio weighting, contributed positively to the year's performance. Positive contributors over the 12 months included Iproperty Group Ltd (which returned 308% in FY14), Icar Asia Ltd (262%) Perilya (192%) BT Investment Management (119%), Syrah Resources (103%), Mayne Pharma (98%), and Capitol Health (92%).

The following table identifies the performance of the underlying investment portfolio since inception.

	1Yr %	2 Yrs % pa	3 Yrs % pa	4 Yrs % pa	5 Yrs % pa	7 Yrs % pa	10 Yrs % pa	Inception %pa (25/03/04)
CTN Investment Portfolio	30.6%	11.0%	2.6%	10.3%	12.8%	1.3%	16.7%	16.9%
Emerging Co's Accum. Index	14.8%	-10.4%	-12.7%	-3.3%	0.3%	-7.8%	3.2%	2.5%
ASX Small Ords Accum. Index	13.1%	3.5%	-2.9%	1.6%	3.4%	-5.5%	4.5%	4.6%

As at 30.06.14. Gross returns. Past performance is no guarantee or predictor of future performance

The long term gross performance of the CTN investment portfolio is 16.9% per annum since inception in March 2004. This ranks CTN's investment portfolio performance amongst the best performing Australian Shares portfolios over the corresponding time period.

CTN SHARE VALUE PERFORMANCE

CTN share price remained flat during the quarter, closing at \$1.025.

Over the last 5 years the CTN share price has delivered total returns to shareholders as follows.

% return	CTN Total Shareholder Return	S&P/ ASX Small Ords Accum	S&P/ASX Emerging Companies Accum
1 Year	13.0%	13.1%	14.6%
2 years pa	10.1%	3.5%	-10.4%
3 years pa	3.0%	-2.9%	-12.7%
4 years pa	17.6%	1.6%	-3.3%
5 years pa	12.3%	3.4%	0.3%

As at 30.06.14. Total Shareholder Return includes impact of Dividends paid. Past performance is no guarantee of future returns

As can be seen, the Total Shareholder Return has outperformed the return of the S&P/ASX Small Ordinaries Accumulation Index and ASX Emerging Companies Index.

When comparing the performance of an LIC to the returns of ASX Indexes, it is important to recognise that an LIC's NTA and Total Shareholder Returns 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.

DIVIDEND INFORMATION

CTN OFFERS A FIRM DIVIDEND POLICY

In the NTA statement released to the ASX on the 1st of July, CTN announced an after-tax NTA value of \$1.138. In line with the company dividend policy to pay a minimum of 6%pa of the July 1 NTA value, CTN is able to provide investors with an *indication* of the proposed FY15 dividends, and proposed forward dividends as per the company dividend policy. Please note that these are not a formal declaration of 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.

Indicative proposed future dividends as at 1 July 2014 ¹			Amount
FY14 Final	October 2014:	Proposed	3.3 cents p/s
FY15 Interim	March 2015:	Proposed	3.1 cents p/s
FY15 Final	October 2015:	Proposed	3.7 cents p/s

Since declaring its first dividend in December 2004, CTN has declared a total of 75 cents per share (cps) in dividends to shareholders amounting to a total payout of over \$82.3m.

CONTANGO ASSET MANAGEMENT LIMITED

Since 2004 Contango Asset Management Ltd (CAML) have demonstrated that they possess the skills and ability to successfully manage a microcap portfolio and manage it within a closed end company structure.

Contango's most recent new fund is the *Contango MidCap Income Fund* which, since inception in 2012, has generated a total gross return of 24.6% pa. We continue to see this to be an attractive strategy for investors requiring income with less than market volatility.

This outperformance against market indices is repeated in other funds managed by CAML as seen in the following table, demonstrating further evidence of the asset allocation and stock selection skills of the investment manager.

	1Yr %	3 Yrs % pa	5 Yrs % pa	Inception % pa	Inception Date
CAML Australian Equities funds					
Large Cap	17.2	10.6	11.3	9.4	8 Apr 1999
Small Cap	18.0	3.2	10.6	9.5	28 Feb 2005
Microcap Portfolio	30.6	2.6	12.8	16.9	25 Mar 2004
Income Generator	19.8	19.0	17.3	7.9	31 Oct 2004
MidCap Income	25.2			24.6	21 Dec 2012
CAML International Equities funds					
Global Value Fund	21.8	24.3	24.6	13.5	31 Dec 2007
ASX Indices performance					
All Ordinaries Accumulation Index	17.6	9.7	11.0		
All Small Ordinaries Accumulation Index	13.1	-2.9	3.4		
Emerging Companies Accumulation Index	14.6	-12.7	0.3		

As at 30.06.14. Gross Returns. Past performance is no guarantee of future returns.

ASX ANNOUNCEMENTS IN THE JUNE QUARTER

During the Quarter the company released:

- March, April and May NTA statements
- April and May mid-month portfolio commentary
- March Quarter Investment Commentary



These documents can be found on the CTN Website www.contango.com.au.

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.

Yours sincerely

David Stevens
Managing Director

QUARTERLY INVESTMENT COMMENTARY

Global Overview

Global equity markets had another strong year in 2013/14 thanks to historically low interest rates, a recovery in the US economy and historically low financial market volatility.

Developed markets (21.4%) outperformed Emerging markets (11.3%) for the fourth year in a row with the MSCI World up in ten months out of the twelve. Of the majors, the best performing markets over the year were the NASDAQ (29.5%), German DAX (23.5%) and S&P 500 (22.0%). Throughout the year, the S&P 500 hit new all-time highs in every single month.

The underperformers were the Shanghai Composite (3.5%), FTSE 100 (8.5%) and the Nikkei (10.9%). Chinese markets were weighed down by a moderating economy and rumblings of stress in credit markets.

The local ASX 300 returned a strong 17.3% for the year and had twice as many up months as down. For much of the year, the local bourse was handicapped by its heavier exposure to mining, but a low starting point meant that the Materials sector was among the winners over the year (18.1%). Banks (22.3%) also outperformed while defensive sectors including Telcos (16.3%), REITs (11.1%) and Health Care (11.2%) lagged.

Despite the solid return over the year, the market environment wasn't all smooth sailing. The news flow featured emerging market volatility, Russia's annexation of Crimea, weather disruptions in the US, and concerns surrounding China's outlook and debt levels.

The trigger for the emerging market selling appeared to be the Federal Reserve's tapering of QE and the subsequent tightening of financial conditions. Some of the hardest hit markets included Turkey, Argentina and South Africa.

In the Ukraine, pro-European protesters ousted the pro-Russian president, Mr Yanukovich, who then fled to Russia. Following the upheaval, Russia sent unidentified troops to the peninsula region of Crimea which houses its Black Sea Navy Fleet.

Russia's actions were condemned by Ukraine and the West with the US threatening and then imposing economic and political sanctions. Following the threats, the Russian Ruble and equity market sold off aggressively. However, the final sanctions were relatively benign with Russia formally annexing the Crimea region with little incident.

In China, a couple of trust funds defaulted which led to increased speculation of a broader credit crisis in the region. But the defaults were not widespread and the government continued with its plans for financial market reform.

More recently in the June quarter, global markets continued their steady march forward rising 4.5%. The S&P 500 (4.7%) shrugged off a poor first quarter GDP print with little trouble.

The local bourse however traded in a narrow range and gained less than 1% in the quarter. A falling iron ore price and a rising AUD weighed on the Materials sector (-3.1%) and falling bond yields helped the yield sectors of REITs (9.3%), Utilities (7.9%), Telcos (1.9%) and banks (1.3%).

Global Indices	1 mth	3 mth	12 mth
ASX 300*	-1.4%	0.9%	17.3%
Dow Jones Industrial	0.7%	2.2%	12.9%
S&P 500	1.9%	4.7%	22.0%
NASDAQ Index	3.9%	5.0%	29.5%
Nikkei 225 Index	3.6%	2.3%	10.9%
Hang Seng Index	0.5%	4.7%	11.5%
Shanghai Composite Index	0.4%	0.7%	3.5%
FTSE 100	-1.5%	2.2%	8.5%
German Aktien Index (DAX)	-1.1%	2.9%	23.5%
France CAC40	-2.1%	0.7%	18.3%
India BSE 200 Index	5.9%	16.5%	34.5%
MSCI World ex Aust (hedged)	1.5%	4.5%	21.9%
MSCI World ex Aust (unhedged)	0.4%	3.0%	20.4%

* Total Return

US Economy

Despite some significant challenges throughout the year — including Fed tapering, a government shutdown and a polar vortex — the US economy held up relatively well.

During the year, Janet Yellen was officially confirmed as Fed Chair, becoming the first Democratic nominee to take the role since Paul Volcker in 1979. Over the year, the Fed retained the federal funds target rate range at 0-0.25% but decided to reduce 'QE3' asset purchases from \$85 billion per month to \$75 billion starting in January. The committee reduced purchases by \$10 billion in each of the subsequent months. US bond yields initially rose on the news but later declined to around 2.5%.

More recently, the median interest rate forecast of FOMC members rose by 13 basis points to 1.13% for the fourth quarter of 2015 and by 25 basis points to 2.5% by the fourth quarter of 2016. However, Yellen indicated in June that there is no urgency to step back from highly accommodative monetary policy in the near term.

In October, the US Government 'shut down' for the first time since 1996 as the House and Senate failed to agree on a budget. The shutdown lasted 16 days with roughly 800 000 government employees furloughed.

GDP growth got off to a promising start in the third quarter of 2013 with annualised growth of a strong 4.1%. This was followed by 2.6% in the fourth quarter before bad weather and a swing in inventories knocked first quarter 2014 growth down 2.9%.

The labour market continued to slowly recover throughout the year with nonfarm payroll growth of around 200 000 per month. A larger improvement was seen in the unemployment data with the rate declining from 7.5% in June 2013 to 6.3% in May 2014. This was helped by a 0.7 percentage point drop in the participation rate over the year.

Consumer sentiment ended the year slightly weaker than in June 2013. The University of Michigan survey rose to a nine month high of 84.1 in April before easing to 82.5 in June (compared to 84.1 in June 2013).

The ISM held up relatively well over the year despite some volatility associated with the bad weather. Over the financial year, the ISM manufacturing PMI rose from 52.5 in June to 55.4 in May and the ISM non-manufacturing PMI rose from 53.4 to 56.3.

US Equity Market

The S&P 500 index gained 22.0% over the financial year and hit a new closing high in each month. Low volatility underpinned investor interest in stocks with the VIX averaging just 14.0 (compared to an average of 20.1 since the index began).

Sector leadership was skewed to cyclical sectors including Industrials (25.9%), Materials (29.7%) and IT (29.3%). Health Care (27.8%) also outperformed but other defensive sectors including Consumer Staples (12.1%) and Telcos (0.2%) lagged.

In the quarter, the S&P 500 continued to hit new closing highs and market volatility continued to be subdued. The VIX reached a seven-year low of 10.6 on June 18 and averaged just 12.7 over the quarter.

Energy (11.4%) outperformed as oil prices firmed and Utilities also outperformed (6.8%). Banks (-1.9%), Telco (+2.5%), Consumer Discretionary (+3.1%), and Industrials (+3.3%) all lagged over the quarter.

China

Growth in the Chinese economy remained relatively modest in 2013/14 compared to the past few years as the government continued to crack down on the country's shadow banking sector. Several high-profile failures of trust products early in the year sent jitters through the markets and unnerved regulators.

GDP growth initially improved from 7.5% to 7.8% in the fourth quarter of 2013 before moderating to 7.4% in the second quarter of 2014. Inflation remained well contained over the year, slowing from 3.2% at its peak in October 2013 to 2.5% in May 2014. Producer prices remained in deflationary territory all year with the largest declines in March 2013 (-2.3%).

On credit, total social financing came in at 1.4 trillion yuan in May 2014, down from 1.55 trillion in April but up from 1.04 trillion in June 2013. Also during the year, short term interbank borrowing rates temporarily jumped from around 4% to over 8% as the PBOC failed to inject enough liquidity into the market. Rates have since settled back down to around 4%.

Over the year, surveyed business conditions went through a mini cycle. Manufacturing conditions initially improved from 50.3 in July 2013 to 51.4 in November. But conditions then lost momentum declining to 50.2 around the Chinese New Year. Since this time, conditions have recovered to around 51 but remain modest compared to recent history. A similar pattern was observed in the services PMI with a recovery early in the financial year later unwound with a deterioration in the second half.

On the policy front, the Communist Party Central Committee's 3rd Plenary session took place in November. The committee announced a number of reforms including loosening the one-child policy, market-based pricing for some utility services and raising the role of market from "basic" to "decisive".

More recently, the PBOC and China's State Council announced incremental measures to support growth. The PBOC lowered the reserve requirement ratio for smaller local banks and for lending aimed at agriculture and small business. The State Council (the government's executive body) announced a mini stimulus including additional spending on railways, affordable housing and tax relief for struggling SMEs.

Over the year but more acutely in the quarter, concerns regarding housing construction and prices weighed on sentiment. According to NBS data, 50% of cities in the 70-city house price index posted price declines in May — the highest level since June 2012.

Europe and Japan

The Eurozone mostly stayed out of the spotlight in the 2013/14 financial year, a somewhat welcomed outcome given the regions recent troubles. However, late in the year, the risk of deflation put ECB policy back on the agenda.

Over the year, inflation steadily trended lower from 1.6% in July 2013 to only 0.5% in June 2014. The risk of deflation pushed the ECB to cut its main refinancing rate and more recently announce some additional easing measures.

On growth, the region finally exited recession after six consecutive quarters of negative growth but the recovery has so far been muted.

Surveyed business conditions suggested a slight improvement over the year with the manufacturing PMI increasing from 50.3 points in July 2013 to 51.8 points in June 2014. The services sector recovered a little stronger with the PMI increasing from 49.8 to 52.8 over the year.

The labour market continued to improve over the year with the headline unemployment rate declining from 12.0% to 11.6%. However, youth unemployment continued to be a problem for the region with the rate remaining well above 20%. The improved labour market conditions helped increase consumer confidence with the index increasing from around -17.3 in July 2013 to a still below average -7.5 in June 2014.

On the political front, Angela Merkel secured a third consecutive term as German Chancellor but fell short of an outright majority.

In Japan, Prime Minister Shinzo Abe's Liberal Democratic Party and its coalition partner, the New Komeito party, won the election for the parliament's upper house. The result gave Abe a stronger mandate for reviving the stagnant economy.

Abe's government went ahead with a plan to hike the national sales tax despite fears the increase could stall economic growth. As an offset, the government announced a fiscal stimulus package which will help cushion the impact of the rate hike.

In addition to the fiscal measures, the Bank of Japan agreed to support the administration's 2% inflation target with more aggressive monetary policy including asset purchases.

More recently, Japanese first quarter 2014 GDP growth came in at 1.6% but the second quarter is expected to show a weaker result due to the sales tax hike in April.

Global Interest Rates / Credit markets

It was a year of two halves for bond yields. In the first half, yields rose in anticipation of the Fed's tapering but subsequently fell back in the second half as central banks promised to keep rates low for longer.

The US 10-year ended the year up 4 basis points while the Aussie actually rallied 22 basis points to finish the year at 3.54%. Demand for Aussie bonds was supported by a tough Commonwealth budget and a solid performing currency.

In Europe, German yields eased 48 basis points in the year but the standout performers were bonds from peripheral Europe which benefited from expectations that the ECB might turn to asset purchases to combat deflation (Spain -211 basis points and Italy -170 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%
<i>basis point change</i>				
AUS Cash Rate	2.50	0	0	-25
AUS 90 day Bank Bill rate	2.68	-1	3	-11
AUS 10 year Bond yield	3.54	-12	-54	-22
US Federal Funds rate	0.25	0	0	0
US 30 year Bond yield	3.36	4	-20	-14
US 10 year Bond yield	2.53	5	-19	4

Exchange Rates

On exchange rates, the AUD had a volatile ride over the year but ended slightly up against the USD (3.2%).

The AUD got caught up in emerging market selling in the first half of the year but then rallied from 87 cents to 94 cents on comments from the RBA and the still attractive carry trade. Following the currency's appreciation, the RBA changed its tone and noted that "the exchange rate remained high by historical standards, particularly given the further decline in commodity prices".

The AUD also gained against the JPY (5.5%) and CNY (3.8%) but fell against the GBP (-8.2%) and EUR (-1.9%) to leave the RBA's trade-weighted index up 0.8%.

Exchange Rates	Level	1 mth	3 mth	12 mth
AUD/USD	0.94324	1.3%	1.8%	3.2%
AUD/YEN	95.5765	0.9%	-0.1%	5.5%
EURO/USD	1.36925	0.4%	-0.6%	5.2%
AUD/EUR	0.6889	0.9%	2.4%	-1.9%
AUST TWI	72	0.7%	1.4%	0.8%

On emerging market currencies, the Chinese renminbi reversed its trend appreciation against the USD during the second half of the year as the PBOC widened its trading band. Overall, EM currencies got caught up in the tapering selloff and never fully recovered to end the year down 2.2%.

Commodities

Commodities performed generally well over the year driven mainly by supply issues with only modest demand growth.

Brent crude rose 9.7% over the year as geopolitical tensions increased the risk of supply shortages. The tensions included Libyan rebels taking control of oil fields and ports, Russia's annexation of Crimea and the prospect of sanctions from the West, and political unrest in the Middle East including the Syrian civil war and more recently the conflict in Iraq.

Gold had a bit of a rollercoaster ride over the year cycling between \$1200 and \$1400. The bullion was supported by the geopolitical tensions but stronger equity markets sapped investor interest.

Nickel was the standout performer due to the Indonesian Government's ban on exports of the raw material. The Government wants the industry to increase its value-add domestically before exporting the commodity.

Despite concerns over Chinese demand the broad LME base metals index rose 9.1% in the year with zinc up 21.6%, aluminium 6.9% and copper 4.6%. The main underperformer during the year was Iron Ore which was weighed down by the government's crackdown on credit, overcapacity in the steel industry, increased supply and a destocking cycle. The benchmark (Tianjin 62% fines) declined 19.5% to \$93.8 over the year despite rising to \$143 in August.

Commodities	Level	1 mth	3 mth	12 mth
Gold (US\$/oz)	1,327.21	6.3%	3.4%	7.5%
Oil WTI (US\$/bbl)	105.44	2.5%	3.9%	9.4%
Aluminium (US\$/lb)				
LME	83.94	1.5%	6.9%	6.9%
Copper (US\$/lb) LME	315.47	-0.6%	4.8%	3.0%
Nickel (US\$/lb) LME	848.90	-3.1%	18.9%	36.8%
MG Metals Index	330.24	0.1%	6.9%	8.4%

Domestic Economic Developments

Domestically, the key development over the year was the election of a new Liberal-National Coalition Government with Tony Abbot as prime minister. Despite winning a clear majority in the House of Representatives, the Government did not obtain a clear majority in the Senate and is expected to face some opposition from Labour and the minor parties.

In May, Joe Hockey delivered his first budget as Federal Treasurer forecasting a \$29.8 billion deficit in 2014/15 (-1.8pp of GDP) on the back of weak revenue growth and elevated expenditure. The deficit is forecast to shrink to \$17.1 billion in 2015/16 (-1.0pp of GDP) before reaching a surplus of 1% of GDP in 2024/25.

The Budget included a temporary high-income tax levy, GP co-payments, tightening eligibility for family tax benefits, lower indexation of pensions, deregulation of university fees, higher interest rates on HECS debts, and an increase in infrastructure funding. The budget is expected to face significant opposition in the Senate from Labor and the minor parties.

Despite only a marginal increase in net fiscal drag in the near term — with most measures being reductions in growth over time — the budget was received relatively poorly by the electorate. As a result, consumer confidence fell 6.8% to 92.9 post budget — its lowest level since August 2011. Following the Westpac confidence release, the weekly Roy Morgan Consumer Confidence index fell a further 1.1% to 99.3 — dipping below 100 for the first time since May 2009.

Business confidence fared a little better than consumer confidence as the NAB Business confidence survey rose to +7 in May compared to just +1 in June 2013.

Also over the year, the RBA cut the cash rate by 25 bps to 2.5% in August and the board said it was prepared to “adjust policy as needed”. However a weaker AUD in the December quarter and then signs of improvement in the non-mining economy kept the RBA on hold for the rest of the financial year. A “period of stability in interest rates” was flagged by the board subsequently pushing the AUD back above 90 cents.

Employment grew by only 98 600 persons (8000 per month) in the 12 months to May, compared to 141 000 in the previous year. Thanks to falling participation, the unemployment rate ended the year at 5.8%, roughly where it started (5.7%) after peaking at 6% in January.

GDP growth edged higher from 2.3% to 3.5% over the year despite the economy beginning its transition to non-mining led growth. However, a significant portion of this growth came from net exports with domestic demand remaining soft.

Despite only modest growth in overall domestic demand, retail sales growth picked up from 1.6% in August 2013 to 6.1% in April 2014 on the back of increased house prices, the wealth effect and the initial improvement in confidence.

On housing, approvals picked up from 160 000 annualised in June to 213 000 in January 2014 on the back of the RBA's record low cash rates and investors demand for yield. However, after its strong performance and as the RBA remained on hold throughout the remainder of the year, approvals moderated back towards 180 000.

Indicator	Outcome
Employment change, persons, mth, May	-4 800
Unemployment rate, %, May	5.9
Consumer confidence, index, Jun	93.2
NAB business confidence, May	+7
RBA cash rate, %	2.5
Credit growth, %, yoy, May	4.7

Australian Equity Market

The ASX 300 had a solid year rising 17.3% with only two temporary bouts of volatility in December and February. Unlike previous years, broad sector performance was mostly neutral with the ASX 300 Resources (17.5%) only slightly outperforming the ASX 300 Industrials (17.2%).

Accumulated Australian Indices	1mth	3mth	12mth
ASX 200	-1.5%	0.9%	17.4%
ASX 300	-1.4%	0.9%	17.3%
ASX 300 Industrials	-1.4%	1.3%	17.2%
ASX 300 Resources	-1.7%	-0.7%	17.5%
All Ordinaries	-1.4%	0.5%	17.6%
Small Ordinaries	-1.1%	-2.3%	13.1%

As at 30 June 2014. Source: Iress * Total return

The Small Ordinaries also had a solid year (13.1%) but underperformed large caps due to a lack of banks and the ongoing drag from small resources.

On the sectors, given the ongoing low interest rate environment and a very strong profit season, the Financials ex-LPTs (21.9%) were the best performer driven mostly by the Banks (22.3%). Somewhat surprisingly, the Materials sector (18.1%) also outperformed the broader index but faded late in the year as the iron ore price came under pressure. The main underperformers were Consumer Staples (6.0%), Healthcare (10.7%) and Property Trusts (11.1%).

Over the year, reporting seasons were relatively low on drama with companies eking out earnings growth from cost cutting and falling interest costs. M&A activity picked up with \$15.8 billion in total deal value compared to \$11.5 billion during the previous year.

Australian Sector *	1 mth	3 mth	12 mth
Materials	-1.4%	-3.1%	18.1%
Consumer Discretionary	-1.8%	-1.6%	17.5%
Consumer Staples	-4.5%	0.3%	6.0%
Energy	-1.2%	5.1%	17.5%
Financial	-0.5%	2.3%	20.2%
Financial (ex LPT's)	-1.1%	1.2%	21.9%
Healthcare	-3.2%	-1.9%	10.7%
Industrials	-2.6%	-0.1%	16.1%
Information Technology	-1.6%	-0.2%	13.6%
Property Trusts	3.3%	9.2%	11.1%
Telecoms	-2.7%	1.7%	15.6%
Utilities	1.1%	7.3%	17.2%
S&P/ASX300	-1.4%	0.9%	17.3%

As at 30 June 2014. Source: Iress * Total return

Moving on to the more recent past, over the month, the ASX 300 fell 1.4% — its first month of negative returns since January.

In the month, Resources (-1.7%) underperformed for the second consecutive month despite a 3.3% rise in the iron ore price. Metals & Mining (-1.9%) ended lower with BHP (-3.0%) and FMG (-1.4%) down whilst RIO (0.0%) was flat. Steel producers ARI (-12.2%) and BSL (-7.2%) also saw weakness. NCM (8.0%) rallied on the back of a rising gold price.

Energy (-1.2%) saw the end to its fourth consecutive month of positive returns notwithstanding a rise in oil prices (WTI up 2.5%).

STO (-1.8%) and WPL (-2.6%) both underperformed, with the latter falling after Shell reduced its holding, painting a grim picture for WPL's future growth prospects. OSH (2.5%) continued its recent outperformance after confirming the first of the two Hides G-pad wells will now be completed as a future producer. KAR (24.8%) was another key outperformer after announcing the sale of its 40% stake in Poseidon to Origin Energy.

In the broader Materials space, Builders modestly outperformed the market despite April approvals data seeing some weakness in momentum. CSR (3.2%), DLX (2.7%) and ABC (2.4%) led gains, whilst JHX (0.5%) fought the softening in US residential construction to gain slightly. FBU (-0.2%) and BLD (-0.9%) underperformed.

Mining Services stocks were among some of the weakest performers in June, led by DOW (-15.2%) following the termination of its BMA Goonyella overburden removal contract. MND (-11.4%) also fell on no new news and TSE ended down -6.1%.

Widespread weakness was also seen across Professional Services, led by SKE (-14.8%), which fell despite reconfirming guidance and mobilising its Saipem project. VED (-12.4%), MMS (-11.2%) and SEK (-6.4%) also underperformed as regulatory approval of the JobStreet transaction continued to drag.

Financials (-0.5%) outperformed the market, led strongly by REITs (3.3%). Diversified Financials (-0.9%), Banks (-1.1%) and Insurance (-1.3%) were weaker but also modestly outperformed. Outperformance by the REITs was driven by WFD (10.8%) following the approval and execution of the Scentre Group proposal (SCG/WRT 2.7%). ALZ (6.5%) and IOF (4.2%) were also notably strong performers.

Strength among the Diversified Financials was driven by CGF (4.8%) after reaffirming its guidance for Life cash operating earnings at the top end of the \$470m-\$480m range. FXL (-7.6%) was a key detractor for the second consecutive month, despite announcing the issue of \$255m of asset-backed securities. MFG (-11.8%) was noticeably weaker despite FUM accumulation continuing at a solid pace.

Insurance stocks were weak across the board this month with QBE (-4.5%) lagging for the second consecutive month following a US\$250m debt to equity conversion. IAG (-1.8%) marginally underperformed the market, and CVO (-19.8%) erased the previous month's gains as it flagged more difficult trading conditions in Australia, although reiterated prior guidance.

There was clear divergence among the regional and Big Four Banks this month with the regionals BEN (4.0%) and BOQ (1.6%) strongly outperforming the majors. NAB (-2.1%) led sector weakness, despite an improving outlook for UK economy, asset prices and margins. WBC (-1.6%) was broadly in line with the market, with CBA (-0.9%) a slight outperformer. ANZ (-0.5%) was the best performer of the Big Four, despite tough operating conditions in Asia.

Consumer Discretionary (-1.8%) underperformed with Media (-3.3%) and Retailing (-2.8 %) the key detractors, reflecting the flow on effects of the 2014-15 Federal Budget.

Consumer Services (-0.9%) modestly outperformed. FXJ (-11.3%) led declines in Media, after weaker ad market results saw the end of its strong share price run, whilst NWS (3.7%) gained. SXL (-2.3%) underperformed for the second consecutive month following an earnings downgrade, whilst VRL (-8.9%) offset the prior month's gains. SKT (6.2%) outperformed after confirming plans to offer a subscription video on demand TV service (SVoD) by the end of 2014, whilst SGN (5.9%) gained after acquiring Active Display Group (ADG).

An unseasonably warm winter saw underperformance of the Retailers, led by earnings downgrades from TRS (-12.7%), KMD (-8.4%) and SUL (-7.1%). DJS (-2.5%) also underperformed, whilst MYR (-1.4%) traded in line with the market.

Consumer Services benefited from the strong returns of EGP (10.6%) which released a trading update and provided earnings guidance, and TTS (7.6%), which reached an agreement with the QLD Government and Racing QLD to establish a new framework for the conduct of race and sports wagering. These gains were largely offset by weakness from FLT (-10.7%) following a downgrade to earnings guidance, as well as TAH

(-3.5%) and AGI (-5.1%). CWN (-7.0%) and NVT (-7.5%) were also weaker.

Across the defensive sectors, Consumer Staples (-4.5%) sharply underperformed the market this month, as did Healthcare (-3.2%) and Telcos (-2.7%) although Utilities (1.1%) bucked the trend.

Utilities rallied for a second consecutive month, led by DUE (3.9%), which reiterated guidance, SKI (2.8%) and APA (1.2%), the latter announcing a 7-year contract from Sep 15 for \$80m of revenue to provide storage, a multi-point distribution. SPN (-4.0%) and EPW (-2.9%) were key detractors following recent earnings downgrades.

Healthcare (-3.2%) benefited from the returns of COH (3.1%) and RMD (1.3%). ANN (3.0%) outperformed, although snuck in news of an organisational restructure and asset impairment after market close. CSL (-5.7%) and SHL (-2.2%) were key underperformers.

TLS (-2.4%), TPM (-7.4%) and MTU (-4.8%) led widespread weakness among Telcos (-2.6%), after revoking their prior month's gains. WOW (-6.2%) underperformed WES (-3.5%), MTS (-4.2%).

Australian Equity Market – Outlook

The 2014 financial year played out mostly as we expected 12 months ago. Central banks remained committed to supporting growth while reduced fiscal drag in developed economies contributed positively at the margin. Despite the improvement in activity, inflation remained well contained and interest rates historically low as we opined in our July 2013 outlook:

“Given the degree of excess capacity in the global economy and the subdued outlook for inflation, we expect the increase in interest rates to be modest and to support further gains in global equity markets.”

Looking forward, the global economy continues to battle with deleveraging and the fallout from the GFC. Some economies are more advanced (US) than others (Europe), but progress is being made and markets should continue to grind higher over the next 12 months. We expect global growth will improve from about 3% pa to 3.5% pa driven mainly by continuing improvement in developed market growth.

Despite the improvement in growth, we do not expect global interest rates to rise significantly given the still fragile state of the recovery. If the recovery falters, there are limited tools available to stimulate growth. As a consequence, central banks in general, and the Fed in particular, have a strong incentive to keep policy very loose.

The US is relatively well progressed in its recovery with growth rates that are currently around trend. PMI activity indexes are close to normal and inflation rates that are a bit below the Fed's new target but rising modestly. The improving labour market is supporting income growth, making the recovery more self-sustaining and less reliant on central bank stimulus.

Much of the recent pickup in US spending has been driven by households' response to a combination of improving balance sheets, increases in asset prices, and interest rates that remain near record lows.

These conditions are consistent with the US being around the middle of the business cycle and the Fed continuing to gradually normalise policy. Generally, we expect these conditions to continue with the Fed now focusing on its communication to the market regarding the future path for interest rates. In this environment, we expect GDP growth of around 3.0% over the next 12 months.

Despite this solid baseline forecast, significant challenges remain for the still highly indebted US economy which has yet to withstand higher interest rates for any significant length of time. Even with employment growth averaging above 200k jobs per month, the total amount of employed persons only recently returned to pre-GFC levels and significant spare capacity remains in the labour market. Therefore, while we expect interest rates to somewhat normalise from these record low levels, we do not expect a sharp selloff that would jeopardise the recovery.

Compared to the US, Europe is less advanced on its deleveraging and recovery path with anaemic growth, negative credit growth and disinflation. The ECB has finally accepted the significant risk of deflation and has announced additional easing measures. However, most of these measures are aimed at increasing financial market liquidity and reducing the cost of funding for banks. We believe this will be insufficient to kick start any material

recovery in lending to the real economy and rather just extend the carry trade.

In our view, liquidity is no longer a major problem in Europe, rather, a lack of demand, elevated credit risk and new capital requirements are the main impediments to extending credit. As such, it is likely that the ECB will eventually adopt an outright QE program, quoting its 'price stability' mandate to gain support from the Bundesbank. Until this happens, growth will continue to be weak at around 1.0% - 1.5% and inflation subdued.

Our baseline forecast for China is for a gradual moderation in trend growth and a well-managed deleveraging with no major debt or credit crisis. Policymakers have a substantial task ahead of them but have experience managing such credit problems in the past (eg 1998) and we believe an orderly deleveraging is possible. A key positive factor this time around is that most debts are denominated in local currency, owed domestically, and manageable relative to the size of the country's balance sheet.

Importantly, in the short term, we believe the government is committed to delivering growth of around 7.5% over the next year and is prepared to use both monetary and fiscal policy to support this objective. The government is pressing ahead with its reform agenda which has the potential to slow the pace of growth. However, the most recent initiatives indicate that there is a low tolerance of below target growth outcomes.

Despite this relatively benign baseline, the government is pursuing multiple reform programs and engaging quite heavily in fine-tuning thereby increasing the scope for policy errors. Notwithstanding the risks, we expect China to continue grow at a fast pace and to consolidate its position as the largest economy in the world on a purchasing power parity basis.

Locally, the outlook is for solid but not stellar growth of around 3% as the economy transitions from mining investment to non-mining investment and consumption. Despite the solid headline number, activity may 'feel' weaker than in previous episodes of 3% growth given the subdued profile of income growth (with declining terms of trade) and due to the significant contribution from net exports. In this environment, domestic demand will remain subdued and domestic cyclical sectors will

not benefit as much as they have in past episodes of 3% headline growth.

Importantly, the RBA is aware of these factors and has brought interest rates down to historically low levels. We expect cash rates to remain unchanged for the next 12 months with the possibility of rate rises starting in the second half of 2015. A key factor in the timing of any rate hikes will be the exchange rate which has held up more than generally expected. Unfortunately, given the BoJ's intentions and the additional easing from the ECB, the carry trade will continue to put upward pressure on the AUD in the near term. However, the balance of risks remains to the downside and we continue to expect a depreciation in the currency to reflect the ongoing decline in the terms of trade.

As global interest rates are expected to remain low for at least the next 12 months, equity markets should continue to grind higher. Markets have been yearning for a return to 'normal' economic growth for the past five years. We think that the post-GFC healing process has not yet run its course. Sentiment will wax and wane with the flow of data. Importantly, the resultant volatility will enable subdued bond yields to coexist with a continuing rally in equity markets.

In this environment, we prefer companies that have solid growth profiles and high free cash flow yields while avoiding low growth defensives and pure yield companies.

The small cap sector typically outperforms large caps when risk appetite is strong. Whilst that might not describe the current environment, we continue to see select opportunities within the small cap space. That is particularly the case for well-managed, small industrial companies with strong EPS growth prospects and solid balance sheets. In most cases we remain cautious about small companies exposed to the mining sector, particularly if they are early-stage or carrying high debt levels. In a stronger growth environment, when bond yields and commodity prices are typically rising, we would look to increase our mining exposure. As with our large cap portfolio, we look for the right combination of high quality and attractive valuation at the right point in the business cycle.

MicroCap Overview

Over the month the Small Ordinaries Index outperformed the ASX-100 Index by +0.5% with large cap stocks declining by -1.5%. Within small caps, the Small Resources index increased 1.5% whilst Small Industrials index fell -1.7%. Interestingly the opposite happened in large caps with industrials outperforming resources. This difference was due to Small Resources being driven by strong performances across the gold stocks whilst within large caps BHP Billiton fell 3%.

Over the quarter to June the Small Ordinaries Index fell -1.0%, marginally more than the ASX-100 which was down -0.8%. Small Resources (+2.8%) outperformed Small Industrials (-1.9%) whilst Large Industrials (-0.3%) outperformed Large Resources (-3.0%).

The gold price rallied \$79 (+6.3%) over the month to close at US\$1,327 per ounce. This resulted in four of the top five performing stocks within the Small Ordinaries being gold stocks. This was most notable in some of the higher cost producers which exhibit greater financial leverage to the gold price. These include Silver Lake (+50%), Perseus Mining (+38%) and OceanaGold (+29%). Papillon Resources (+33%) received a merged proposal from B2Gold, a Canadian based gold producer.

Bionomics (+34%) rallied after the company announced it had entered into an exclusive agreement with Merck for its research program which is targeting Alzheimer's disease. Bionomics is in early stage development and is currently loss-making and cash flow negative.

A key theme during the month was the slowdown in consumer discretionary spending post the May federal budget. Consumer confidence weakened significantly, and coupled with an un-seasonally warm start to winter, led to a raft of profit downgrades from specialty retailers. The Reject Shop* (-13%), RCG (-9%), Kathmandu (-8%), Super Cheap Retail (-7%) and Pacific Brands (-4%) all announced a deterioration in trading conditions. After seeing an initial sell-off, most of these companies saw their share prices improve in the second half of the month. Australian Pharmaceutical Industries (+15%) went against this trend after it announced positive like-for-like sales growth across its Priceline pharmacy chain for Q3.

The energy sector was in line with the overall market (ASX-300 Energy Index -1.2%) even though the oil price firmed slight (+2.5%) during the month. However there was some notable activity with the sector. Karoon Gas (+25%) entered into a binding agreement with Origin Energy for the sale of its 40% equity interest in its Browse Basin exploration permits for up to US\$800m. ROC Oil (+12%), which is currently undertaking a proposed merger with Horizon Oil (-5%), received a non-binding indicative proposal from an un-named party. Paladin Energy (-24%) fell on the back of broker downgrades for the uranium price, citing over-supply for the medium-term.

The mining sector, excluding gold stocks, was mixed with the iron ore producers still under some pressure even though the iron ore price rose (+2%) for the month. However they did rally in the second half of the month after the iron ore price bounced off a 21 month low (US\$89m/t). Elsewhere Mineral Deposits* (+21%) reacted positively to an update on its Senegal based mineral sands project. There was also some corporate activity in the mineral sands sector with Iluka announcing an offer for UK listed Kenmare Resources. The worst performing mining stocks were Western Desert Resources (-29%), which announced issues with its barging operations at its Robe River project and Bathurst Resources (-34%), which announced a further equity raising.

Mining services saw general weakness across the segment. Ausdrill (-12%) was one of the worst performers after it downgraded its earnings outlook due to poor performance from African Underground Mining, in which it has a 50% interest. Emeco Holdings (-17%) was impacted by ongoing concern over its fleet utilisation given the reduction in mining capex. Austin Engineering (+20%) went against the trend, bouncing off a 5 year low the previous month after a profit downgrade.

Across other industrial stocks, notable performers for which there was no specific news, included GUD Holdings (+17%) and CSG (+20%). Poor performers include Newsat (-34%) which announced continued weak activity across its end markets of military, mining and oil & gas.

Cover-More (-20%), the recently floated travel insurer, fell after it stated a recent softening in outbound leisure travel volumes. This followed on from a profit downgrade from Flight Centre. Ten Network Holdings (-5%) announced another profit downgrade citing a fall in revenue of about 4% on the back of a volatile TV advertising market and higher costs. The network is still experiencing pressure on its ratings share. UGL (+4%) announced the sale of its property management business, DTZ, to private equity for net proceeds of \$1b.

The ongoing theme of IPOs continued across the quarter. Small cap companies that listed, although not necessarily included in the Small Ordinaries Index at this stage include; Burson Group, Asaleo Care, Genesis Energy, Genworth Mortgage Insurance Australia, Intueri Education, iSentia Group, Japara Healthcare, Mantra Group, Monash IVF* and Spotless Holdings.

The iron ore price fell over April and May (-18%) on concerns of a slowing Chinese property market and growing iron ore supply. We believe that the sell-off was overdone and anticipate a recovery in iron-ore prices on the back of stabilisation in the Chinese property market. Iron Ore prices bounced from early June lows and this drove a pick-up in the share price of iron ore producers later in the month.

The Fund has been the beneficiary of corporate activity with SFG Australia* (+20%) receiving a takeover bid during the quarter.

***denotes stocks held in the portfolio**

Portfolio Overview

The Contango MicroCap portfolio return of -0.6% outperformed the Small Ordinaries return of -2.3% in the June quarter.

Period	Contango MicroCap Portfolio	Small Ords Accum	Emerging Co's Accum
1 Month	0.7%	-1.1%	1.1%
3 Months	-0.6%	-2.3%	-5.4%
6 Months	2.4%	-1.4%	-4.3%
1 Year	30.6%	13.1%	14.8%
3 Years pa	2.6%	-2.9%	-12.7%
5 Years pa	12.8%	3.4%	0.3%
10 Years pa	1.3%	-5.5%	3.2%
Inception pa	16.7%	4.5%	2.5%

NB Inception March 2004. Past performance is no guarantee or predictor of future performance. As at 30.06.14

Reject Shop was added to the portfolio after a number of downgrades were announced within the retail sector. With the stock pulling back to below \$10.00/sh we used the opportunity to add it to the portfolio. It is a retailer of general merchandise, food staples and confectionary and general gift giving items. The Company has good store diversification with c.320 stores in operation as at 31 December 2013. The business is currently growing aggressively through an accelerated store roll out programme where the company opened 41 stores in FY13 and are on schedule to open another 46 stores in FY14. This is more than double the average rate of 20 store openings per annum and is a key driver of earnings growth for the business going forward. Reject Shop is well positioned to take advantage of any pick-up in consumer spending given it's a well-recognised brand, strong reach and successful store format.

We have added 2 new names to the portfolio. We participated in the float as well as purchasing stock on market in **Gentrack** (issue price \$2.18). The business has been in existence since the 1980's with the first utility billing product in 1987. The company provides mission critical software to mainly utility companies. The core market is global utilities companies, with the opportunity to grow into the airport industry.

Beacon Lighting was also another float we participated in but due to its debut at a 65% premium and hitting our price target we decided to sell it and lock in the profits.

We also participated in a number of placements. One very small mining company called **Cassini Resources** which acquired 100% of the west Musgrave project in Western Australia from BHP for \$250k cash, a 2.0% net smelter royalty on first production and \$10.0m after first year's production.

Other placements we participated in included **Cedar woods**, a property developer in WA. and Vic. We have remained overweight this sector for the last 12 months. **Villa World** was also increased over the quarter, with the company announcing a number of profit upgrades and their pipeline of property development looks solid.

ERM Power post the recent downgrade saw the stock pull back and we have used the price weakness to increase our holding. It remains the only utility stock we have exposure to within the portfolio.

Affinity was also increased as the child care centres space remains a strong growth industry as the consolidation story continues. We funded the purchases through a further sell down in **G8 Education**.

Within the gold sector, **Beadell** was exited from the portfolio after a recent trip to Perth to meet with a number of companies. With Duck Head, a very high grade deposit coming to the end of its life by Dec14, the company will be relying solely on the Tucana deposit which will see higher costs post 2014. We prefer **Saracen** so we have increased the weighting to this stock and it was funded by selling Beadell.

Post the recent budget which saw strong performance from **NIB holdings**, a medical insurance company, we took the opportunity to lock in profits. **Southern Cross Electrical** was also sold during the quarter as we continue to remain concerned about the capital goods sector and risk of further margin compression as mining companies try to reduce operating costs.

IPOs and Placements

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

Code	Company	Price
PLACEMENTS		
AMM	Amcom Telecommunications	\$ 2.05
CWP	Cedar Woods Properties	\$ 6.80
CZI	Cassini Resources	\$ 0.18
GEM	G8 Education	\$ 4.60
SEA	Sundance Energy Australia	\$ 0.95
IPOs		
BLX	Beacon Lighting Group	\$ 0.66
GTK	Gentrack Group	\$ 2.19

Portfolio Details

As at 30 June 2014 there were 67 securities in the portfolio. The tables below show the breakdown of these positions within the portfolio.

Position Weight	# of stocks	% of portfolio
> 3%	1	4.0%
2% - 3%	18	44.8%
1% - 2%	24	34.2%
0.5% - 1%	13	10.6%
< 0.5%	11	3.6%

Market Cap	# of stocks	% of portfolio
\$1b+	16	31.2%
\$350m- \$1b	13	24.6%
\$100m-\$350m	16	21.9%
\$0m - \$100m	22	19.3%

PORTFOLIO FUNDAMENTALS

1 Yr Fwd	CTN	Small Ords	ASX 100
PE	14.3 x	16.4 x	14.6 x
EPSg	29.4%	14.5%	5.3%
Yield	3.3%	3.9%	4.7%
ROE	14.5%	13.1%	16.2%
ND/E	11.0%	22.2%	36.2%
Ave Mkt Cap (m)	\$377	\$1,077	\$12,938
Beta (to ASX300)	0.58	1.06	0.97

As at 30.06.2014. CTN is of those stocks in the underlying investment portfolio excluding stocks with a P/E > 50.

SECTOR WEIGHTS

Sector Weightings	Mar-14	Jun-14
Energy	7.0%	7.3%
Materials	13.0%	12.4%
Industrials	13.8%	13.1%
Consumer Discretionary	21.7%	22.5%
Consumer Staples	1.0%	0.9%
Healthcare	6.2%	4.7%
Financials	20.6%	21.0%
Information Technology	10.2%	12.1%
Telecommunications	1.1%	1.1%
Utilities	2.0%	2.1%
SPI	2.5%	1.8%
Cash	1.1%	1.0%

TOP 20 STOCK WEIGHTS as at 30 June 2014 (as a percentage of the total CTN investment portfolio)

Code	Company Name	Weight
SGH	Slater & Gordon Limited	4.0%
CWP	Cedar Woods Properties Limited	2.9%
PRT	Prime Media Group Limited	2.9%
VLW	Villa World Limited	2.8%
MYX	Mayne Pharma Group Limited	2.7%
VRL	Village Roadshow Limited	2.7%
SYR	Syrah Resources Limited	2.7%
SFW	Sfg Australia Limited	2.6%
TGS	Tiger Resources Limited	2.6%
IPP	Iproperty Group Limited	2.5%
BTT	BT Investment Management	2.5%
AUB	Austbrokers Holdings Limited	2.4%
GBT	GBST Holdings Limited	2.4%
ASB	Austal Limited	2.4%
AHE	Automotive Holdings Group Limited	2.2%
AFJ	Affinity Education Group Limited	2.2%
EPW	ERM Power Limited	2.1%
NHF	NIB Holdings Limited	2.0%
INA	Ingenia Communities Group	2.0%
SGF	SG Fleet Group Limited	1.9%

INFORMATION RELATED TO TOP 20 STOCKS

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 growth 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.

Cedar Woods Properties (CWP)

Cedar Woods is an Australian property developer with a focus on residential communities in Western Australia and Victoria. CWP should benefit from a pickup in domestic housing short term interest rates remain low in the medium term. The quality of projects currently being developed is of a high standard and progressing well. CWP also has a proven ability in executing well on residential developments and managing capital through tough environments.

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.

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.

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.

Village Roadshow (VRL)

An entertainment and media services company. Its divisions include theme parks, cinema exhibition, film distribution, and it has a 47.6% stake in the film production business called Village Roadshow Entertainment Group (VREG). Theme parks are a substantial volume growth story with several theme parks set to open. Sydney opened in late 2013 and so far we are comforted by the level of patronage during the Christmas break. Cinema exhibition is effectively a duopoly with Hoyts in Australia. The VREG business is currently underappreciated by the market despite a growing film library (~75 films with 6-8 films produced annually, including a successful start into the production of Chinese films for their market).

Syrah Resources (SYR)

Syrah is an exploration and evaluation company with an exploration portfolio located in southeast Africa. SYR's flagship project is the Balama Graphite Project, located 265km west of the Pemba, Mozambique and covers an area of 106sqkm.

SFG Australia Limited (SFW)

SFG provides wealth management and accounting services to high net worth and affluent clients in the Australian market place. SFG is currently undergoing a takeover offer by IOOF.

Tiger Resources (TGS)

Tiger Resources is an Australian-based company focusing on the mineral exploration, development, mining and sale of copper concentrate. TGS focuses its activities on the Katanga Copper Belt in the Democratic Republic of the Congo (DRC) and has two main projects being the Kipoi and Lupoto Project. One of the lowest cash copper producers listed on the Australian market. The company is now moving onto stage 2 which is a more robust SXEW operation starting in 2014 and will ramp up to over 50kt at its peak production.

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.

BT Investment Management (BTT)

Is an equities, fixed interest, cash and multi-asset class strategy funds manager with A\$62.5bn in funds under management (Dec 2013) and investor clients in Australia, Europe and the US. Following its October 2011 acquisition of J O Hambro Capital Management (Hambro), BTT now has approximately 30% of its funds in international mandates. Hambro is a successful London-based active equity investment manager with 15 funds across strategies including UK (~38% total FUM), European (~28% FUM), Global (~26%), Emerging Market (~6%) and Asia (~2%).

Austbrokers Holdings (AUB)

Holds equity interests in 40 insurance broking businesses around Australia. In addition to its core general insurance broking business, Austbrokers cross markets other financial products and services suitable for its client base, including premium funding, life insurance and investment products. The recent formal alliance with the Group (a buying group of insurance brokers) provides further long-term growth initiatives as the industry continues to consolidate. Austbrokers only generates fees and commissions and does not take on any underwriting risk.

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.

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.

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.

Affinity (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 managed 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.

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.

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.

Ingenia Communities Group (INA)

Previously known as the ING Real Estate Community Living Group, owns, manages and develops a diversified portfolio of seniors living communities across Australia. Its real estate assets are valued at \$224 million and include rental villages, deferred management fee villages, Manufactured Home Estates (MHE) and three New Zealand student accommodation buildings.

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.

KEY INVESTMENT INDICES	30/06/2014	Month	Quarter	6 Months	Financial Year to Date	12 Months
Accumulated Australian Indices						
ASX 200	45,991.23	-1.5%	0.9%	3.0%	17.4%	17.4%
ASX 300	45,350.94	-1.4%	0.9%	2.9%	17.3%	17.3%
ASX 300 Industrials	88,325.70	-1.4%	1.3%	4.0%	17.2%	17.2%
ASX 300 Resources	21,434.09	-1.7%	-0.7%	-1.5%	17.5%	17.5%
All Ordinaries	45,021.48	-1.4%	0.5%	2.7%	17.6%	17.6%
Small Ordinaries	5,328.27	-1.1%	-2.3%	-1.4%	13.1%	13.1%
ASX 300 Accumulated GICS Sector Indices						
Materials	66,816.48	-1.4%	-3.1%	-3.3%	18.1%	18.1%
Consumer Discretionary	13,938.47	-1.8%	-1.6%	-0.7%	17.5%	17.5%
Consumer Staples	79,806.07	-4.5%	0.3%	-0.5%	6.0%	6.0%
Energy	103,328.33	-1.2%	5.1%	6.3%	17.5%	17.5%
Financial	61,255.43	-0.5%	2.3%	6.1%	20.2%	20.2%
Financial (ex LPT's)	69,426.99	-1.1%	1.2%	5.1%	21.9%	21.9%
Healthcare	73,921.70	-3.2%	-1.9%	-0.8%	10.7%	10.7%
Industrials	34,318.40	-2.6%	-0.1%	2.5%	16.1%	16.1%
Information Technology	5,806.91	-1.6%	-0.2%	3.9%	13.6%	13.6%
Property Trusts	30,252.84	3.3%	9.2%	12.5%	11.1%	11.1%
Telecoms	21,075.59	-2.7%	1.7%	1.9%	15.6%	15.6%
Utilities	60,463.20	1.1%	7.3%	11.8%	17.2%	17.2%
Global Indices						
Dow Jones Industrial	16,826.60	0.7%	2.2%	1.5%	12.9%	12.9%
S&P 500	1,960.23	1.9%	4.7%	6.1%	22.0%	22.0%
NASDAQ Index	4,408.18	3.9%	5.0%	5.5%	29.5%	29.5%
Nikkei 225 Index	15,162.10	3.6%	2.3%	-6.9%	10.9%	10.9%
Hang Seng Index	23,190.72	0.5%	4.7%	-0.5%	11.5%	11.5%
Shanghai Composite Index	2,048.33	0.4%	0.7%	-3.2%	3.5%	3.5%
FTSE 100	6,743.94	-1.5%	2.2%	-0.1%	8.5%	8.5%
German Aktien Index (DAX)	9,833.07	-1.1%	2.9%	2.9%	23.5%	23.5%
France CAC40	4,422.84	-2.1%	0.7%	3.0%	18.3%	18.3%
India BSE 200 Index	3,124.40	5.9%	16.5%	23.5%	34.5%	34.5%
MSCI World ex Aust (hedged)	3,254.47	1.5%	4.5%	5.6%	21.9%	21.9%
MSCI World ex Aust (unhedged)	4,870.52	0.4%	3.0%	0.6%	20.4%	20.4%
S&P 500 US GICS Sector Indices						
Energy	727.63	4.9%	11.4%	11.7%	25.8%	25.8%
Materials	313.44	1.5%	5.1%	7.5%	29.7%	29.7%
Industrials	465.61	0.1%	3.3%	2.9%	25.9%	25.9%
Consumer Discretionary	529.43	1.8%	3.1%	-0.1%	18.4%	18.4%
Consumer Staples	459.33	-0.5%	3.9%	3.8%	12.1%	12.1%
Health Care	704.52	2.1%	4.1%	9.7%	27.8%	27.8%
Financials	306.61	2.3%	1.8%	4.0%	17.0%	17.0%
Information Technology	632.46	2.3%	6.1%	8.0%	29.3%	29.3%
Telecommunication Services	158.25	-1.3%	2.5%	1.8%	0.2%	0.2%
Utilities	224.93	4.2%	6.8%	16.4%	17.5%	17.5%
Commodities						
Gold (US\$/oz)	1,327.21	6.3%	3.4%	10.1%	7.5%	7.5%
Oil WTI (US\$/bbl)	105.44	2.5%	3.9%	6.9%	9.4%	9.4%
Aluminium (US\$/lb) LME	83.94	1.5%	6.9%	4.9%	6.9%	6.9%
Copper (US\$/lb) LME	315.47	-0.6%	4.8%	-5.9%	3.0%	3.0%
Nickel (US\$/lb) LME	848.90	-3.1%	18.9%	34.0%	36.8%	36.8%
MG Metals Index	330.24	0.1%	6.9%	0.7%	8.4%	8.4%
Interest Rates						
AUS UBS Composite Bond Index	7,950.06	0.8%	3.1%	4.6%	6.1%	6.1%
AUS UBS Bank Bill Index	8,064.46	0.2%	0.7%	1.3%	2.7%	2.7%
	%	basis point change				
AUS Cash Rate	2.50	0	0	0	-25	-25
AUS 90 day Bank Bill rate	2.68	-1	3	8	-11	-11
AUS 10 year Bond yield	3.54	-12	-54	-69	-22	-22
US Federal Funds rate	0.25	0	0	0	0	0
US 30 year Bond yield	3.36	4	-20	-61	-14	-14
US 10 year Bond yield	2.53	5	-19	-51	4	4
Exchange Rates						
AUD/USD	0.9432	1.3%	1.8%	5.7%	3.2%	3.2%
AUD/YEN	95.58	0.9%	-0.1%	1.8%	5.5%	5.5%
EURO/USD	1.37	0.4%	-0.6%	-0.4%	5.2%	5.2%
AUD/EUR	0.69	0.9%	2.4%	6.2%	-1.9%	-1.9%
AUST TWI	72.00	0.7%	1.4%	4.5%	0.8%	0.8%



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total	1,467	1,997	2,670	3,255	3,310	3,469	5,936	4,234	4,426	4,918

Number of shareholders

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 value of the company.

The screenshot shows the LinkedIn profile of Dr. David A. Clark. The profile picture is a headshot of a man in a suit and tie. Below the name, there is a list of publications, including "A Simple, Scalable, and Efficient Algorithm for Finding the Most Influential Nodes in a Network" and "A Simple, Scalable, and Efficient Algorithm for Finding the Most Influential Nodes in a Network".

Commentaries and research conducted in 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 PHONE APP IS NOW AVAILABLE FOR FREE DOWNLOAD



CTN wants to keep you up-to-date with information you need as a shareholder or interested party. So we have developed a dedicated iPhone, iPad and Android App for phones and tablets that you can download for free.

It uses push technology to notify you the moment an announcement, report or news item has been added to the CTN web site. You can quickly check updated share prices, market charts, news and research.

Our Investor Centre App is now available to download for free from iTunes or the Google Play store.



UPCOMING COMPANY PROMOTION AND ACTIVITY

CTN has a commitment to increase the company's visibility and profile. CTN continues to make public presentations about the company and Microcap investing, as well as provide articles and materials on microcaps in the media. In the coming quarter you can find CTN in many cities including the following events:



CTN is participating in the **2014 AUSTRALIAN INVESTORS ASSOCIATION (AIA) National Conference** to be held on the Gold Coast on 3-6 August 2014.

Anyone wishing to attend this conference can obtain the AIA Member rate (\$130 cheaper) if they quote "Contango" when they call the AIA to register. Details at their web site with link noted on the following page.



CTN will also be promoting and speaking each day at the **TRADING, SUPER & INVESTING EXPO** on the following dates:

- Sydney (18-20 July) @ the Sydney Showgrounds
- Melbourne (29-31 August) @ the Melbourne Exhibition Centre

CTN has complimentary tickets available for shareholders - those interested please go to the event [website](#) and click on the link, head to the ticketing section of the website and when asked to enter a Promotional Code, simply enter CONTANGO to download free ticket/s.

SEMINAR SESSION: Boyd Peters will be presenting from 1:45pm to 2:15pm each day of the conferences.

This session will highlights ways in which to more successfully find the hidden gems that can be found among the micro-cap end of the market.

- ☒ Learn where a fund manager specialising in these stocks sees the investment opportunities
- ☒ Develop a better understanding of how to value micro-cap companies
- ☒ How to incorporate them into your portfolio and
- ☒ Critical features to look for, including some nuances of their share price behaviour & trading patterns.

Attendees present at the commencement of the session will receive the complementary checklist "The Top-10 questions investors MUST ask themselves before undertaking every trade".



CTN will also participating in various states with the **AUSTRALIAN SHAREHOLDERS ASSOCIATION** "[Big Day Out roadshows](#)" in August and September.

For more information about these events please follow our Events web page or visit their own event web sites.

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 ACCESSIBLE 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 me at any time.

FOR MORE INFORMATION CALL

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Shareholder Communications

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Mob: 0459 233 600

bpeters@contango.com.au

WEB PAGES CITED:

CTN 10 Year Statement	http://www.contango.com.au/ctn_contango_microcap_publications.php
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
CTN Investment Centre	www.contango.com.au/ctn_contango_microcap_investor_centre.php
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CTN 10 Year Brochure	http://www.contango.com.au/ctn_contango_microcap_publications.php
Aust. Investors Assoc.	http://www.investors.asn.au
Future Wealth Forum web site	http://www.futurewealthforum.com.au/
Forum free tickets	http://www.futurewealthforum.com.au/sydney/visitor
Aust. Shareholders Assoc.	https://www.australianshareholders.com.au/investors-big-day-out

REQUEST AN INVESTOR PACK



Over the past 12 months CTN has added over 500 new shareholders with over 4,900 investors now on its register.

Coinciding with this and the 10 year anniversary as a listed company an information document about Contango was produced for shareholders.

This brochure can be viewed on the [CTN web site](#) and a hard copy can be posted to readers upon request.

If you would like to receive a current information pack with the brochure and other materials you can either call Contango on 03 9222 2333, contact us via email support@contango.com.au or use the *Contact Us* feature on the Contango MicroCap [web site](#).