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17 September 2014
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September Mid-Month Update

COMMENT FROM INVESTMENT MANAGER

In August the investment portfolio returned 2.2% bringing the total 12 month portfolio return to 21.6%.

Some major contributors over the month included Slater and Gordon, Oakton and Sino Gas & Energy Holdings (each up 26%, 32% and 29% respectively). In addition CTN enjoyed a positive return from Bellamy's Australia Limited which debuted on the ASX in August and ended the month 37% up on its listing price.

Earnings seasons results for Microcap stocks in the CTN portfolio generally came in line with expectations, with many companies continuing to reduce operating costs in their organisation.

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

	1m %	6m %	1 Yr %	5-yrs % p.a	10-yrs % p.a	Since Inception % p.a
CTN Investment Portfolio	2.2	10.4	21.6	10.4	16.4	17.6
All Ords Accum Index	0.7	6.0	14.4	9.1	9.2	9.5
Small Ords Accum Index	2.3	3.7	7.5	1.9	4.5	5.2
Emerging Companies Index	2.3	4.1	4.2	-1.8	3.8	3.5

To 31.08.14. Past performance is no guarantee of future performance and before impact of fees, taxes and charges. Inception 25.03.04

The long term gross performance of the CTN investment portfolio is 17.6% 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 will be provided in the September Quarter Investment Commentary to be released through the ASX in October.

CTN NTA
Pre-Tax **$1.296***
Post-Tax **$1.222****
At 31 August 2014

VIDEO INTERVIEW WITH CTN PORTFOLIO MANAGER BILL LAISTER



Bill Laister was recently interviewed by Melbourne stockbroking house Evans and Partners. He discussed the CTN investment portfolio and state of the market. A video of this interview can be located here

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	13.0 x	16.6 x	15.1 x
EPSg	38.5%	25.4%	4.8%
Yield	3.6%	3.6%	4.7%
Return on Equity	15.6%	13.9%	16.1%
Net Debt/Equity	7%	21%	36%
Ave Mkt Cap (m)	$363	$555	$12,951

At 05.09.14 Source: Contango Asset Management Limited. Consensus valuations

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

CODE	STOCK	WEIGHT	CODE	STOCK	WEIGHT
SGH	Slater & Gordon	3.7%	BTT	BT Investment Mgt	2.2%
VLW	Villa World	2.7%	AHE	Automotive Holdings	2.1%
GBT	GBST Holdings	2.6%	TGS	Tiger Resources	2.1%
CWP	Cedar Woods Properties	2.6%	ASB	Austal	2.1%
IPP	Iproperty Group	2.4%	EPW	ERM Power	2.1%
VRL	Village Roadshow	2.4%	SEH	Sino Gas & Energy	1.9%
PRT	Prime Media Grp Ltd	2.4%	NHF	NIB Holdings	1.9%
AFJ	Affinity Education Group	2.3%	SEA	Sundance Energy	1.8%
MYX	Mayne Pharma	2.2%	PMP	PMP Limited	1.7%
AUB	Austbrokers	2.2%	SYR	Syrah Resources	1.7%

The CTN Investment Portfolio held 70 securities at 31 August 2014. In addition to this CTN owns 100% of fund manager Contango Asset Management Limited representing 5.8% 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 1 July 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 01 September 2014			**AMOUNT**
FY14 Final	**Declared on 22 August**	**DRP Price was $1.11**	**4.6 cents p/s**
	Traded Ex-Div on 3 Sept	**Payment date on 30 Sept**	
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 August 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 **70** ASX companies. at 31.08.14
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 August 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.

Interview: Video link is http://www.contango.com.au/ctn_contango_microcap_video_gallery.php

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.