Contango MicroCap Limited

ABN 47 107 617 381

INVESTMENT COMMENTARY

Quarterly Update
September 2014

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Dear Fellow Shareholder

INVESTMENT UPDATE – SEPTEMBER QUARTER 2014

MANAGING DIRECTOR'S COMMENT



In FY14 the CTN investment portfolio rose over 30% and the company delivered shareholders a Net Profit of $32.3m. The September quarter brought continued increase in the investment portfolio, NTA and Share Price.

In September the Company declared its FY14 Final Dividend of 4.6 cents per share (cps), which was an increase from the proposed 3.3 cps. This dividend was paid to shareholders on the 30th of September and Dividends attributed to FY14 were 10.3% greater than those attributed to FY13.

July and August were strong months for the CTN investment portfolio before September gave a part of that growth back to the market. In this time our overall shareholder numbers increased by 313 in the quarter to 5,231, our highest ever number.

Despite the recent market volatility we remain positive on the economic and market outlook which will be supported by historically low global interest rates.

Although markets have been somewhat volatile, it is important to remember that volatility is a normal part of equity markets. Without volatility the market would become a one-way bet leading to price bubbles and overall financial instability. We view the recent correction as a potential buying opportunity with more attractive valuations and global yield curves which continue to signal ongoing policy support for markets.

We remain positive on the microcap sector with low interest rates and an improving domestic economy supporting the asset class. The domestic economy is slowly transitioning to non-mining growth with the recovery in housing construction and the lower AUD supporting activity and profitability.

On global growth, the current economic data has been mixed but not terrible. Growth in the US is strong supported by solid jobs growth and corporate profitability. In Europe, export data from Germany spooked markets more recently but a large component of that weakness was due to the introduction of new motor vehicle models. In China, growth is strong but moderating which is as policymakers intended given the need to rebalance the economy.

Another interesting development is the significant drop in global oil prices which have declined on the back of increased US energy supplies from shale oil, lower demand from the US and strong supply from OPEC. If prices remain at current levels, we would anticipate a significant boost to global growth via lower energy costs which will support corporate earnings and equity markets.

As CTN predicted some well known fund managers have recently introduced Listed Investment Companies (LICs) to the market with more on the horizon. They are doing this to grow the value of their funds management business by providing income paying solutions to investors who desire the benefits of control, transparency, reliable dividends and franking that LICs offer.

CTN is pleased to see more traditional fund managers enter this space. A greater number of LICs offered by fund managers validates the benefits of investing in them and accelerates their acceptance by financial planners who increasingly put them in their clients' portfolios.

CTN Annual General Meeting



Details of the 2014 CTN Annual General Meeting are:

Date: Thursday 6 November 2014
Time: 10:00am
Location: Mercure Melbourne Treasury Gardens
13 Spring Street, Melbourne, VIC 3000

In early October CTN shareholders received the 2014 Annual Report and the Notice of Meeting. These can be found on the CTN website and those shareholders who requested a copy received them in the mail. If you would like to receive a copy of the Annual Report you should contact the company and one will be sent to you. We look forward to meeting those shareholders able to attend the AGM.

CTN Investment Portfolio Performance

In the September quarter, the CTN investment portfolio generated an investment return of 2.4%.

In this time the ASX Small Ordinaries Accumulation Index rose by 1.5% and the S&P/ASX Emerging Companies Index rose by 1.0%.

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

	July	August	September	Quarter
CTN Investment Portfolio*	**6.4%**	**2.2%**	**-5.8%**	**2.4%**
ASX Small Ordinaries Accum. Index	4.9%	2.3%	-5.5%	1.5%
S&P/ASX Emerging Co's Accum. Index	8.1%	2.3%	-3.6%	6.7%

** CTN investment portfolio reflects the gross returns of the underlying investment portfolio and is before the impact of fees, taxes and charges.*

Some major contributors over the quarter included Infomedia, (which returned 54%), Oakton (45%), Slater & Gordon (20%), GBST Holdings (25%) and Nido Petroleum (71%).

Over the 12 months the portfolio held a total of 95 positions in the investment portfolio. Of these, 57 - representing approximately 67% of the investment portfolio weighting, contributed positively to the year's performance. Positive contributors over the 12 months included Iproperty Group Ltd (which returned 66%), Slater and Gordon (69%) BT Investment Management (49%), Syrah Resources (63%), Austal Limited (63%), Infomedia (95%) Corporate Travel Ltd (66%), G8 Education Ltd (65%) and GBST Holdings (36%).

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	**6.9%**	**11.3%**	**9.4%**	**5.5%**	**7.2%**	**1.3%**	**15.1%**	**16.7%**
Emerging Co's Accum. Index	-1.8%	-10.0%	-6.7%	-7.6%	-4.4%	-7.1%	2.9%	3.1%
ASX Small Ords Accum. Index	-0.1%	0.7%	1.7%	-1.9%	-0.3%	-5.2%	3.6%	4.6%

As at 30.09.14. Gross returns. Past performance is no guarantee or predictor of future performance

The long term gross performance of the CTN investment portfolio is 16.7% pa 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 $1.075.

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	**13.1%**	-0.1%	-1.8%
2 years pa	**16.0%**	0.7%	-10.0%
3 years pa	**16.3%**	1.7%	-6.7%
4 years pa	**12.2%**	-1.9%	-7.6%
5 years pa	**7.9%**	-0.3%	-4.4%

As at 30.09.14. 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 Indices, 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.

Payment of Dividend

In September the FY14 Final Dividend traded ex-dividend and was paid to shareholders. Key details were:

- Shares traded ex-dividend on Wednesday 3rd September 2014 ("Ex-date").
- Those shareholders recorded in the register at the close of business on Friday 5th September 2014 were entitled to receive the dividend ("Record Date").
- The dividend was 50% franked

  Unfranked Dividend 2.3
  Franked Dividend 2.3
  Total amount per share 4.6 cents per share (cps)
- The Company's Dividend Reinvestment Plan operated for this dividend.
- The payment of dividend and issue of shares under the Dividend Reinvestment Plan occurred on Tuesday 30th September 2014 ("Payment Date").
- This dividend contained no Foreign Conduit Income.



Shareholders are advised all payments of CTN dividends are electronic only.

Dividend Information

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.

Guidance of future dividends as at 01 October 2014			**Amount**
FY15 Interim	*March 2015:*	*Minimum of*	*3.1 cps*
FY15 Final	*October 2015:*	*Minimum of*	*3.7 cps*

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

CONTANGO ASSET MANAGEMENT LIMITED (CAML)

Since 2004 CAML has demonstrated it possesses the skills and ability to successfully manage a microcap portfolio and manage it within a closed end company structure.

CAML's most recent new fund is the *Contango Ex-30 Income Fund* which, since inception in 2012, has generated a total gross return of 21.9% pa. We continue to see this to be an attractive strategy for investors requiring income with lower 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

	1Yr %	3 Yrs % pa	5 Yrs % pa	Inception % pa	Inception Date
CAML Australian Equities funds					
Large Cap	6.5	15.5	7.0	9.3	8 Apr 1999
Small Cap	1.5	9.2	6.5	9.4	28 Feb 2005
MicroCap Portfolio	6.9	9.4	7.2	16.7	25 Mar 2004
Ex-30 Income	17.7			21.9	21 Dec 2012
CAML International Equities funds					
Global Value Fund	20.6	31.8	19.1	14.4	31 Dec 2007
ASX Indices performance					
All Ordinaries Accumulation Index	*5.9*	*14.0*	*6.7*		
All Small Ordinaries Accumulation Index	*-0.1*	*1.7*	*-0.3*		
Emerging Companies Accumulation Index	*-1.8*	*-6.7*	*-4.4*		

As at 30.09.14. Gross Returns.

ASX ANNOUNCEMENTS IN THE SEPTEMBER QUARTER



During the quarter the company released:

- June, July and August NTA statements
- August and September mid-month portfolio commentary
- June Quarter Investment Commentary
- Final FY14 Dividend details
- FY14 Results Commentary and Full Year Accounts

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.

WE WELCOME YOUR CALL

We thank you for being a shareholder in CTN or your interest in the Company. We welcome your call, if you would like to speak to myself or Boyd Peters our shareholder communications manager please call 03 9222 2333.

Yours sincerely

David Stevens

David Stevens
Managing Director

QUARTERLY INVESTMENT COMMENTARY

Global Overview

It was an eventful quarter for global financial markets with rising bond yields on the back of stronger US data, the announcement of additional easing measures from the ECB, ongoing geopolitical tensions in Europe and the Middle East, moderating growth in China and rising tensions in Hong Kong.

The Chinese Shanghai Composite Index was the best performing market despite the moderating economic data. The index gained 15.4% in the quarter with a strong 6.6% in the month of September as the PBoC announced a liquidity injection in response to slowing credit growth.

Elsewhere it was a mixed quarter for global equities with strength in Japan partly offset by weakness in Europe and the US performing roughly in line with the global average. On sectors, Energy and Materials were the worst performers on falling commodity prices while defensive sectors such as Healthcare mostly outperformed.

The local market underperformed its global peers over the quarter with most of that weakness occurring in the month of September (-5.4%). The local market was weighed down by the falling AUD, falling commodity prices and selling in the banks. But despite the selling, the Small Ordinaries Index (1.5%) outperformed the ASX 100 Index (-0.7%) on the back of a solid performance from Small Industrials (4.2%).

Global Indices	1 mth	3 mth	12 mth
ASX 300*	-5.4%	-0.6%	5.7%
Dow Jones Industrial	-0.3%	1.3%	12.6%
S&P 500	-1.6%	0.6%	17.3%
NASDAQ Index	-1.9%	1.9%	19.1%
Nikkei 225 Index	4.9%	6.7%	11.9%
Hang Seng Index	-7.3%	-1.1%	0.3%
Shanghai Composite Index	6.6%	15.4%	8.7%
FTSE 100	-2.9%	-1.8%	2.5%
German Aktien Index (DAX)	0.0%	-3.6%	10.2%
France CAC40	0.8%	-0.1%	6.6%
India BSE 200 Index	0.6%	4.1%	42.5%
MSCI World ex Aust (hedged)	-0.9%	0.9%	15.6%
MSCI World ex Aust (unhedged)	4.3%	5.7%	20.4%

* Total Return

US Economy

The US economy bounced back strongly from its temporary slowdown in Q1 with real GDP growth of 4.6% in Q2. The main driver of the bounce back was an increase in investment with non-residential investment up 9.5% and residential investment up 8.8%. Consumption expenditure grew at a solid pace of 2.5%.

The business surveys continued to improve in Q3 carrying forward the strong momentum from Q2. The ISM Manufacturing Index increased from 55.3 in June to an above consensus 59.0 in August, the ISM Non-Manufacturing Index increased from 56.0 to 59.6, and the Markit Manufacturing PMI increased from 57.3 to 57.9.

Industrial data remained solid but production growth moderated from 4.4% in June to 4.1% in August. Capacity utilization also moderated slightly from 79.1% to 78.8%. Core capital goods orders were solid over the quarter with annual growth averaging around 8%.

Consumer spending held up well over the quarter as annual personal expenditure growth improved from 2.4% in June to 2.6% in August. Retail sales ex-autos continued to grow at a solid pace with annual growth improving from 3.9% to 4.1%. Spending was supported by solid personal income growth which averaged around 4.3% over the quarter. Also supporting spending was an improvement in consumer confidence with the Conference Board Consumer Confidence Index rising from 86.4 in June to 93.4 in August.

Consumer inflation remained well contained in the quarter with headline inflation slowing from 2.1% in June to 1.7% in August. The core measure remained at around 1.5% and the headline excluding food and energy moderated from 1.9% to 1.7% in August.

The US housing market was a bit mixed in the quarter with a strong July partly offset by weakness in August. Housing starts jumped 22.8% in July to 1.11 million before dropping back to 956 000 in August and permits increased 8.6% to 1.06 million before dropping back to 1.0 million in August.

On house prices, the preferred S&P Case-Shiller Index moderated with the annual rate slowing from 8.1% in June to 6.7% in July. On the more positive side, new home sales continued to grind higher in the quarter and the NAHB index bounced from 49 in June to a strong 55.0 in August.

The labour market wasn't as strong as the economic data with the unemployment rate steady at 6.1% and non-farm payrolls growth slowing from 267 000 in June to 142 000 in August. The participation rate remained around 62.8 which is the lowest rate in over 35 years.

Given the mixed signals from the labour market, the FOMC post-meeting statement retained the commitment that there would be a "considerable time" between the end of QE and the first rate hike.

US Equity Market

The S&P 500 had a volatile quarter with episodes of selling in August and September. However, the index still managed to finish up 0.6% for the quarter on the back of strong performances from Healthcare (5.0%) and IT (4.3%).

Weighing on the quarterly performance was a 9.2% fall in the Energy sector on the back of the weaker oil price. Utilities (-4.9%) and Industrials (-1.6%) also underperformed over the quarter.

China

The Chinese economy lost some momentum in the quarter weighed down by the correction in the housing market and tightening credit conditions.

The main surprise during the quarter was the 2.3 percentage point decline in the growth rate for industrial production. The index slowed from 9.2% in June to 6.9% in August - the weakest growth since December 2008.

Money and credit conditions generally tightened during the quarter with M2 money growth slowing from 14.7% in June to 12.8% in August and total social financing underwhelmed for a second consecutive month.

Given the moderating data, the PBoC eased monetary conditions somewhat and announced a 500 billion yuan liquidity injection into the nation's biggest banks.

The manufacturing PMI's remained subdued during the quarter with the Markit PMI down from 50.7 in June to 50.2 in August. The official PMI remained roughly stable at around 51.1 over the quarter but the new orders sub-component declined from 52.8 to 52.5.

The housing market was also weak during the quarter with 97% of cities in the NBS 70-city house price index posting price declines in August. On average, national house prices declined 1.2% in the month – the fourth consecutive monthly decline.

Broad consumer inflation remained well contained over the quarter with the index slowing from 2.3% in June to 2.0% in August. PPI deflation continued over the quarter with the index averaging around -1.1%. Retail sales growth slowed from 12.4% in June to 11.9% in August.

The slowdown in activity was also reflected in the external sector. Export growth picked up slightly from 7.3% in June to 9.4% in August, but import growth declined sharply from 5.5% in June to -2.4% in August.

Europe and Japan

European growth slowed in Q2 with flat real GDP growth in the quarter and growth of only 0.7% over the year. Inflation continued to moderate with the headline rate slowing from 0.5% in June to 0.4% in August. Inflation excluding food and energy remained weak at around 0.8% over the quarter.

Given the weak growth and inflation environment, the ECB cut its key interest rates by 10 basis points. The refinancing rate was reduced from 0.15% to 0.05%, the deposit rate from -0.1% to -0.2%, and the marginal lending rate from 0.4% to 0.3%. Additionally, the ECB announced an ABS and covered bond purchase programme targeted at corporate debt.

Other more timely activity indicators continued to remain weak in Europe with the Markit Manufacturing PMI down from 51.8 in June to 50.7 in August.

In Japan, Q2 growth was hit by the hike in the consumption tax with growth declining at an annual rate of 7.1% in the quarter. Inflation moderated from its recent highs with the headline rate slowing from 3.6% in June to 3.3% in August.

The underlying rate remained stable at 2.3% over the quarter.

Global Interest Rates / Credit markets

Global bond yields had a volatile quarter in Q3 with the US 10 Year yield rallying to 2.34% in late-August before selling off in September to finish at 2.49%.

Yields were driven by speculation around the timing of Fed rate hikes, geopolitical tensions in Europe and the Middle East, additional ECB easing, and a weaker than expected US inflation reading.

The Aussie 10 Year followed a similar pattern, reaching a low of 3.28% mid-August before selling off to 3.48% by quarter's end.

The German 10 Year continued to rally over the quarter as growth and inflation continued to disappoint in Europe. Yields reached a record low of 0.88% in late-August before rising slightly to finish the quarter at 0.95%.

Interest Rates	Level	1 mth	3 mth	12 mth
AUS UBS Composite Bond	7,492.55	-1.1%	0.4%	2.8%
AUS UBS Bank Bill Index	7,852.62	0.2%	0.8%	3.3%
	%	*basis point change*		
AUS Cash Rate	2.50	0	0	0
AUS 90 day Bank Bill rate	2.69	6	1	13
AUS 10 year Bond yield	3.48	19	-6	-33
US Federal Funds rate	0.25	0	0	0
US 30 year Bond yield	3.20	11	-16	-49
US 10 year Bond yield	2.49	15	-4	-12

Exchange Rates

The Australian dollar fell 7.2% in the quarter to finish at 87 US cents – the sharpest monthly fall in 2.5 years.

Exchange Rates	Level	1 mth	3 mth	12 mth
AUD/USD	0.875	-6.3%	-7.2%	-6.2%
AUD/YEN	95.94	-1.3%	0.4%	4.7%
EURO/USD	1.2631	-3.8%	-7.8%	-6.6%
AUD/EUR	0.6927	-2.6%	0.6%	0.5%
AUST TWI	68.5	-4.7%	-4.9%	-3.8%

The drop in the AUD was partly driven by USD strength with the USD Index up 7.7% on the back of capital flows from high yielding currencies back to the US. However, the AUD was also weighed down by the declining iron ore price which finished the quarter down 17%.

USD strength also drove the Euro sharply lower with the currency down 7.8% over the quarter. The Euro also came under pressure due to the ECB's additional easing measures and speculation about further QE.

Commodities

Commodity prices were generally down over the quarter on the back of the rising USD and moderating growth in China.

The oil price was the standout down 13.3% for the quarter on the back of the rising USD and the absence of supply disruptions in the Middle East.

Base metal prices fell heavily in the quarter with Nickel (-11.8%) the worst performer and Copper off 3.1%. However, Aluminum (4.6%) and Alumina (15.9%) were the standout as the Indonesian ore export ban triggered a shortage of bauxite.

The iron ore price continued to fall over the quarter ending down 17%. Concerns around the growth outlook for China and the strong increase in supply weighed heavily on the price which is now down 42.3% year to date. The weakness in the ore market was also reflected in steel prices with rebar reaching an eight-year low.

Spot gold (-9.0%) continued to fall on the back of the rising USD and the prospect of higher US rates in the coming months.

Commodities	Level	1 mth	3 mth	12 mth
Gold (US$/oz)	1,208.02	-6.1%	-9.0%	-9.1%
Oil WTI (US$/bbl)	91.41	-4.6%	-13.3%	-10.7%
Aluminium (USc/lb) LME	87.77	-8.5%	4.6%	7.3%
Copper (USc/lb) LME	305.54	-3.7%	-3.1%	-7.6%
Nickel (USc/lb) LME	748.65	-10.6%	-11.8%	19.1%
MG Metals Index	322.55	-6.5%	-2.3%	0.0%

Domestic Economic Developments

Growth in the Australian economy moderated in Q2 but remained solid at 3.1%. The moderation was due to the post-Budget drop in confidence and a negative contribution from net exports on the back of stronger than expected imports.

Although real GDP growth remained solid, nominal GDP came under pressure in Q2 with the falling iron ore price weighing on the terms of trade. Nominal GDP growth came in at 3.3% which was only 0.2 percentage points above real GDP.

The RBA kept the cash rate on hold over the quarter, as expected, and its outlook comments were mostly unchanged. However, the RBA did change its tone on the domestic housing market. The RBA made reference to 'imbalances' forming in the investment component of the market and it appears the RBA is considering some form of macroprudential regulation to tackle the 'imbalances' without raising interest rates and threatening the broader economy.

In other data, the NAB surveys continued to indicate solid but not strong growth in the domestic economy. The NAB business conditions index was volatile but increased from +2.7 in June to +3.5 in August. Business confidence remained solid but ended the quarter down 0.3 points to +7.8.

Consumer confidence improved over the quarter rising from its post-Budget low of 92.9 in May to 98.5 in August. The index was lifted higher by an improvement in consumers' expectations of economic conditions over the next 12 months.

The labour market was volatile over the quarter with large swings in both the unemployment rate and employment growth which suggests there are issues with the official data.

The unemployment rate finished the quarter unchanged at 6.1% despite temporarily jumping to 6.4% and employment grew by an average of 45 000 persons per month after a much larger than expected gain of 121 000 persons in August (the largest ever monthly gain). The participation rate increased 0.4 percentage points to 65.2 which was the highest since September 2012.

Other indicators of the labour market continue to point to a gradual recovery with ANZ jobs ads growing by an average of 2.2% per month. Additionally, the NAB employment subcomponent improved from -2.6 in June to -0.1 in August.

Retail sales growth lost some momentum in the quarter with growth slowing from 5.6% in June to 5.1% in August. But the rates of growth remained above those witnessed since the recovery from the GFC. Of the sectors, department stores continued to struggle while growth in food and eating out remained strong.

Momentum in the housing market improved in the quarter as residential building approvals increased from 191 000 in June to 195 000 in July. House prices continued to rise in the quarter but the rate appeared to be moderating with the annual change slowing from around 10.9% in August to 9.4% in September.

Housing was also supported by strengthening credit growth with total housing credit up 6.7% over the year to August. Also of note, investor credit was up 9.1% over the year (six year high) prompting the RBA to issue its warning. Broadly, credit growth was unchanged at 5.1% over the year with strong housing credit partly offset by weak business (3.4%) and personal (0.8%) credit growth.

Indicator	Outcome
Employment change, persons, mth, Aug	121 000
Unemployment rate, %, Aug	6.1
Consumer confidence, index, Sep	94.0
NAB business confidence, Aug	+8
RBA cash rate, %	2.50
Credit growth, %, yoy, Aug	5.1

Australian Equity Market

The ASX 300 returned -0.6% in the September quarter with the weak month of September (-5.4%) weighing on the quarterly performance. Over the quarter, the weakness was most pronounced in Resources (-2.5%) with the Industrials (-0.1%) roughly flat.

Of note, the Small Ordinaries Index (1.5%) outperformed the large cap ASX 100 Index (-0.7%) on the back of a 4.2% rise in the Small Industrials. However, Small Resources (-8.6%) continued to underperform on the back of the wind down in mining investment and the global selling in mining stocks.

Accumulated Australian Indices	1mth	3mth	12mth
ASX 200	-5.4%	-0.6%	5.9%
ASX 300	-5.4%	-0.6%	5.7%
ASX 300 Industrials	-5.1%	-0.1%	7.9%
ASX 300 Resources	-6.6%	-2.5%	-2.3%
All Ordinaries	-5.3%	-0.3%	5.9%
Small Ordinaries	-5.5%	1.5%	-0.1%

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

Over the quarter, the weakness was mostly driven by Financials (-2.5%) and Materials (-3.0%) which account for a significant share of the Australian market.

The outperforming sectors were the more defensive Healthcare (9.4%), Telcos (5.4%) and Property Trusts (1.2%). The Energy sector (0.2%) was roughly flat over the quarter as the oil price continued to decline on the back of the rising USD. Conversely, USD exposed stocks generally outperformed.

Australian Sector *	1 mth	3 mth	12 mth
Materials	-6.4%	-3.0%	-1.5%
Consumer Discretionary	-4.0%	0.3%	3.0%
Consumer Staples	-3.4%	0.6%	1.3%
Energy	-5.7%	0.2%	3.3%
Financial	-6.3%	-2.0%	8.3%
Financial (ex LPT's)	-6.5%	-2.5%	7.7%
Healthcare	-0.1%	9.4%	14.4%
Industrials	-5.1%	0.6%	3.8%
Information Technology	-3.8%	0.9%	6.0%
Property Trusts	-5.1%	1.2%	12.3%
Telecoms	-3.9%	5.4%	13.6%
Utilities	-2.5%	0.1%	11.3%
S&P/ASX300	-5.4%	-0.6%	5.7%

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

In the month of September, the ASX 300 declined 5.4% on the back of a 6.6% decline in Resources and a 5.1% decline in Industrials. The Small Ordinaries (-5.5%) fell in line with the large cap stocks as foreign sellers sold AUD denominated stocks. However, within the Smalls, the selling was more pronounced in Small Resources which declined 13.2% compared to Small Industrials which declined 3.4% in the month.

In the month, Metals & Mining (-7.0%) weighed on the Resources sector with continued falls in the iron ore price (reaching its GFC low of $77.50) the main driver. Small cap iron ore stocks saw some of the largest declines over the month including BCI (-36.7%), AGO (-22.8%) and MGX (-15.2%).

In large cap metals, FMG (-14.2%) was the weakest performer as the iron ore price decline is expected to impede the pace of the company's debt repayment. BHP (-5.8%) and RIO (-4.9%) also underperformed and ARI (-42.7%) was the weakest performing stock in the ASX 100. The company come under pressure after it announced an accelerated non-renounceable entitlement offer and underwritten placement to raise $750 million of equity.

Out of the gold stocks a 6% fall in the gold price saw OGC (-15.3%), RRL (-11.6%) and NCM (-6.8%) underperform.

The Energy sector (-5.7%) fell in line with the oil price (Brent -7.9% to $94.85, its lowest level since Jun 2012). Major energy stocks STO (-7.8%) and OSH (-7.7%) were key detractors, while WPL (-4.9%) fared better. CTX (-1.1%) continued to outperform peers, as did ORG (-3.6%).

Amid the weakening Resources backdrop Mining Services continued their underperformance led by ALQ (-29.2%) following its disappointing trading update that saw a 14% downgrade to H1 2015 earnings guidance and bigger cuts to full year numbers. Also dragging the sector down were TSE (-15.1%), MND (-14.5%), LEI (-11.5%) and DOW (-9.5%), while RCR (+1.9%) bucked the trend and outperformed the broader market.

In the month, Financials (-6.3%) underperformed weighed down by the Banks (-7.6%). Banks were the worst performing sector in the month following the announcement of potential macroprudential intervention to curb investor lending and concerns around capital adequacy. All major Banks underperformed the market led by WBC (-8.3%), with NAB (-7.6%), ANZ (- 7.5%) and CBA (-7.4%) following closely behind. BOQ (-7.5%) was the weakest out of the regionals, with BEN (-4.3%) outperforming its peers.

Meanwhile, REITs (-5.1%) managed to perform slightly better than the broader market despite rising bond yields. The weakest performers this month include SGP (-7.1%), GMG (-7.3%), DXS (-7.9%), CFX (-7.2%) & MGR (-6.3%), however this was partially offset by outperformance from sector major's SCG (-4.4%) and WFD (-2.2%), and with a standout performance from LLC (+3.7%).

Diversified Financials (-3.8%) outperformed driven by MQG (-1.2%) which advised it now expects its FY15 result to be slightly up on FY14 due largely to an increased contribution from MFG. Meanwhile, most investment managers underperformed (PPT -8.9%, IFL -6.8%, HGG -8.7%, MFG -5.7%), with PTM (+1.2%) the exception.

Insurance (-2.2%) outperformed the broader market with QBE (+1.2%) gaining on the back of rising bond yields. However, this was more than offset by the remaining stocks in the sector including AMP (-5.0%), SUN (-2.7%), IAG (-1.4%) and newer listing CVO (-6.0%), which gave up some of its outperformance from August.

Consumer Discretionary (-4.0%) underperformed Consumer Staples (-3.4%) with Retail (-5.1%) and Media (-5.3%) the weakest sectors. Retail suffered as the sector continues to navigate a difficult environment with retail sales weaker than expected in August. MYR's (-16.7%) weak FY14 result and tough outlook saw the stock sell off heavily. SUL (-12.1%) was also a notable underperformer and JBH (-8.7%) continued to de-rate following a weaker than expected outlook for FY15 provided at its August result. In contrast HVN (+2.3%) gained, and DSH (-0.4%) also outperformed its retail peers.

The Media sector's underperformance was driven by REA (-9.7%), which sold off alongside other high PER stocks, and FXJ (-10.4%), which received ACCC approval for its announced merger with online residential listing portal All Homes. SWM (-10.0%) was also a key detractor. This eclipsed the +ve returns of APN (+10.8%), NWS (+2.4%) and NEC (+1.1%).

Defensive sectors fared better than the cyclical sectors this month led by Healthcare (-0.1%), Utilities (-2.5%), Consumer Staples (-3.4%) and Telcos (-3.9%).

Healthcare was the clear outperformer this month, benefiting from the higher USD and strong performances from CSL (+1.3%) and SHL (+1.8%) and newer listings HSO (+7.0%), JHC (+5.3%), VRT (+1.4%) and MVF (+4.8%). SRX (+0.8%) continued its strong performance of over the last quarter (+31.7%) and 12 months (+74.0%). RHC (-2.6%) was weaker on the back of a ~2.2% sell-down of shares.

Utilities (-2.5%) outperformed most sectors this month led by AGK (-1.6%) and DUE (-0.4%). APA (-4.0%) underperformed. WES (-2.7%) outperformed. Consumer Staples (-3.4%) struggled as WOW (-3.3%) reported a relatively weak FY14 result. MTS (-6.4%) underperformed its peers and the broader market. In Telcos, weakness from sector heavyweight TLS (-4.7%) as bond yields rose was partially offset by gains from smaller companies including TPM (+13.4%), IIN (+5.4%), CNU (+5.1%), SPK (+3.2%) and M2 Group (+3.3%).

Australian Equity Market – Outlook

We expect global growth will continue to grind higher over the next 12 months with solid growth in the US partly offset by subdued growth in Europe and Japan, and moderating growth in China.

Nevertheless, the risks around the outlook have increased in recent months with rising geopolitical tensions in Europe and the Middle East, pro-democracy protests in Hong Kong and renewed volatility in financial markets. Despite the risks, global central bank policy remains highly accommodative which will help mitigate these risks.

Activity in the US is solid with the economy maintaining its strong momentum following the Q2 recovery. Growth is being supported by improving spending, investment and reduced fiscal drag. Currently, a number of forward indicators of US economic activity – including the ISM – suggest growth is above trend at around 4%. Although we expect the US recovery will continue over the next 12 months, there are a number of factors weighing on growth including subdued non-US growth, the fragile housing recovery and the rising US dollar. Taken together, these headwinds should limit the pace of growth to around 3%.

This environment of solid but not strong growth is consistent with the Fed beginning its normalisation of policy sometime in H2 2015. We expect gradual increases in the Fed Funds rate consistent with the ongoing recovery in the economy and labour market. However, given the headwinds to growth and the residual slack in the labour market, the Fed cannot afford to let bond yields rise aggressively and threaten the recovery. As such, we expect US bond yields will rise only moderately and remain relatively low by historical standards.

In Europe, economic activity continues to lose momentum and inflation continues to slow. The ECB has recognised this and responded with a number of additional easing measures including interest rate cuts, liquidity injections and some limited forms of QE. However, given the ongoing deleveraging of the private sector, the weak outlook and the risk of deflation we believe the ECB will need to do more. We expect the ECB will announce an extension of its current QE program to include sovereign and higher risk debt. In

addition, the ECB will need to better communicate with the market and be aggressive in its forward guidance on policy.

In Japan, spending and production slowed in the first half of the year as a direct consequence of fiscal tightening. Looking ahead, the government will try to continue to balance the need for structural reforms against the potential negative impacts of those reforms on activity in the near term. Policy makers could use one-off fiscal support which wouldn't impact the long-term fiscal sustainability of the budget and potential further monetary easing by the BoJ.

On Emerging Markets, some of the characteristics of last year's 'taper tantrum' have returned with rising US yields and slower growth in China leading to selling in EM currencies and equity markets. 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.

Locally, the outlook is for solid growth of around 3% as the economy transitions from mining investment to non-mining investment, net exports 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 the significant contribution to growth 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% growth.

Importantly, the RBA is aware of these headwinds and has reduced interest rates to historically low levels. We expect the cash rate to remain unchanged for the remainder of 2014 with the possibility of rate rises late in 2015. The RBA would like rates to stay low for as long as possible to give the non-mining economy time to recover. But given the risks to financial stability from the overheating housing market, the RBA may use macroprudential policies to contain that market without resorting to interest rate rises.

Another key factor in the outlook for the domestic economy is the exchange rate. The Aussie dollar has held up more than expected in recent years but, more recently, it appears that the exchange rate is starting to adjust downward which will support growth and incomes.

Given the economic outlook, equity markets should continue to grind higher as global and domestic interest rates will remain low for at least the next 12 months. While we don't expect a further PE re-rating, markets should trade higher on solid earnings growth. Although equities are not cheap, they are still expected to generate higher returns than either bonds or cash.

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

The Aussie market will be supported by the global equity rally but also the lower AUD which will boost earnings growth for the trade exposed industrials and resource companies. In this environment, we prefer companies that have solid growth profiles and high free cash flow yields while avoiding low growth defensives and pure yield companies.

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

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

MicroCap Overview

For the month of September, the Fund delivered a return of -6.0% against a Small Ordinaries index return of -5.5%, underperforming by 0.6%. Over the quarter the Fund returned 1.4% versus the index return of 1.5%, resulting in 0.1% underperformance.

There was increased volatility during the quarter. The Small Ordinaries Index rallied 7.4% over the first two months of the quarter and reached a 12-month high on 4th September. However the index subsequently declined by -5.9% from this peak. Over the quarter Small Industries were up 4.2% whilst Small Resources fell by -8.6%. The Small Ordinaries Index outperformed the ASX-100 Index over the quarter by 2.2%, driven by solid Small Industrial performance whilst the Banks, a key component of the ASX-100, were sold-off. Small Resources underperformed their larger counterparts.

Over the quarter the best performing sectors within the Small Ordinaries Index were Telecommunications Services (15%), Information Technology (11%) and Health Care (9%). These sectors had stocks that delivered better-than-expected financial results, including TPG Telecom (+24%), M2 Group (+32%), Sirtex Medical (+30%) and Iress (+23%). In terms of top performing stocks over the quarter, it was an eclectic group of stocks such as Liquefied Natural Gas (+94%), Indophil Resources (+81%), Acrux (+60%), Infomedia (+56%) and Capitol Health (+50%).

The worst performing sectors over the quarter were Materials (-10%), Media (-6%) and Utilities (-1%). Weak commodity and gold prices over the quarter impacted resource stocks. Media stocks were under pressure with management issuing cautious outlook statements regarding the advertising market at the full year results. The worst performing stocks were generally resource companies and included Medusa Mining (-55%), BC Iron (-47%), Lynas Corporation (-39%) and Western Desert Resources (-34%). Silex Systems (-41%) was the only industrial stock in the top 10 worst performers for the quarter.

For the month of September Small Resources (-13.6%) were very weak. Small Industrials (-3.4%) fared better but still fell. On a sector basis it was the more defensive sectors that outperformed. Telecommunications (4.5%), Utilities (-1.2%) and Consumer Staples (-1.9%) outperformed whilst resources exposed sectors such as Materials (-12.4%), Energy (-8.3%) and Capital Goods (-10.4%) underperformed.

Within Telecoms, TPG Telecom (13.4%) was the standout after reporting a solid FY14 result and providing FY15 guidance at the top end of expectations. iiNet (+5.4%) and M2 Group (+3.3%) also delivered positive returns with their defensive characteristics attractive to investors.

Utilities is only a small component of the Small Ordinaries Index, accounting for less than 1%. Infigen Energy (13.0%) rallied on speculation that the Group might not have to write-down the value of its assets due to potential changes to the Government's Renewable Energy Target.

Consumer Staples benefitted from Goodman Fielders (-0.8%) having the ACCC announce it won't oppose the acquisition by Wilmar and First Pacific.

Resource related sectors fell on the back of weaker commodity prices and concerns over the outlook for Chinese economic growth. All sub-sectors within Resources saw significant declines with iron-ore stocks being the worst. Sundance Resources (-40.6%), BC Iron (-38.2%) and Atlas Iron* (-28.5%) all appeared in the worst five performing resource stocks for the month. Indorphil Resources (+42.5%) was the only resource stock to deliver a positive return for the month after it received a takeover offer for $0.30 cash per share from Alsons Prime Investment Corp. Indophil was the best performing stock in the Small Ordinaries for the month.

Capital Good stocks were under pressure with nearly all posting a negative return. Ausdrill (-29.5%) was the worst after it announced a client, Western Desert Resources, had gone into administration.

Several retailers that have July year ends released FY14 results. Premier Investments (6.4%) had solid results with their Smiggle and Peter Alexander brands being stand out performers. Kathmandu Holdings (-5.7%) released its results which were in line with recent guidance however the market was concerned with additional costs related to international expansion. Australian Pharmaceutical Industries (16.7%) announced FY14 profit above previous guidance and ongoing positive same store sales for its Priceline and Priceline Pharmacy chains. Billabong International (23.9%) was one of the better performing stocks after releasing results in August that were not as bad as expected.

Other notable events during the month included SAI Global (-13.6%) announcing that it had received no final all-of-company offers from an interested private equity consortium, and so the shares sold off to their pre-bid level. Vocation (-23.3%) was under pressure on concern that several VET courses it provides may be under funding threat from the Victorian Government. iSelect (+16.9%) outperformed with post-result presentations by the new management team being well received by investors.

*** denotes stocks held in portfolio**

Portfolio changes

Global markets have weakened specifically over the last month, due to (1)-Middle East uncertainties, (2)-weaker commodity prices and (3)-concerns over when the Federal Reserve would start raising rates in the USA. In these uncertain times, we have increased the cash component of the portfolio in the short term with current cash around the 5.0% level.

New Additions: 3 new companies were added to the portfolio.

Ashley Services (new float) is an integrated provider of training and labour hire services in Australia. There are two main divisions: *Training* – Ashley is one of Australia's largest non-government vocational educational training (VET) operators. *Labour Hire* – a major provider of contract labour in warehousing, logistics and other industry segments including, food, pharmaceutical and manufacturing.

Elanor (new float) is an investment and funds management business, who invests in assets and operating businesses that deliver sustainable cash flows with potential for capital growth. They also manage third party owned investment funds and syndicates. The business will initially comprise $86 million of investment assets and $87 million of external investments under management.

Mobile Embrace (MBE) MBE has two divisions: *Convey* – where consumers pay for mobile products and services on their mobile devices and *4th Screen* (mobile marketing or m-marketing) – agencies and brands pay to reach and engage with consumers on their mobile devices.

Affinity Education (AFJ) was increased and was funded by the final sell down of G8 Education (GEM) over the last few months. We continue to find the child care sector as very attractive and with Affinity trading at a substantial discount to G8, we see strong upside over the next 12 months.

Pacific Magazines (PMP) posted a very strong operational result and the stock weight was increased. Also Villa World (VWD) was increased through a sell down of Cedar Woods (CWP). Villa World remains our preferred exposure to the domestic building cycle with 70% of its exposure to the South East QLD growth corridor.

During the quarter we saw some weakness in two of our preferred internet names so we increased both Iproperty (IPP) and Icar (ICQ).

Takeovers continue with SFW Australia, which was bid for by IOOF and has now exited the portfolio. Nido Petroleum was bid for by BCP Energy and we accepted the takeover bid during the quarter.

Within the Resources sector we used the strength in Syrah Resources due to an unsubstantiated rumour that Glencore was about to launch a bid for the company. The stock rallied above $5.50 and we reduced the weight in that range. The company is still one of our preferred companies within the metals sector.

Tiger Resources bought a further 35% of the Kipoi project in the Congo via a placement and we increased the weight marginally. Operationally the project is now operating at full capacity after an impressive 3 month ramp up of their SXEW copper plant.

Within the gold sector we exited both Beadell Resources after further operational problems at their Tucano operation in Brazil. Northern Star was also exited purely based on the share price exceeding our valuation. We remain concerned over the gold price short term and expect lower gold prices over the next 12-18 months.

IPOs and Placements

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

Code	Company	Price
PLACEMENTS		
AEK	Anatolia Energy	$0.08
TGS	Tiger Resources	$0.30
MLD	MACA	$1.95
OTC	Otoc	$0.20
EPD	Empired	$0.75
IPOs		
BLX	Elenor Investors Group	$1.25
ASH	Ashley Services Group	$1.66

Portfolio Details

As at 30 September 2014 there were 69 securities in the portfolio. The tables below show the breakdown of these positions within the portfolio.

Position Weight	# of stocks	% of portfolio
> 3%	3	10.4%
2% - 3%	14	33.0%
1% - 2%	28	41.9%
0.5% - 1%	10	7.4%
< 0.5%	14	3.7%

Market Cap	# of stocks	% of portfolio
$1b+	3	8.3%
$350m- $1b	14	24.9%
$100m-$350m	36	54.5%
$0m - $100m	16	8.7%

PORTFOLIO FUNDAMENTALS

1 Yr Fwd	CTN	Small Ords	ASX 100
PE	13.0	16.6	15.1
EPSg	38.5	25.4	4.8
Yield	3.6	3.6	4.7
ROE	15.6	13.9	16.1
ND/E	7%	21%	36%
Ave Mkt Cap (m)	363	555	12,951

As at 30.09.2014. CTN is of those stocks in the underlying investment portfolio excluding stocks with a P/E > 50.

SECTOR WEIGHTS

Sector Weightings	Jun-14	Sep-14
Energy	7.3%	7.2%
Materials	12.4%	9.6%
Industrials	13.1%	14.7%
Consumer Discretionary	22.5%	22.8%
Consumer Staples	0.9%	1.5%
Healthcare	4.7%	4.8%
Financials	21.0%	18.6%
Information Technology	12.1%	15.1%
Telecommunications	1.1%	1.2%
Utilities	2.1%	2.0%
SPI	1.8%	0.0%
Cash	1.0%	2.6%

TOP 20 STOCK WEIGHTS as at 30 Sept. 2014

(as a percentage of the total CTN investment portfolio)

Code	Company Name	Weight
SGH	Slater & Gordon Limited	4.0%
AFJ	Affinity Education Grp	3.2%
VLW	Villa World	3.0%
GBT	GBST Holdings	2.9%
IPP	Iproperty Group	2.6%
AHE	Automotive Hldgs Grp	2.6%
TGS	Tiger Resources	2.6%
VRL	Village Roadshow	2.5%
ASB	Austal	2.4%
MYX	Mayne Pharma Group	2.4%
BTT	BT Investment Mgmt	2.3%
PRT	Prime Media Group	2.3%
AUB	Austbrokers Holdings	2.3%
CWP	Cedar Woods Properties	2.2%
PMP	PMP	2.1%
EPW	ERM Power	2.0%
SGF	SG Fleet Group	2.0%
EGG	Enero Group	1.9%
IFM	Infomedia Ltd	1.8%
OKN	Oakton	1.8%

Slater & Gordon (SGH)

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

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

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.

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.

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.

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.

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.

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).

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.

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.

Tiger Resources (TGS)
Tiger Resources s 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.

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%).

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.

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.

Austbrokers Holdings (AUB)
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.

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

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.

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.

Sino Gas & Energy Holdings Limited (SHE)
Sino is an Australian energy company focusing on developing Chinese unconventional gas assets. SEH holds a portfolio of unconventional gas assets in China through Production Sharing Contract (PSCs).

The LINXING PSC (64.75%)project is located in the Ordos Basin, an onshore oil and gas producing basin in China. The SANJIAOBEI PSC (49%) project is located in the Ordos Basin, China, adjacent to Linxing PSC. Seismic teams surveying has commenced. The PSC has a Best Estimate Gas In Place of 5,684Bcf with a 1P reserve of 46Bcf, a 2P reserve of 134Bcf and a 3P reserve of 287Bcf.

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

Enero Group Limited (EGG)
Enero Group is a boutique network of marketing and communications business offering clients a full range of marketing and communication services.
The Company focuses on integrated marketing and communication services, including strategy, market research, advertising, and corporate communications.

EGGs businesses comprise 11 companies and operate primarily in Sydney, London and New York and from many places in between.

Operating brands include International and Australian companies specialised marketing services including public relations, communications strategy and research and data analytics, advertising, direct marketing and stakeholder communications. Enero Group companies include BMF, Frank PR, Hotwire, Thirty Three Digital, Naked, TLE, Dark Blue Sea, CPR, Precinct, OB Media, Corporate Edge and Jigsaw.

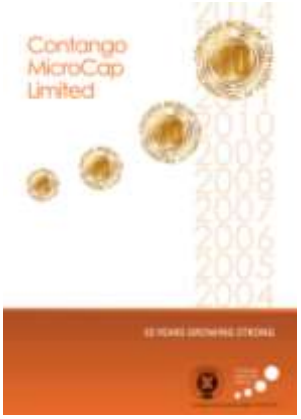
KEY INVESTMENT INDICES	30/09/2014	Month	Quarter	6 Months	Financial Year to Date	12 Months
Accumulated Australian Indices						
ASX 200	45,716.65	-5.4%	-0.6%	0.3%	-0.6%	5.9%
ASX 300	45,098.26	-5.4%	-0.6%	0.3%	-0.6%	5.7%
ASX 300 Industrials	88,261.15	-5.1%	-0.1%	1.2%	-0.1%	7.9%
ASX 300 Resources	20,898.53	-6.6%	-2.5%	-3.2%	-2.5%	-2.3%
All Ordinaries	44,890.65	-5.3%	-0.3%	0.2%	-0.3%	5.9%
Small Ordinaries	5,407.80	-5.5%	1.5%	-0.8%	1.5%	-0.1%
ASX 300 Accumulated GICS Sector Indices						
Materials	64,839.00	-6.4%	-3.0%	-5.9%	-3.0%	-1.5%
Consumer Discretionary	13,984.36	-4.0%	0.3%	-1.3%	0.3%	3.0%
Consumer Staples	80,256.59	-3.4%	0.6%	0.8%	0.6%	1.3%
Energy	103,531.11	-5.7%	0.2%	5.3%	0.2%	3.3%
Financial	60,039.31	-6.3%	-2.0%	0.3%	-2.0%	8.3%
Financial (ex LPT's)	67,671.99	-6.5%	-2.5%	-1.3%	-2.5%	7.7%
Healthcare	80,883.14	-0.1%	9.4%	7.3%	9.4%	14.4%
Industrials	34,520.29	-5.1%	0.6%	0.5%	0.6%	3.8%
Information Technology	5,856.37	-3.8%	0.9%	0.6%	0.9%	6.0%
Property Trusts	30,626.30	-5.1%	1.2%	10.5%	1.2%	12.3%
Telecoms	22,223.83	-3.9%	5.4%	7.2%	5.4%	13.6%
Utilities	60,530.01	-2.5%	0.1%	7.5%	0.1%	11.3%
Global Indices						
Dow Jones Industrial	17,042.90	-0.3%	1.3%	3.6%	1.3%	12.6%
S&P 500	1,972.29	-1.6%	0.6%	5.3%	0.6%	17.3%
NASDAQ Index	4,493.39	-1.9%	1.9%	7.0%	1.9%	19.1%
Nikkei 225 Index	16,173.52	4.9%	6.7%	9.1%	6.7%	11.9%
Hang Seng Index	22,932.98	-7.3%	-1.1%	3.5%	-1.1%	0.3%
Shanghai Composite Index	2,363.87	6.6%	15.4%	16.3%	15.4%	8.7%
FTSE 100	6,622.72	-2.9%	-1.8%	0.4%	-1.8%	2.5%
German Aktien Index (DAX)	9,474.30	0.0%	-3.6%	-0.9%	-3.6%	10.2%
France CAC40	4,416.24	0.8%	-0.1%	0.6%	-0.1%	6.6%
India BSE 200 Index	3,251.84	0.6%	4.1%	21.3%	4.1%	42.5%
MSCI World ex Aust (hedged)	3,282.77	-0.9%	0.9%	5.4%	0.9%	15.6%
MSCI World ex Aust (unhedged)	5,149.92	4.3%	5.7%	8.9%	5.7%	20.4%
S&P 500 US GICS Sector Indices						
Energy	661.05	-7.6%	-9.2%	1.2%	-9.2%	9.3%
Materials	312.57	-1.7%	-0.3%	4.8%	-0.3%	17.9%
Industrials	458.11	-1.3%	-1.6%	1.6%	-1.6%	14.3%
Consumer Discretionary	528.90	-2.9%	-0.1%	3.0%	-0.1%	10.1%
Consumer Staples	465.07	0.3%	1.2%	5.2%	1.2%	13.4%
Health Care	739.96	0.3%	5.0%	9.3%	5.0%	26.3%
Financials	312.29	-0.5%	1.9%	3.7%	1.9%	16.4%
Information Technology	659.92	-0.8%	4.3%	10.7%	4.3%	27.1%
Telecommunication Services	161.13	0.3%	1.8%	4.4%	1.8%	7.9%
Utilities	213.99	-2.2%	-4.9%	1.6%	-4.9%	12.7%
Commodities						
Gold (US$/oz)	1,208.02	-6.1%	-9.0%	-5.9%	-9.0%	-9.1%
Oil WTI (US$/bbl)	91.41	-4.6%	-13.3%	-9.9%	-13.3%	-10.7%
Aluminium (USc/lb) LME	87.77	-8.5%	4.6%	11.8%	4.6%	7.3%
Copper (USc/lb) LME	305.54	-3.7%	-3.1%	1.5%	-3.1%	-7.6%
Nickel (USc/lb) LME	748.65	-10.6%	-11.8%	4.9%	-11.8%	19.1%
MG Metals Index	322.55	-6.5%	-2.3%	4.4%	-2.3%	0.0%
Interest Rates						
AUS UBS Composite Bond Index	8,027.25	-0.3%	1.0%	4.1%	1.0%	6.0%
AUS UBS Bank Bill Index	8,118.12	0.2%	0.7%	1.3%	0.7%	2.6%
	%	basis point change				
AUS Cash Rate	2.50	0	0	0	0	0
AUS 90 day Bank Bill rate	2.69	6	1	4	1	13
AUS 10 year Bond yield	3.48	19	-6	-60	-6	-33
US Federal Funds rate	0.25	0	0	0	0	0
US 30 year Bond yield	3.20	11	-16	-36	-16	-49
US 10 year Bond yield	2.49	15	-4	-23	-4	-12
Exchange Rates						
AUD/USD	0.8750	-6.3%	-7.2%	-5.6%	-7.2%	-6.2%
AUD/YEN	95.94	-1.3%	0.4%	0.3%	0.4%	4.7%
EURO/USD	1.26	-3.8%	-7.8%	-8.3%	-7.8%	-6.6%
AUD/EUR	0.69	-2.6%	0.6%	3.0%	0.6%	0.5%
AUST TWI	68.50	-4.7%	-4.9%	-3.5%	-4.9%	-3.8%



DISTRIBUTION UPDATE

During the September quarter the company remained active in promoting CTN to investors, shareholders and brokers across Australia including participating in the Australian Investors Association national conference, the Future Wealth Forums (Trading, Super and Investment Expo) in Sydney and Melbourne and the Australian Shareholders Association Big Day Out Investors Roadshow - amongst other events.

Our objective is to make as many investors as possible aware of CTN and familiar with the benefits of owning shares in the company. The flow on of this is to enable the share price to most fully reflect the value of the company.



At 30 September 2014 CTN recorded its highest ever number of shareholders with 5,231 - an increase of 313 in the quarter. It is our pleasure to welcome new shareholders to CTN as well as those reading this newsletter for the first time.

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

Research from industry providers such as Investment Trends and Wealth Insights identify the key reasons investors prefer to invest in directly held equities are: Control, Transparency, Dividends, Franking and Tax benefits.

As we celebrate our 10th anniversary as a company CTN will continue to work hard to see CTN included in more investors' portfolios and maximise more value for shareholders.

ENGAGING THE INVESTMENT COMMUNITY



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

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

KEEP UP TO DATE WITH THE LATEST INFORMATION



There is much information available through the Investment Centre on the CTN website. CTN produces articles and papers relevant to Microcaps and LICs which are often published in various industry magazines and websites. Where possible, these are loaded onto the CTN website.

Commentaries and research conducted 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 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.

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.

The Contango Investor Centre App is now available to download for free from iTunes or the Google Play store. Search for "ContangoIC"

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 MORNINGSTAR INDIVIDUAL INVESTOR CONFERENCE** to be held in Sydney on Friday 24 October 2014. Event details are:



Venue:	Wesley Conference Centre
Address:	220 Pitt Street, Sydney
Date:	Friday 24 October 2014

CTN is participating in the **8th Annual SMSF Adviser Strategy Days** to be held in Sydney, Brisbane and Melbourne in Friday 24 October 2014. Event details are:



Cities:	Sydney, Brisbane and Melbourne
Dates:	28th, 29th and 30th of October 2014

For more information about events please follow CTNs Events web page.

SUBSCRIBE TO CTN COMMUNICATIONS

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

CTN ALWAYS ACCESSIBILE TO SHAREHOLDERS

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

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WEB PAGES CITED:

CTN Events	www.contango.com.au/ctn_contango_microcap_events_and_dates.php
CTN Research Page	www.contango.com.au/ctn_contango_microcap_research.php
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
CTN Annual Report	http://www.contango.com.au/ctn_contango_microcap_reports_financial.php

REQUEST AN INVESTOR PACK

Over the past 12 months CTN has added over 700 new shareholders with over 5,200 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 an information and welcome pack (brochure, bookmarks and mouse pad) please call Contango on 03 9222 2333 or contact us via email support@contango.com.au or use the *Contact Us* feature on the Contango MicroCap web site.