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Contango MicroCap Limited

19 August 2014
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August Mid-Month Update

COMMENT FROM INVESTMENT MANAGER

In July the investment portfolio returned 6.4% bringing the total 12 month portfolio return to 26.6%.

Some major contributors over the month included Cassini Resources, Syrah Resources and Northern Star (each up 50%, 35% and 36% respectively). Two strong performing sectors were Retail, delivering average return on positions of 10.7%, and Diversified Financials where our positions returned an average of 10%.

The strong portfolio performance was generated by many stocks, with 51 of the 66 stocks held delivering a positive contribution to performance.

The following table identifies the performance of the underlying investment portfolio at the end of July.

	1-mth	6-mth	1-yr	5-yrs p.a	10-yrs p.a	Since Inception p.a
CTN Investment Portfolio	6.4%	11.8%	26.6%	11.9%	16.7%	17.5%
Emerging Companies Index	8.1%	2.6%	6.3%	-0.3%	3.5%	3.3%
Small Ords Accum Index	4.9%	6.4%	8.1%	2.6%	4.5%	5.0%
All Ords Accum Index	4.5%	10.3%	16.6%	10.3%	9.2%	9.5%

To 31.07.14. Performance is before impact of fees, taxes and charges, Past performance is no guarantee of future returns. Inception 25.03.04

In August to date the investment portfolio has benefitted from the strong performance of Slater and Gordon, GBST Holdings and Oakton, which was the subject of a takeover bid.

Earnings seasons commenced last week and while it is at an early stage the results to date are positive with those reporting generally coming in slightly ahead of expectations.

The long term gross performance of the CTN investment portfolio is 17.5% 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.

More information about CTN and the investment portfolio was provided in the June Quarter Investment Commentary which was released through the ASX in July and is available through the company web site.

CTN NTA	
Pre-Tax	**$1.261***
Post-Tax	**$1.190****
At 31 July 2014	

Looking to the year ahead CTN anticipates solid growth 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.

PORTFOLIO FUNDAMENTALS

The forward values of the stocks within the CTN investment portfolio reflect our view that the sector overall is poised to perform well into FY15.

1 Year Forward	CTN	SMALL ORDS	ASX100
PE	12.6 x	15.5 x	14.9 x
EPSg	36.6%	25.4%	4.8%
Yield	3.6%	3.8%	4.7%
Return on Equity	16.2%	13.5%	16.1%
Net Debt/Equity	11%	22%	35%
Ave Mkt Cap (m)	$392	$532	$12,507
Beta (to ASX300)	1.04	1.10	0.99

At 07.08.14 Source: Contango Asset Management Limited

20 LARGEST STOCK HOLDINGS WITHIN CTN INVESTMENT PORTFOLIO AT 31 JULY 2014

CODE	STOCK	WEIGHT	CODE	STOCK	WEIGHT
SGH	Slater & Gordon Ltd	3.6%	**BTT**	BT Investment Mgmt Ltd	2.4%
CWP	Cedar Woods Properties	2.8%	**EPW**	ERM Power Ltd	2.4%
VLW	Villa World Ltd	2.8%	**AHE**	Automotive Holdings Group	2.2%
VRL	Village Roadshow Ltd	2.8%	**AUB**	Austbrokers Holdings Ltd	2.1%
IPP	Iproperty Group Ltd	2.8%	**SYR**	Syrah Resources Ltd	2.1%
MYX	Mayne Pharma Group Ltd	2.7%	**SFW**	Sfg Australia Ltd	2.1%
PRT	Prime Media Group Ltd	2.6%	**ASB**	Austal Ltd	2.0%
TGS	Tiger Resources Ltd	2.6%	**NHF**	NIB Holdings Ltd	1.9%
GBT	GBST Holdings Ltd	2.4%	**INA**	Ingenia Communities	1.9%
AFJ	Affinity Education Ltd	2.4%	**SGF**	SG Fleet Group Ltd	1.8%

The CTN Investment Portfolio held 66 securities at 31 July 2014. In addition to this CTN owns 100% of fund manager Contango Asset Management Limited (CAML) representing 5% of CTN's Net Tangible Assets.

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 July 1 NTA value each year, CTN is able to provide investors with guidance of the proposed FY15 dividends. This table is not a formal declaration of the FY15 dividends. 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.

***Declared and Guidance* future dividends as at 19 August 2014**[1]		**Amount**
FY14 Final	September 2014: ***Declared***	4.6 cents p/s
FY15 Interim	*March 2015: Minimum of*	*3.1 cents p/s*
FY15 Final	*October 2015: Minimum of*	*3.7 cents p/s*

Since declaring its first dividend in December 2004, CTN has declared a total of 79.6 cents per share (cps) in dividends to shareholders amounting to a total payout of over $89.6m.

CTN COMPANY INFORMATION

Investment Manager	Contango Asset Management Limited	**CTN Listing Date**	**25 March 2004**
Benchmark	ASX All Ordinaries Accumulation Index	**Portfolio Size at 31 July 2014**	**$203 million**
Maximum cash position	Can hold up to 50% in Cash	**Shares on issue**	157.6 million
Stock Universe	Generally those companies with a market cap between $10m-$350m at time of acquisition	**Number of stocks held**	Investments in **66** ASX companies. at 31.07.14
Companies that we like to invest in	Those with a proven track record that are looking to expand. Particularly those with potential to move from microcap to small cap to large cap		
Companies we prefer to avoid	Biotech or early stage companies Pseudo-private equity type	Mining companies at exploration stage Companies with no definable earnings	

ABOUT CTN: A listed investment company (LIC) whose objectives are to:

- **Outperform the S&P/ASX All Ordinaries Accumulation Index and**
- **Provide regular dividends to its shareholders.**

INVESTMENTS HELD: CTN holds a diversified portfolio of 60-90 companies listed on the ASX each with a market cap. generally between $10m & $350m at time of acquisition. There are over 900 companies in this investible universe with a total market capitalisation exceeding $70b.

INVESTMENT STYLE: CTN is *"Style Neutral"* - the portfolio is managed on the basis of sensitivity to economic & market factors as well as stock specific considerations. At some stages of the cycle there is a growth bias while in periods of economic weakness the portfolio typically has a bias to value/ defensive stocks.

DOWNLOAD THE CTN APP

This app is one way in which shareholders can be automatically alerted when important documents have been loaded to the CTN web site. The CTN App is available for free download from Google Play or iTunes.



NOTES:

The investment portfolio performance and the rolling 12 month performances identified in this document are of the stocks held within the underlying investment portfolio as at 31 July 2014. This is gross performance and does not adjust for the effect of fees, taxes and charges. Past performance is not a predictor of future returns. Investors in LICs need to understand the distinction between Investment portfolio, NTA and Share Price performance. The portfolio investment manager reserves the right to purchase, hold or retain securities that have a market cap greater than $350m.

* Unaudited Pre-Tax NTA is *after* tax paid but *before* tax paid on unrealised gains.

** Unaudited Post Tax NTA is *after* tax paid & *after* tax paid on unrealised gains.

[1]Dividend Policy announcement of 16 April 2010. The Company will normally pay annual dividends amounting to a minimum 6%pa yield on the Net Tangible Asset value per share prevailing at the beginning of each financial year payable via (two) semi-annual dividend payments. NTA at 1 July 2014 was $1.138. CTN may have declared a Dividend prior to this or any document is read. Only refer official ASX Announcements. All payment dates, dividend amounts & any franking which may be attached to possible future dividends are indicative only until formally declared via the ASX.

DISCLAIMER:

Contango MicroCap Ltd (CTN) has prepared this update for information purposes only related to the underlying investment portfolio. It does not contain investment recommendations nor provide investment advice or identify the NTA performance of the company at this date or any date subsequent to this document. CTN only provide NTA values via the monthly NTA statement that is released through the ASX. There may be errors in this document and the data provided within, you are to refer to audited statements and data officially released via the ASX. Investors in LICs should understand the distinction between Investment Portfolio Performance, NTA Performance and Share Price return. Neither CTN nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested within CTN or any associated product or Fund. Contango Asset Management Limited, ABN 52 085 487 421 AFSL No. 237119 is the investment manager of CTN. We strongly encourage you to obtain detailed professional advice and to read any relevant offer document in full before making any investment decision. CTN and any CAML investment fund identified in this document may not be suitable for your investment needs. This is not an offer to invest in a fund or product.