AROWANA
AUSTRALASIAN VALUE
OPPORTUNITIES FUND

29 November 2017

The Manager
ASX Market Announcements
Australian Securities Exchange
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Subject: Annual General Meeting – Investor Presentation

In keeping with the company's continuous disclosure obligations, the Directors of Arowana Australasian Value Opportunities Fund Limited are pleased to attach a copy of the Investor Presentation which will be presented to shareholders at the annual general meeting of the company, to be held at 10.30 a.m. this morning, 29 November 2017.

On behalf of the Board of AWQ,

Tom Bloomfield
Company Secretary

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AROWANA AVOF

Arowana Australasian Value Opportunities Fund Limited

Investor Presentation
November 2017

Disclaimer

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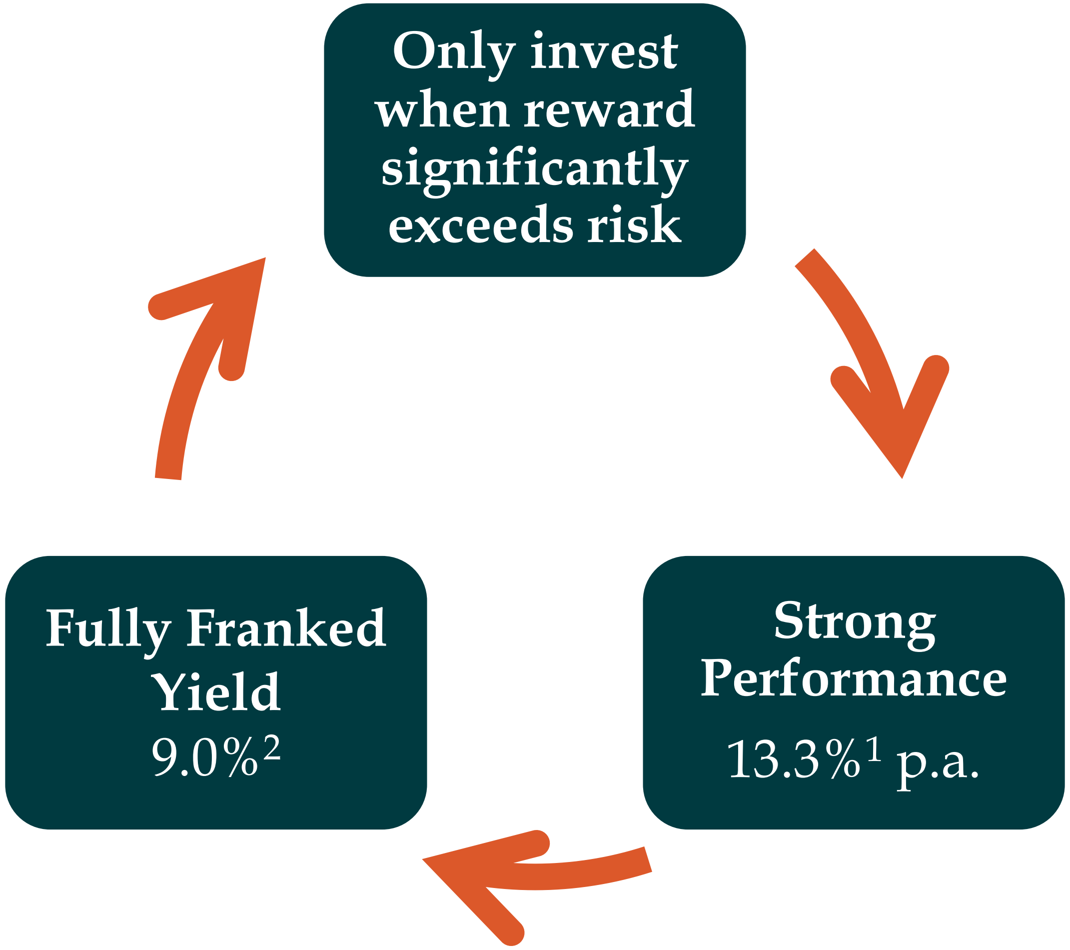
AAVOF Core Objectives

- **Capital preservation** is paramount
- Invest **only** when reward **significantly** exceeds risk
- **Concentrate** capital in situations with best upside asymmetry to **maximise** risk adjusted returns
- **Alignment**...board and affiliates represent 10% of share register
- **Grow NTA and dividends**



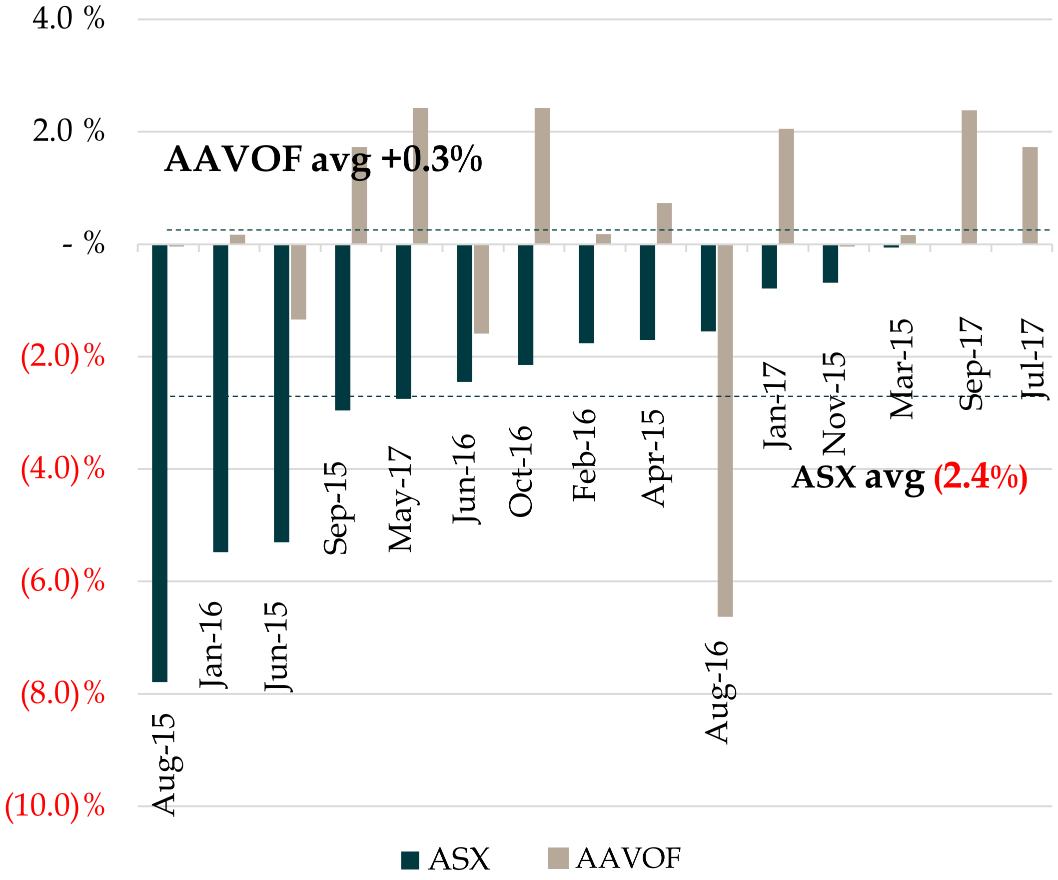
[1] Returns quoted net of fees, pre tax, since inception (5 January 2015 – 31 October 2017)
[2] 3.5c fully franked final dividend annualised on $1.11 AAVOF stock price

Outperformance with low correlation

					Since inception (5 Jan 2015 – 31 Oct 2017)	
	1 mth	**3 mths**	**6 mths**	**12 mths**	**Annualised**	**Cumulative**
AAVOF Gross	9.8 %	16.2 %	25.5 %	21.1 %	16.1 %	52.5 %
S&P/ASX200 Accumulation Index	4.0 %	4.7 %	2.0 %	16.1 %	7.8 %	23.9 %
Gross outperformance	5.8 %	11.5 %	23.5 %	5.0 %	8.2 %	28.6 %
AAVOF Net *	8.8 %	15.1 %	23.8 %	18.1 %	13.3 %	42.4 %
S&P/ASX200 Accumulation Index	4.0 %	4.7 %	2.0 %	16.1 %	7.8 %	23.9 %
Net outperformance	**4.8 %**	**10.3 %**	**21.8 %**	**2.0 %**	**5.4 %**	**18.5 %**
Net outperformance multiple	2.2x	3.2x	11.8x	1.1x	1.7x	1.8x
Correlation to benchmark						**26.1 %**

* Net returns are post all costs and fees, pre tax

Uncorrelated returns



Average return in months when ASX* is down

- ASX average: (2.4)%
- AAVOF average: +0.3%

	ASX*	AAVOF Portfolio
Up months	55.9 %	70.6 %
Down months	44.1 %	29.4 %
Average gain in up months	3.1 %	2.7 %
Average loss in down months	(2.4)%	(1.9)%

* S&P/ASX200 Accumulation Index, since Fund inception (5 January 2015)
AAVOF returns shown are portfolio (gross)

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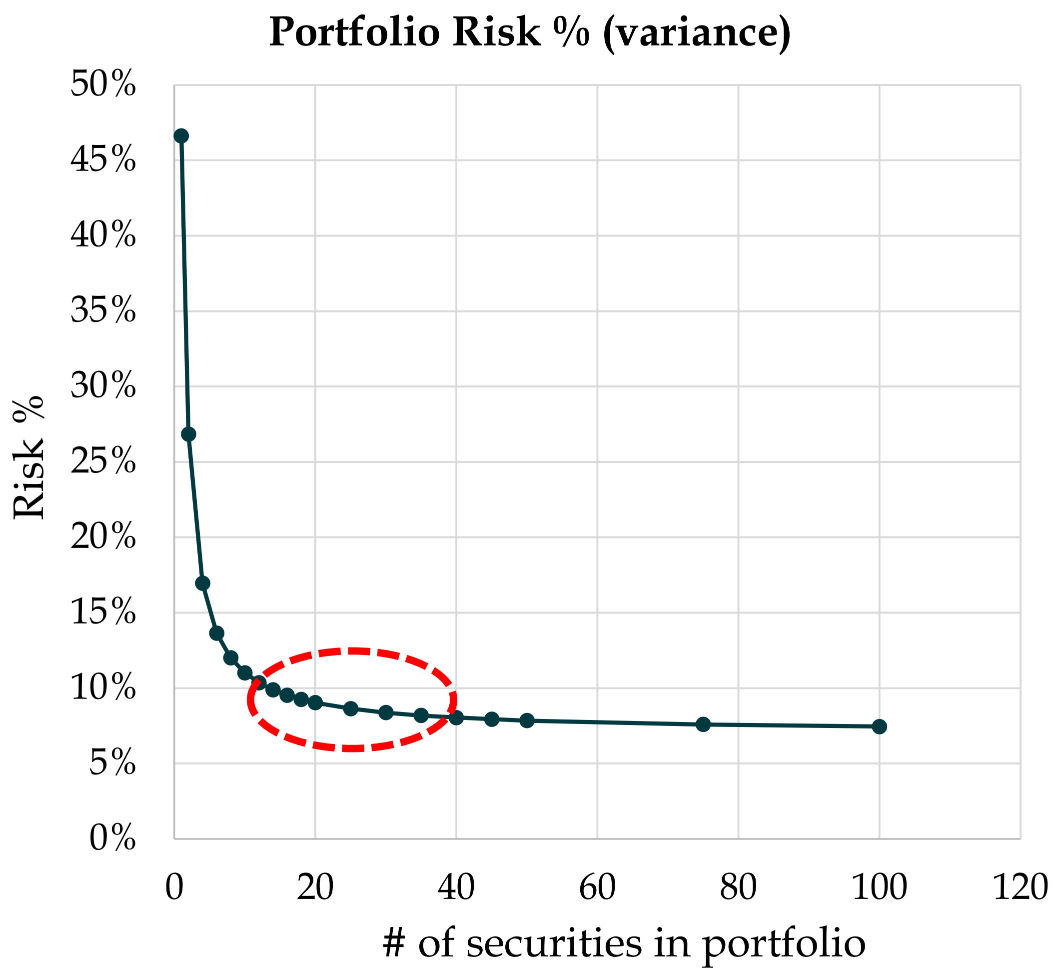
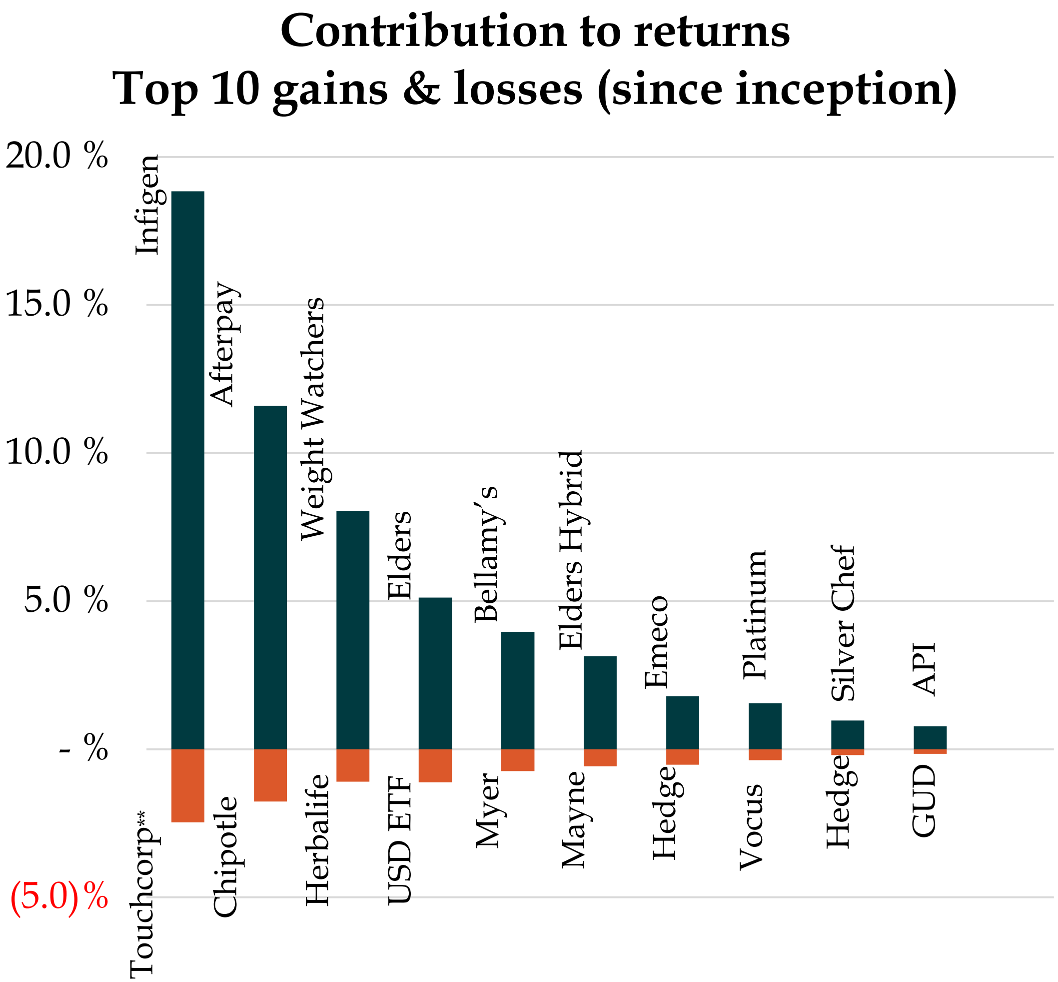
What does diversification really mean?



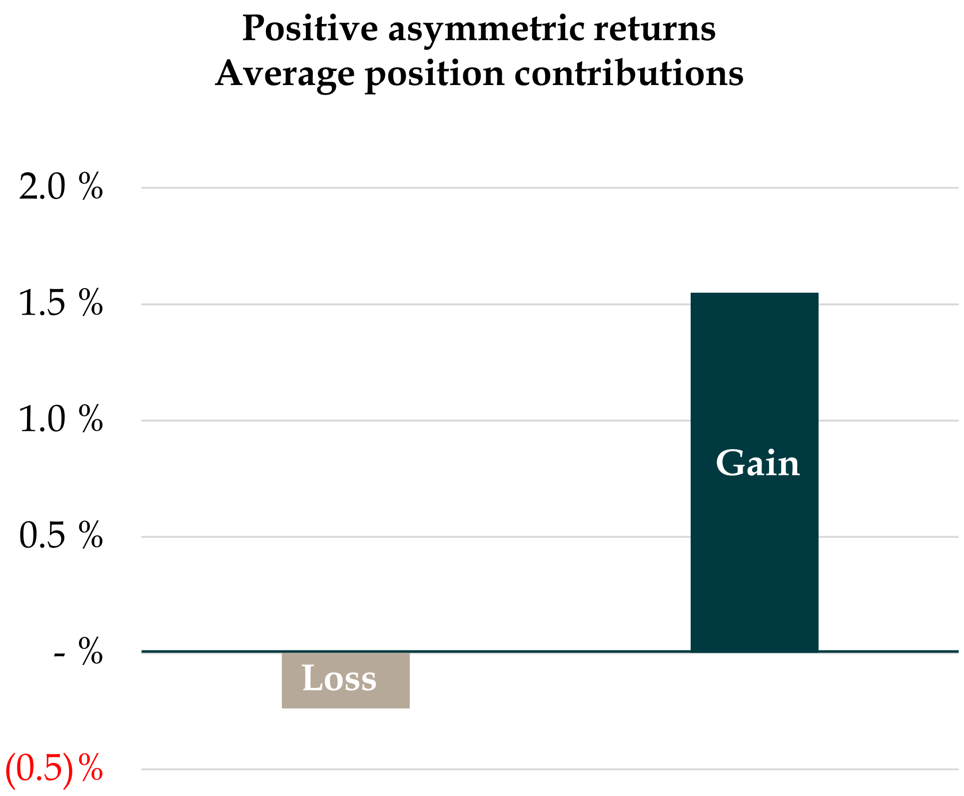
Source: E.J. Elton & M.J. Gruber

- Beyond 15 - 20 stocks, diversification benefits get *increasingly* smaller
- You cannot diversify away covariance/ correlation
- Conversely, can a portfolio manager *really know* every stock they own if they have 50+ of them?
- A balanced approach to knowledge capacity and risk management
- By focusing on a concentrated portfolio, outsized risk adjusted returns are possible

Investment Performance Quality: Outsized returns...



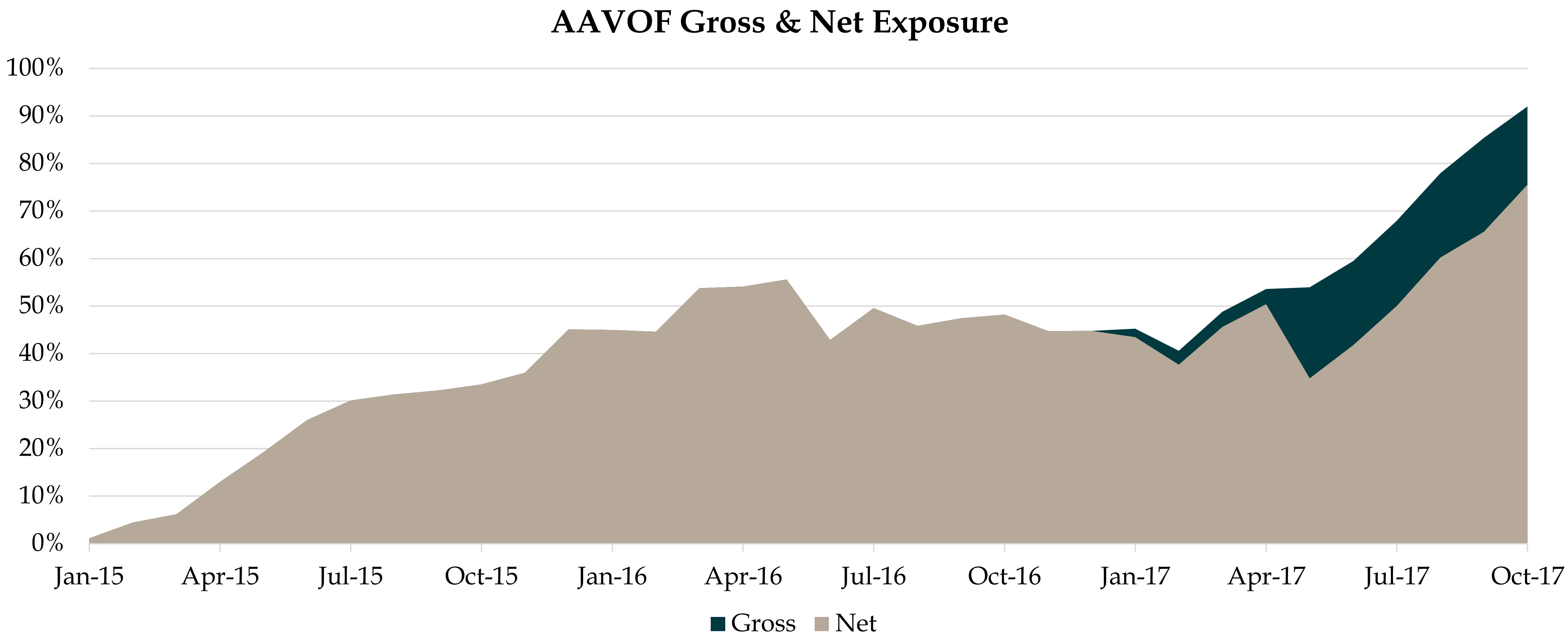
- Since inception, average gain *6.5x* larger than average loss



* S&P/ASX200 Accumulation Index (ie including dividends)

** Touchcorp was exchanged in merger ratio for 0.64 Afterpay shares...resulting in a +61.7% gain on this position. We include it as a loss as the legal form of the holding changed

...with no portfolio leverage



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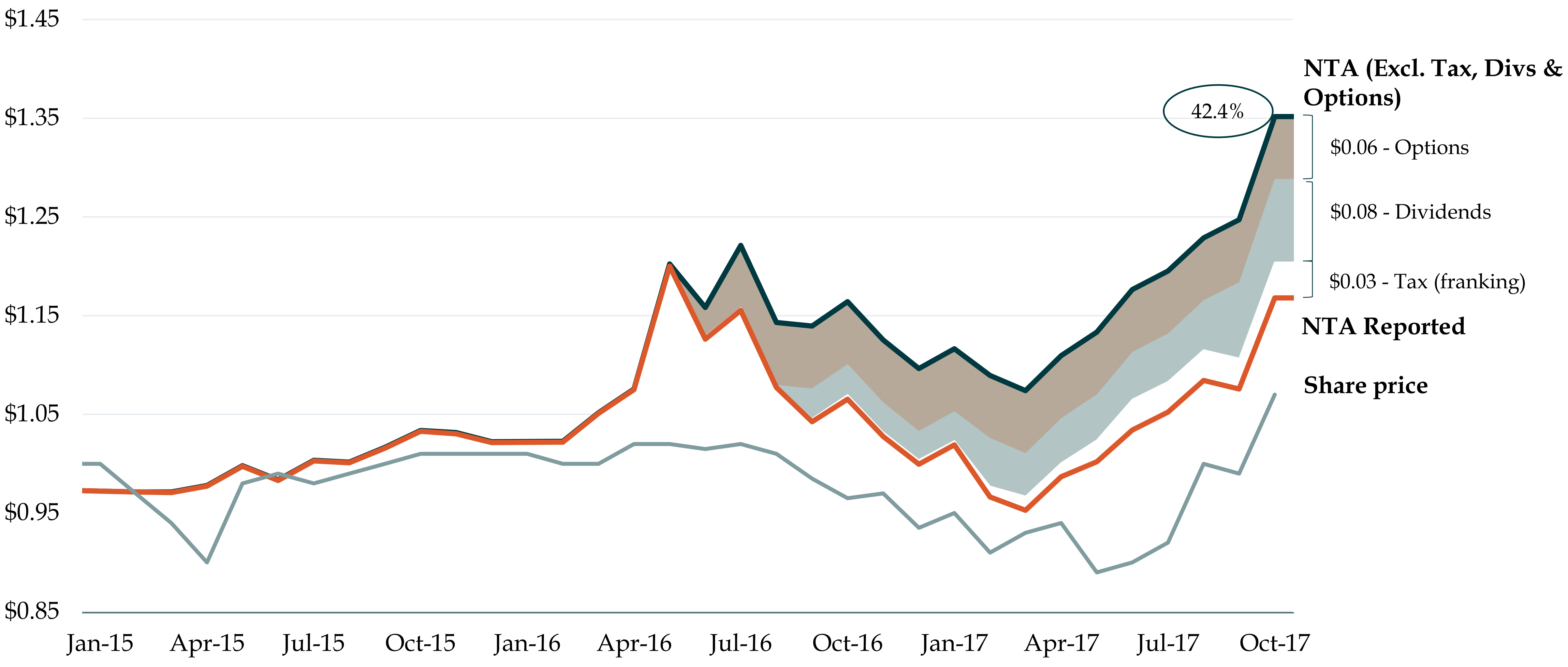
Translating investment performance into share price growth



Investment Team

Ben Wolrige

Co Manager & Senior Analyst

Previous experience

Corality Financial Group (3 yrs)

- Led numerous debt advisory and corporate finance engagements
- Focus on infrastructure and mining
- Expertise in financial modelling

VGI Partners (2 yrs)

- Hedge fund Investment Analyst

Gary Hui

Portfolio Manager & Lead Analyst

Previous experience

Indus Capital (7 yrs) Singapore, USA

- Senior Analyst / MD
- Singapore Responsible Officer
- Wide coverage responsibilities

J.P. Morgan (8yrs) Australia, HK

- Proprietary trading, ECM, M&A

Deloitte (5 yrs) Australia

- Corporate Finance, Audit

John Graham

Data Scientist

Silver Medalist International Math Olympiad Helsinki 1985

University Medal; PhD & BA in Pure Mathematics

Programming languages Python, C, R, Matlab

Skill set well beyond simple quantitative analysis

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Investment Process

IDEA GENERATION
- Proprietary screening techniques
- Input from an eclectic and broad range of sources

PROPRIETARY DATA
- Identify areas of need
- Acquire proprietary data & monitor

SIZING & IMPLEMENTATION
- Risk asymmetry assessment drives sizing: What is risk / reward payoff
- Proprietary data quality

HYPOTHESIS TESTING
- Identify the market inefficiency
- Direct testing
- Test nulls and any opposing thesis

QUANTIFICATION
- Upside/downside detailed calc
- Position in cap structure

MONITOR & EXIT
- Monitor & update
- Guard against thesis drift
- Exit on risk asymmetry reversal

MOSAIC BUILDING
- Build sector knowledge
- Global perspective
- Industry maps; industry history

FRAMING
- Concise thesis
- Identify key risks to monitor
- Identify parallel opportunities

ERROR ANALYSIS & LEARNING
- Was the error preventable
- **Critical part of process improvement**

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Risk Management

- **Cultural focus**
  - Strict limits of authority (trading, cash control)
  - Third party custodian
  - Middle office trade confirmation approvals
  - Monitoring of portfolio concentrations & correlations
- **Hard limits**
  - 1 authorised trader
  - Positions cannot be added to >15% of FUM
  - Overseas positions in aggregate cannot be added to >45% of FUM
  - Hedge positions in aggregate cannot be added to >25% of FUM
  - No unlisted
  - No OTC
- **Soft limits**
  - Deep aversion to illiquids

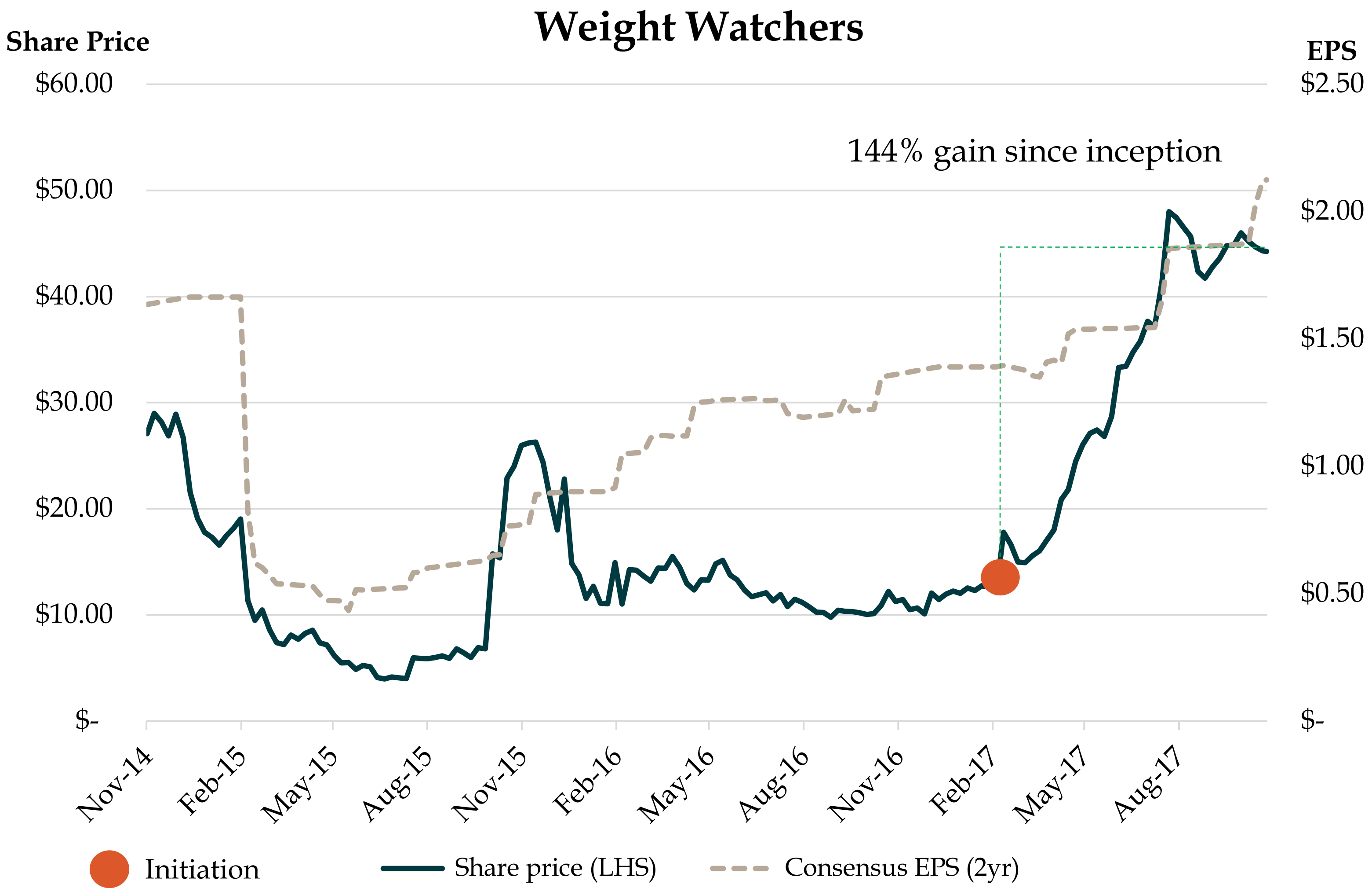
Portfolio Construction

LONG POSITIONS	HEDGES	CURRENCY
▪ 15 – 30 positions ▪ Recovery phase companies (multiple expansion x positive earnings upside) ▪ Underestimated structural growth (multiple expansion x positive earnings surprise) ▪ Focus on positive informational and risk asymmetry ▪ Preference for longer half life situations ▪ Creative research is key	▪ 10 – 20 positions ▪ "Good" companies entering decay ▪ Reflexive situations ▪ One trick ponies ▪ Accounting frauds	▪ Macro analysis serves to mitigate risk rather than direct where we invest ▪ If FX risk is large enough to warrant hedging, we typically just don't invest

Case Study: Weight Watchers International (WTW.US)

weightwatchers

Mega brand consumer service company on the path to recovery



- Global brand
- Laggard in social media technology; lost engagement
- Cheap (<13x fwd P/E at cost)
- Exceptional new management
- Visible turnaround in engagement metrics and revenues
- Extremely high incremental margins
- Virtually zero research coverage

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Weight Watchers International (WTW.US)

weightwatchers

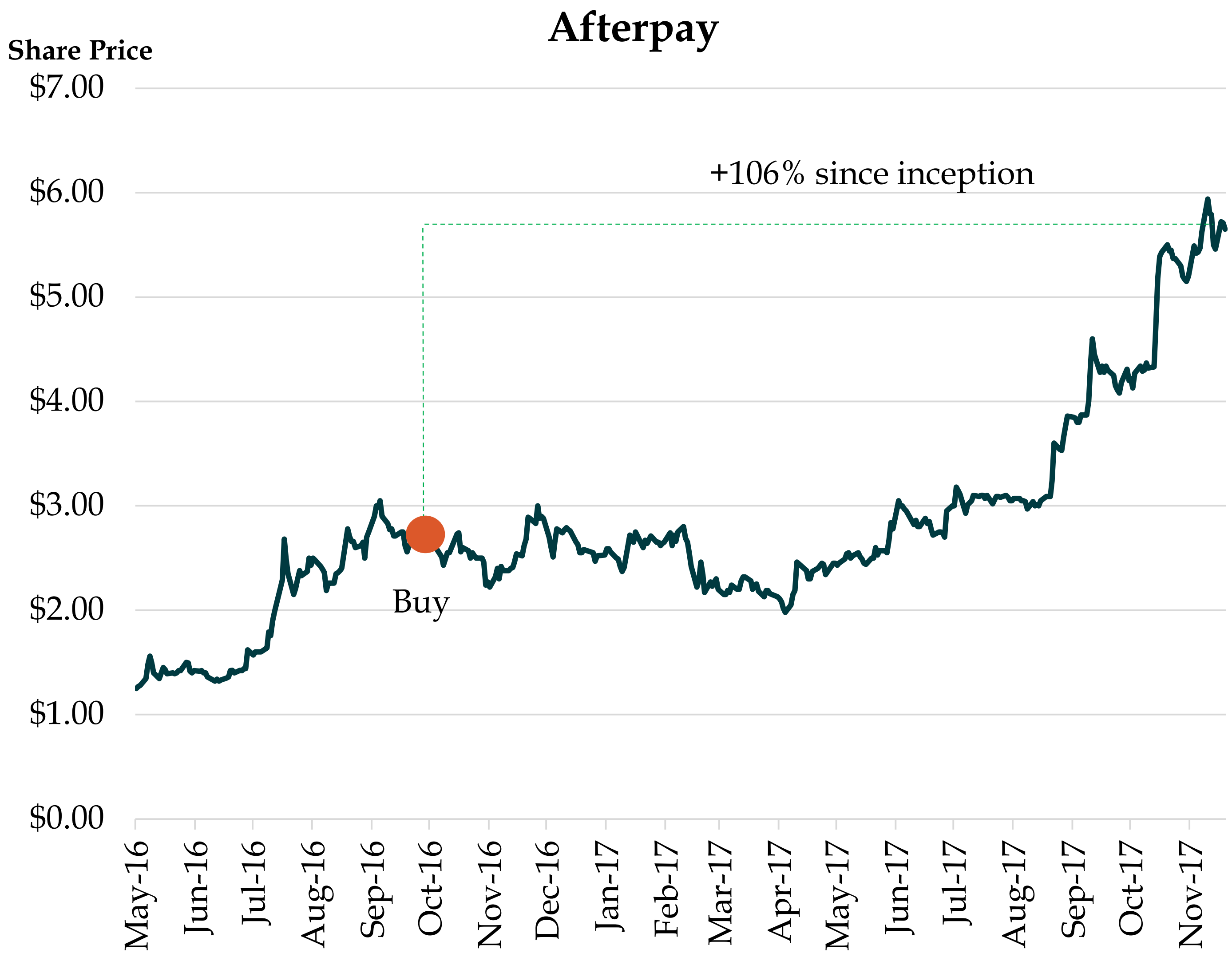
Re-rated: Transformation from an ugly duckling to a market darling

Date	Consensus EPS est (2yr)	P/E Multiple	Price
3-Mar-17	$ 1.40	12.7 x	$ 17.79
1-Sep-17	$ 1.86	24.5 x	$ 45.65

Share Price Change Attribution		
Starting	$17.79	
Change from EPS	$5.92	**+21% of movement**
Change from Multiple	$21.94	**+79% of movement**
Closing	**$45.65**	

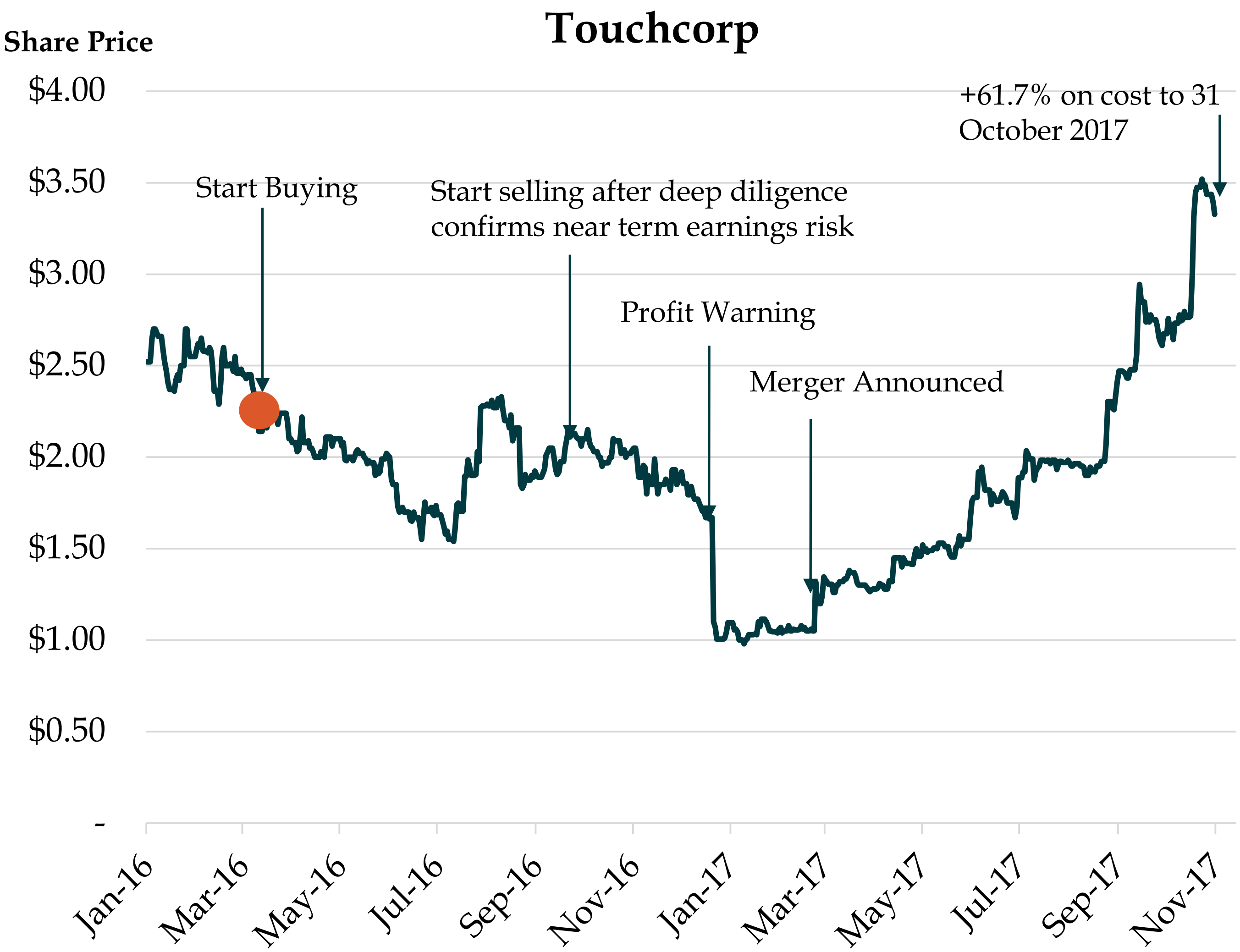
	Cheap Stocks	Market Darlings
Mean Reversion is your friend	✓	✗
Significant upside risk asymmetry (odds in your favour)	✓	✗
Multiple x earnings surprise work in your favour	✓	✗
Can follow consensus expectations, don't need a differentiated view	✗	✓

Case Study: Afterpay Touch Group (APT.AU)



- Underappreciated growth thesis: Not widely covered by brokers; misunderstood
- Online point of sale payment alternative
- Strong value proposition for both merchants and consumers – product has gone "viral"
- High ROC driven by low credit costs and short loan tenor
- Used for ~20% of all online fashion purchases in Australia, 5% of all online retail
- Now expanding: geographically and in other verticals

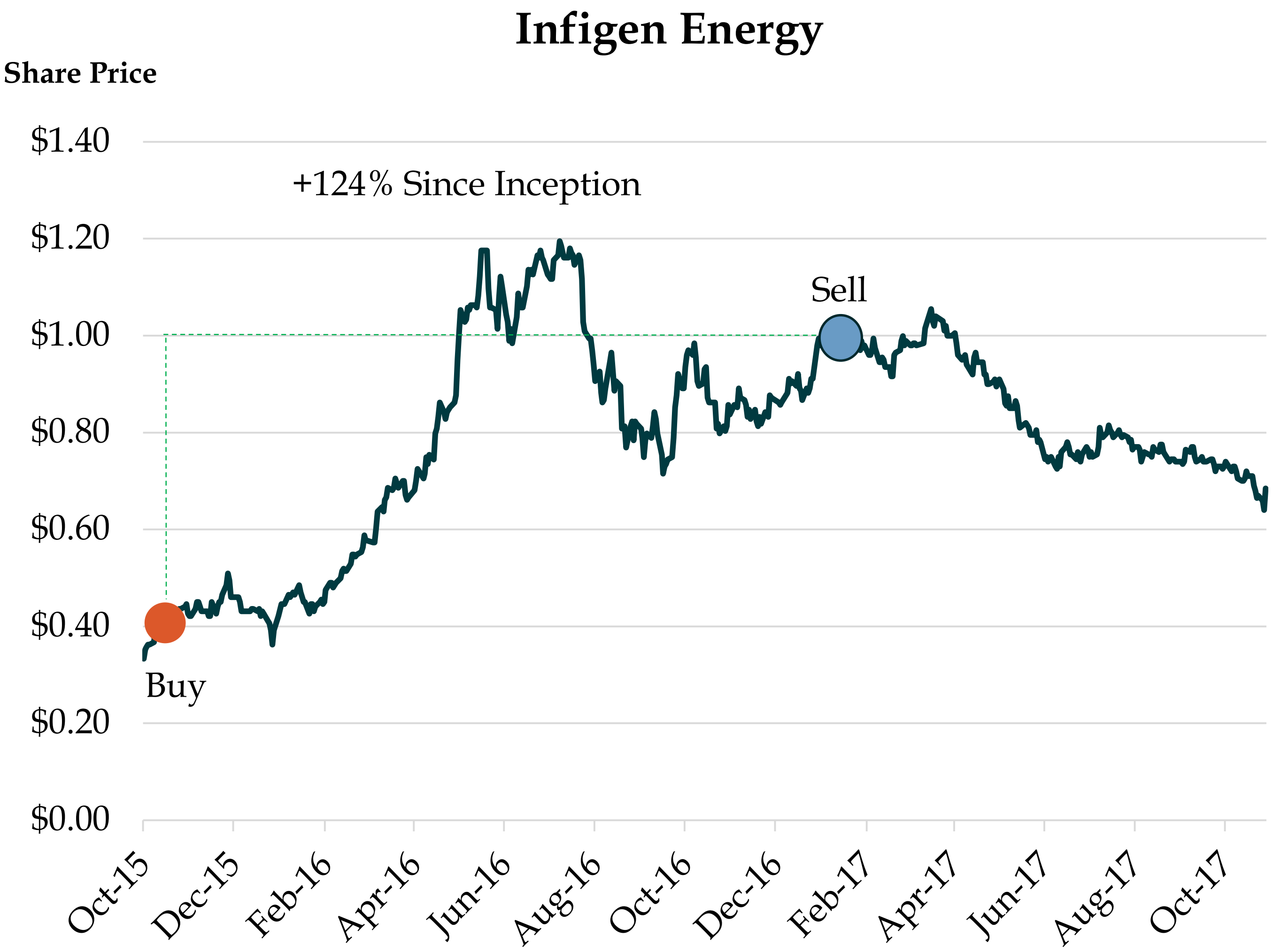
Case Study: Touchcorp (TCH.AU)



- One we got wrong
- Looked cheap on asset based valuation
- Underestimated impact of maintenance requirements on customer contracts
- NTA value through Afterpay equity ownership was increasing rapidly
- At its trough, TCH was trading at a ~20% discount to liquidation value
- Merged with Afterpay soon thereafter and continues to grow rapidly

NOTE: Post merger share price is based on merger ratio multiplied by Afterpay share price. Touchcorp is no longer listed.

Case Study: Infigen Energy (IFN.AU)



- Renewable energy producer
- Formerly known as Babcock & Brown Wind
- Burdened with debt
- A change in regulatory environment drove a rapid revenue and earnings increase
- Infigen's cash flow surged
- Virtually zero research coverage

AAVOF Support Structure

[1] Via AAVOF Management Pty Limited, a subsidiary

Fund Summary

Name	Arowana Australasian Value Opportunities Fund (AAVOF)
Fund Style	Global, Absolute Return
Domicile	Australia
Manager	Arowana International Limited (via AAVOF Management Pty Limited)
Functional Currency	Australian Dollar
Inception	Jan-15
Return since inception*	42.40%
Management Fee	1%
Performance Fee	20%
Benchmark	S&P/ASX 200 Accumulation Index
Hurdle	Where index is >0, 8% hurdle rate, Where index is <0, 0% hurdle rate
High watermark	Yes and indexed by hurdle rate
Auditor/Tax	PKF Hacketts
Administrator	Link Financial Services
AFSL	Arowana Capital Pty Ltd License no. 307070
Website	www.aavof.com
Contact	investors@aavof.com

*After all fees and expenses, pre tax

The End