

Contrarian Value Fund Limited

Investor Presentation
August 2018



Disclaimer

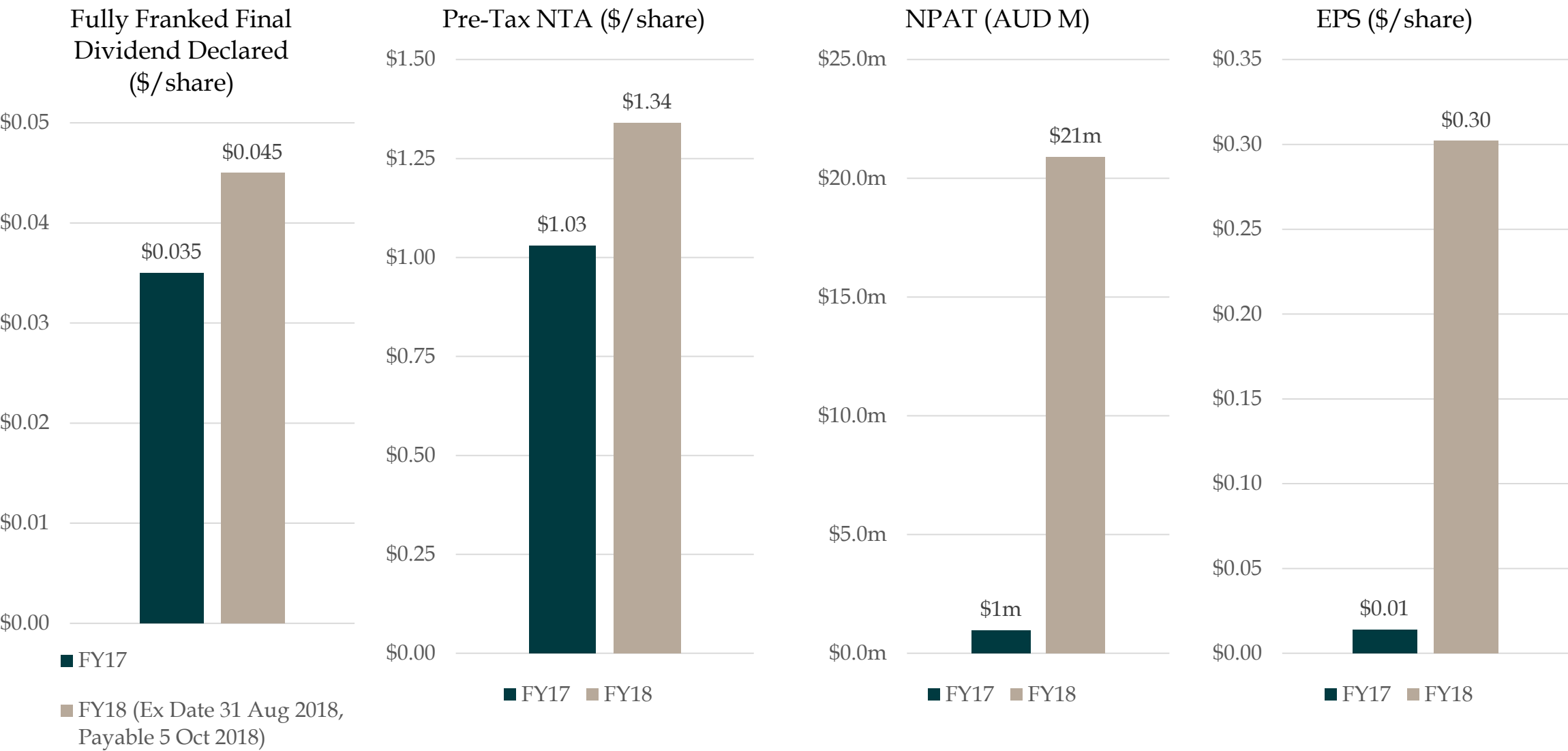
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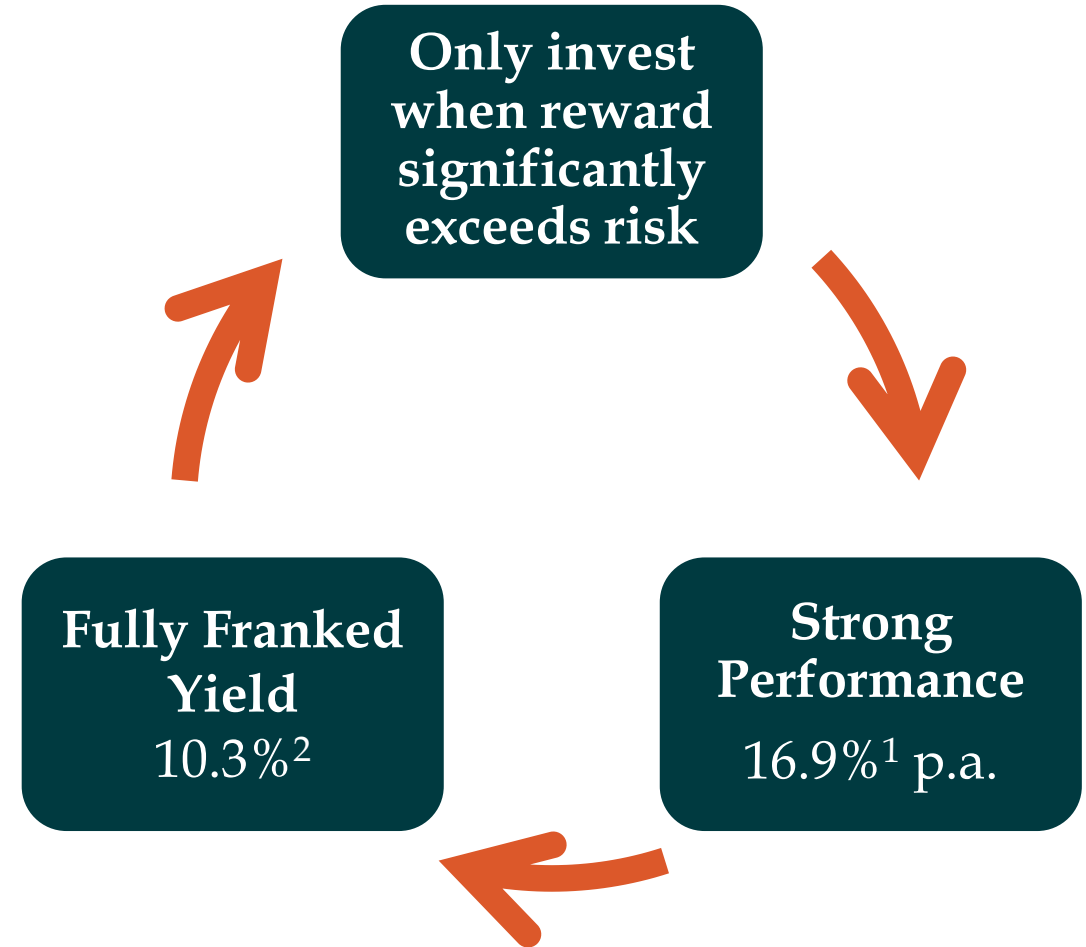
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Strong FY18 Results



Arowana CVF 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 – 30 June 2018)

² 4.5c fully franked final dividend annualised on \$1.18 Arowana CVF stock price at 30 June 2018

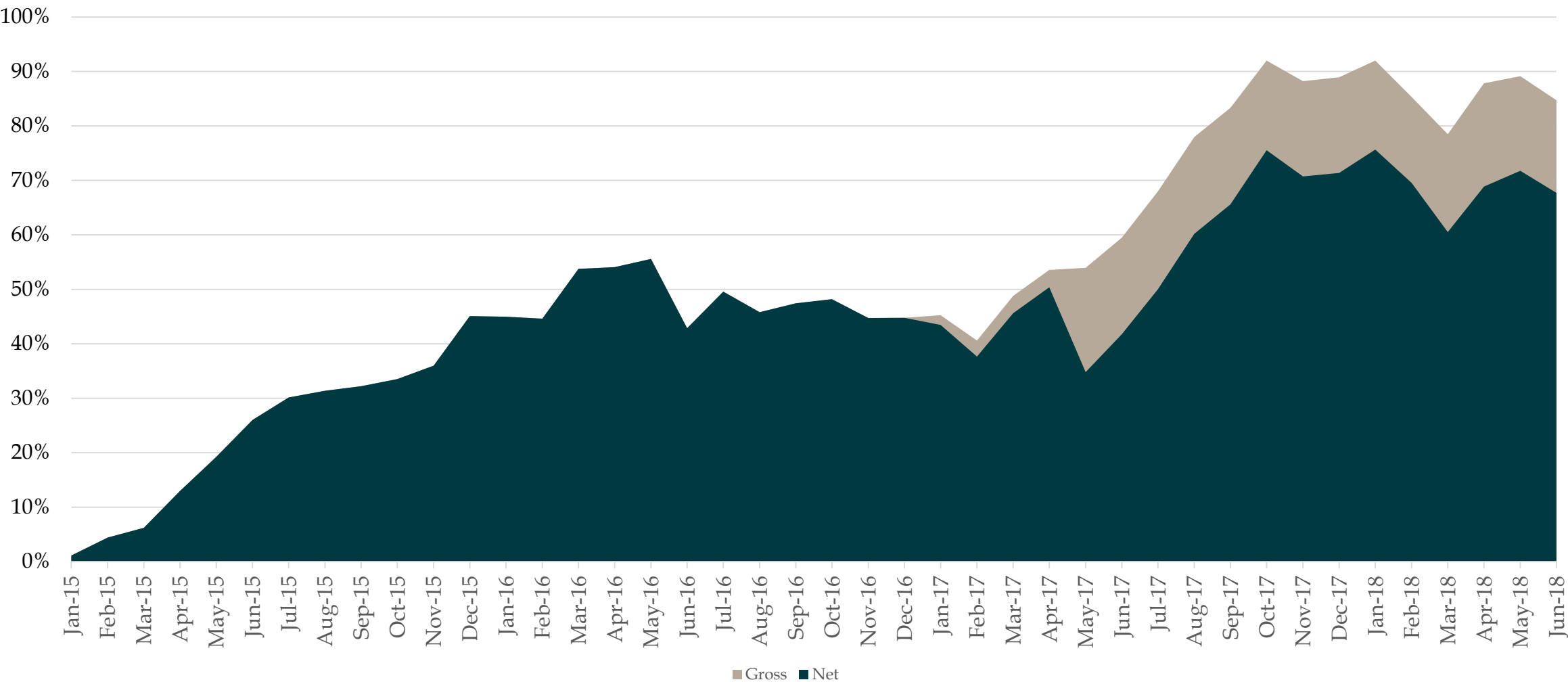
Our Process...Works

	1 mth	3 mths	6 mths	12 mths	Since inception (5 Jan 2015 – 30 June 2018)	
					Annualised	Cumulative
Arowana CVF Gross	4.0%	16.8%	22.4%	52.1%	21.3%	96.5%
S&P/ ASX200 Accumulation Index	3.3%	8.5%	4.3%	13.0%	8.6%	33.7%
Gross outperformance	0.7%	8.3%	18.1%	39.1%	12.7%	62.8%
Arowana CVF Net *	3.2%	13.2 %	17.2%	41.7%	16.9%	72.9%
S&P/ ASX200 Accumulation Index	3.3%	8.5%	4.3%	13.0%	8.6%	33.7%
Net outperformance	(0.1)%	7.8%	9.6%	32.6%	8.3%	39.2%
Net outperformance multiple	1.0x	1.6x	4.0x	3.2x	2.0x	2.2x
Correlation to benchmark	22.5 %					

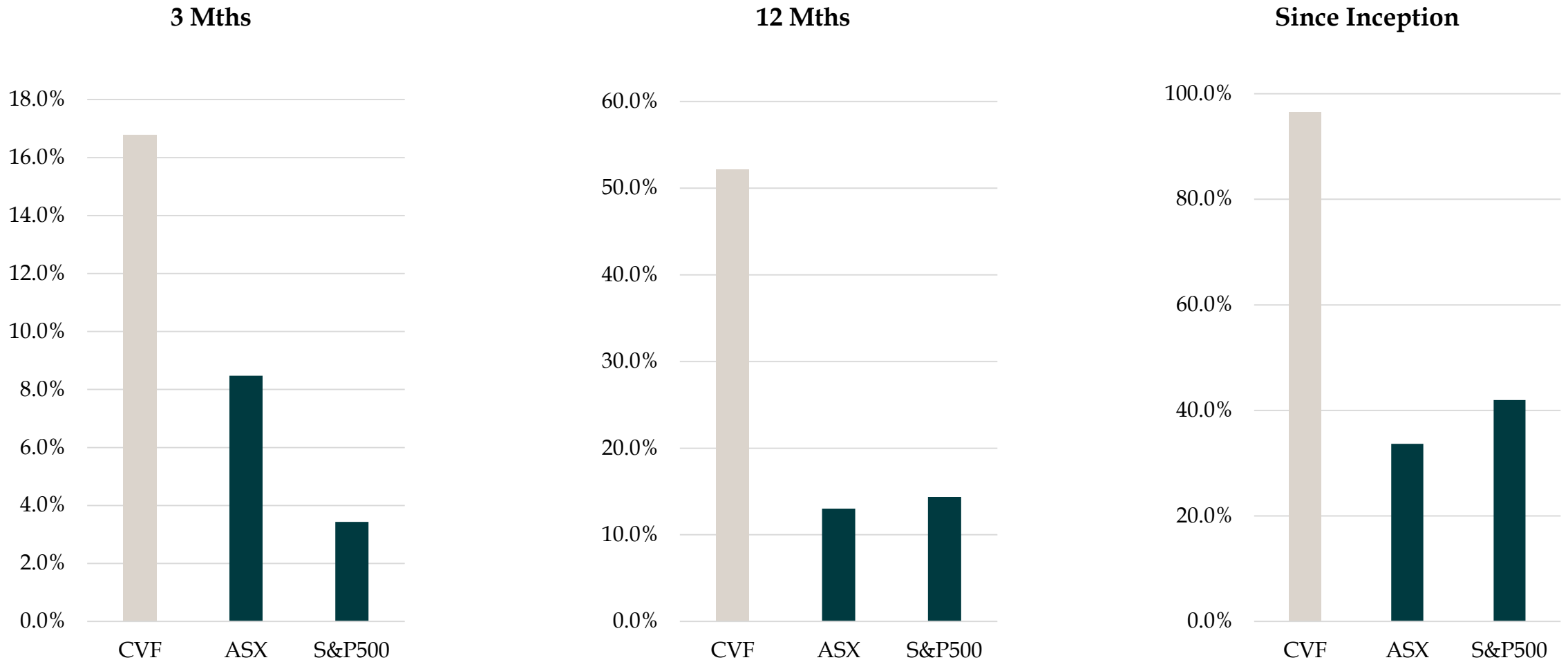
* Net returns are post all costs and fees, pre tax

...with no portfolio leverage

CVF Gross & Net Exposure



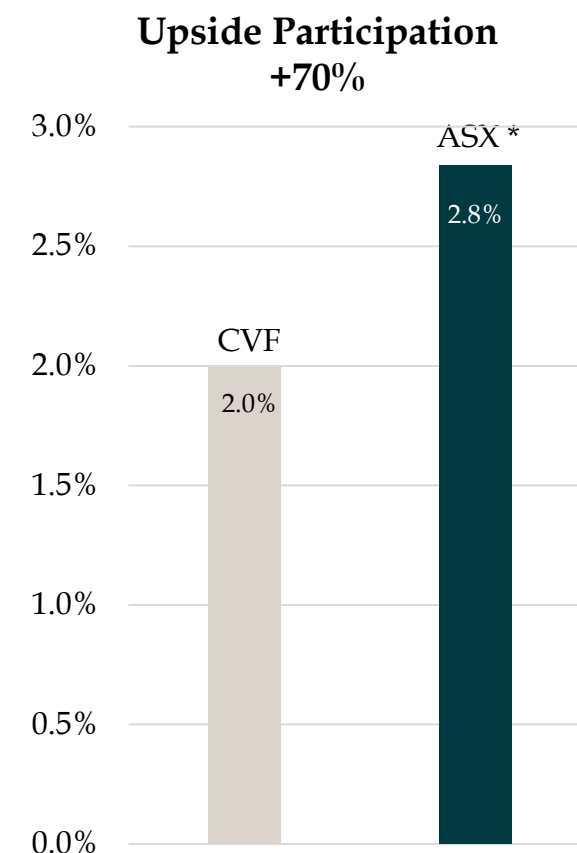
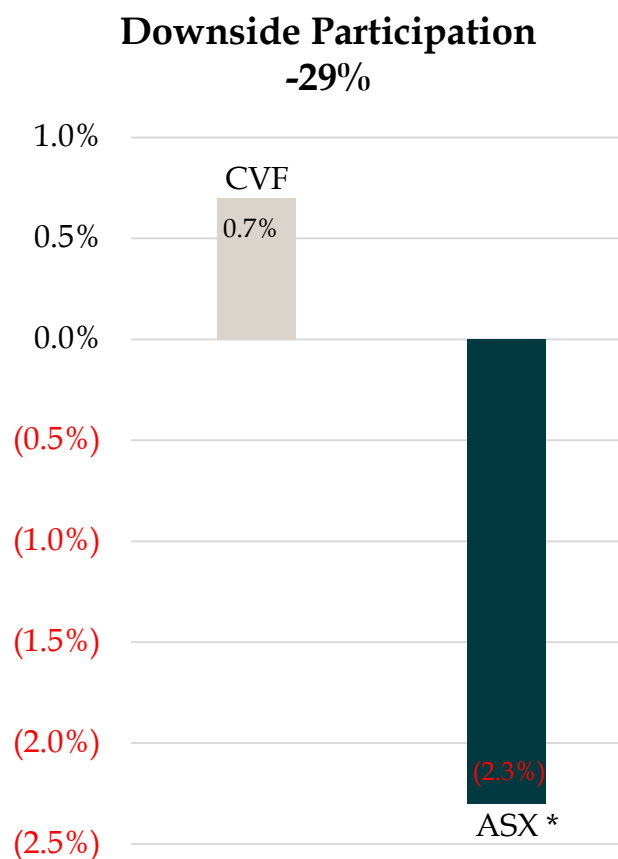
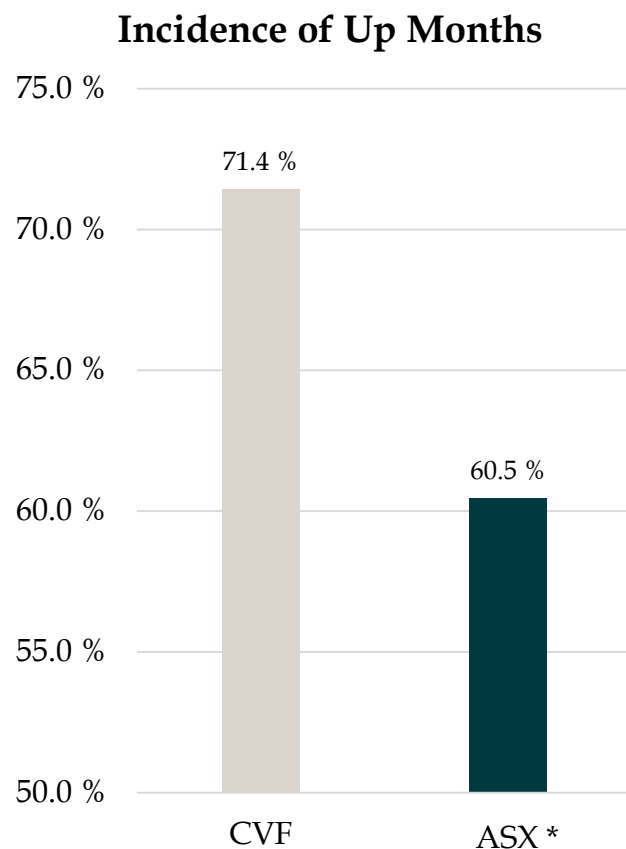
CVF performance vs Benchmark Indices



Returns are to 30 June 2018. Inception date 5 January 2015. Index returns are local currency; CVF is A\$.
CVF return is gross portfolio return. ASX (ASA51 Index) and S&P500 (SPXT Index) are total return indices including dividends.

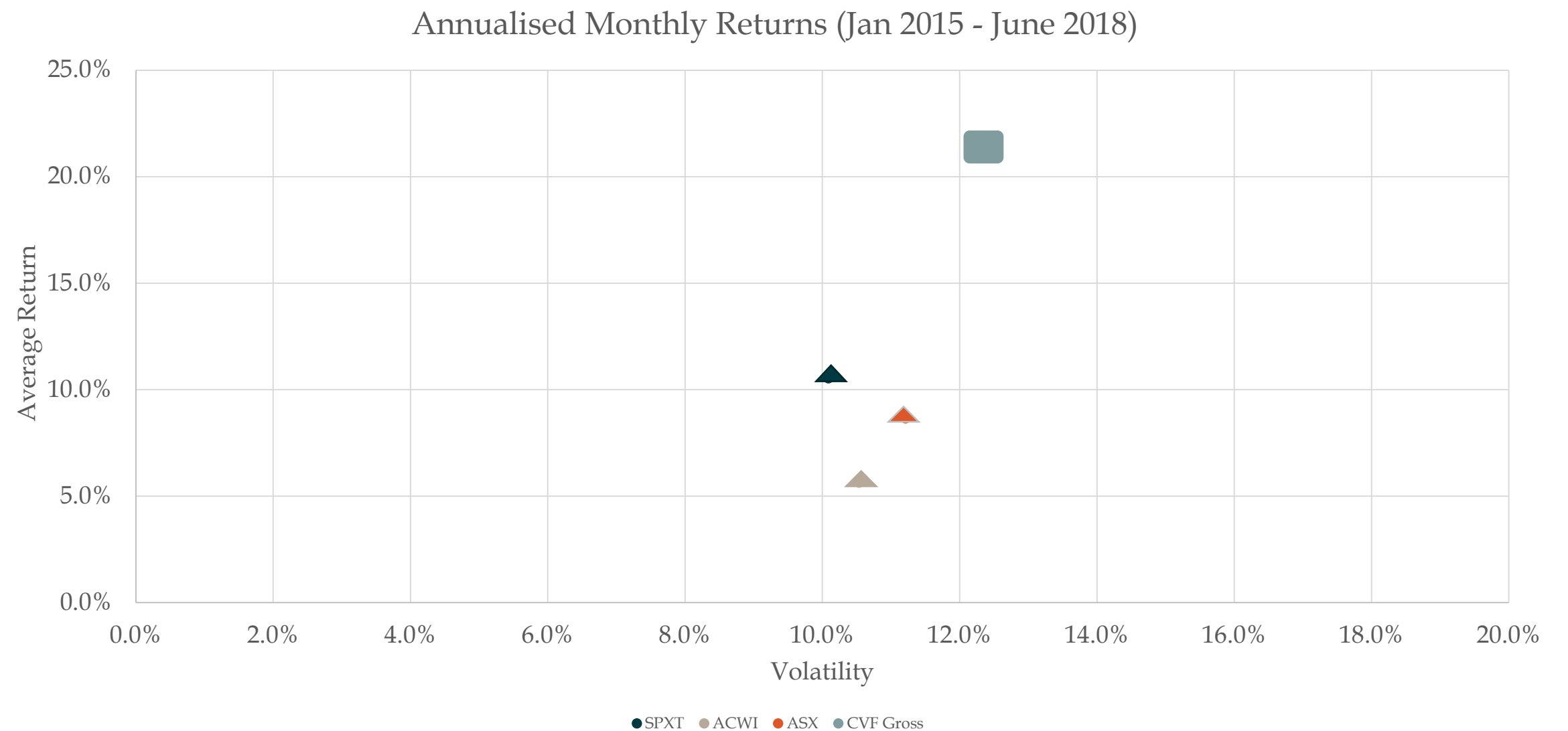
Performance: Uncorrelated Returns

More positive months...and negative correlation in months when the market is down



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

>2x market return with similar volatility



Winners: Last 12 months (Gross Returns)

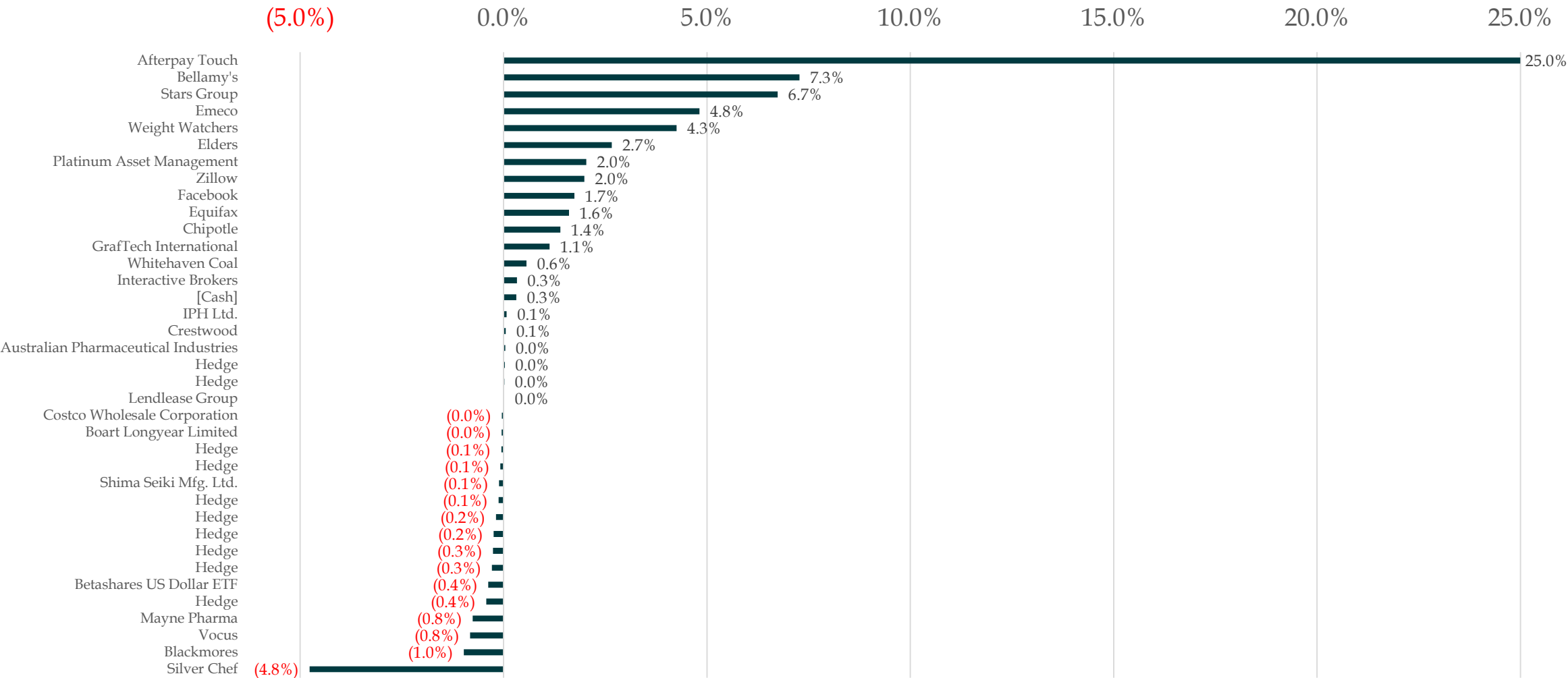
Winners	Stock Return	Contribution to Gross Portfolio Return
Afterpay Touch Group	218%	25.0%
Bellamy's Australia	129%	7.3%
The Stars Group Inc.	85%	6.7%
Emeco Holdings	245%	4.8%
Weight Watchers International, Inc	68%	4.3%
Elders	63%	2.7%
All Other Positions		11.4%
Total Winners		62.1%

Losers: Last 12 months (Gross Returns)

Losers	Stock Return	Contribution to Portfolio Return
Silver Chef	(46%)	(4.8%)
Blackmores	(10%)	(1.0%)
Vocus	(22%)	(0.8%)
Mayne Pharma	(26%)	(0.8%)
Hedge	(43%)	(0.4%)
BetaShares USD ETF	(4%)	(0.4%)
All Other Positions		(1.4%)
Total Losers		(9.3%)

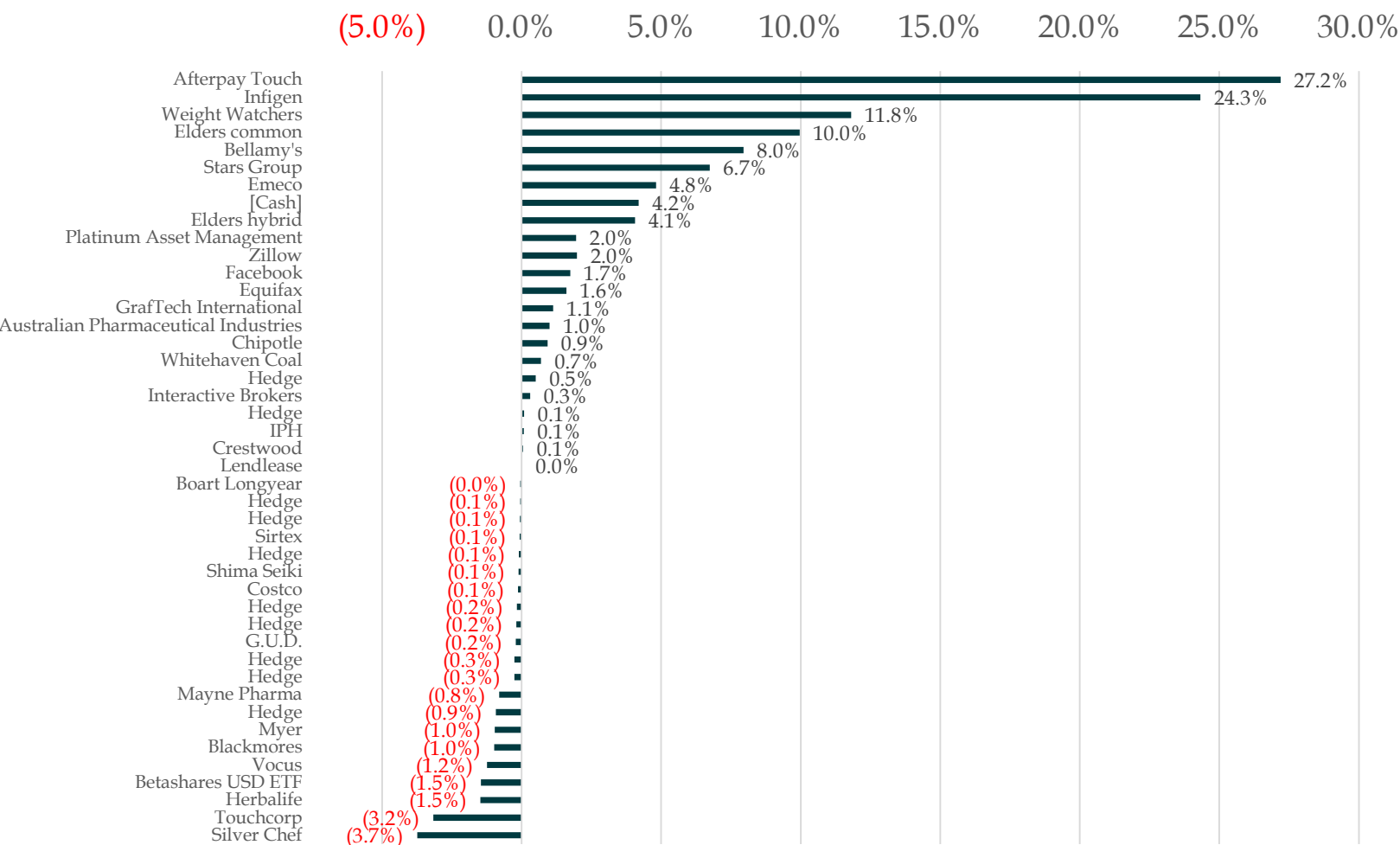
Performance: Asymmetric Realised Returns

Attribution of Gross Portfolio Returns across all positions - Last 12 mths to June 2018

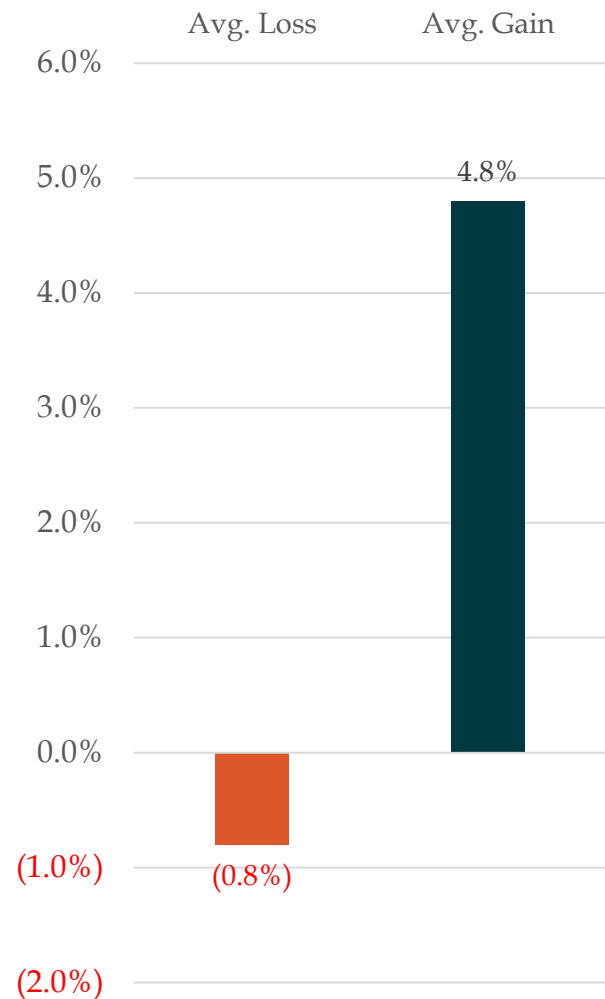


Performance: Asymmetric Realised Returns

Attribution of Gross Returns across all positions since Inception



Avg Winners are 6x the Losers



Process

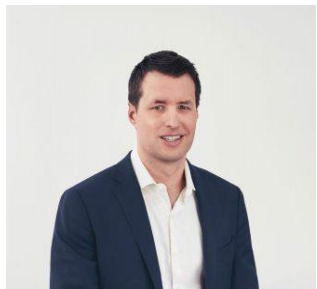


Definition of Insanity:

Doing the same thing as everyone else...

...and expecting a different (better than average) result.

Our Process: We collaborate on each stock idea



Ben Wolrige

Co Manager & Senior Analyst

- Diligence
- Modelling
- Return quantification



Gary Hui

Portfolio Manager & Lead Analyst

- Idea Generation
- Logic Framing
- Risk Management



John Graham

Data Scientist

- Data acquisition
- Data analytics
- Programming

Typical fund: Sector specific analysts reporting to a PM. A lone analyst researches a single stock.

CVF: Cognitive & Skill Diversity. Measurably better outcomes.

Our Process: Targeted Alpha Generation

Typical Global Investment Research Model

> 70,000 stocks globally across multiple sectors

Telecoms Consumer Utilities Finance Healthcare Tech Materials Energy

Our Model – the Barbell

Nothing in between ... focus only on outsized opportunity

? A few thousand?

? A few hundred?

Mean
Reversion
Candidates

Mispriced
Structural
Growth

Our Process: Investment Screening Drives Idea Generation

- We generate proprietary screens that are not spreadsheet based.
- Plot key variables as a continuum through time, not as discrete data points on a spreadsheet.
- Readily identifiable: Margin cycle, valuation cycle.
- Flexible: Able to incorporate other fundamental and valuation factors.
- Typically focused on identifying mean reversion or mispriced growth candidates.
- Our secret sauce...which we do not share.

Our Process: Asymmetric Risk Focus

- Incidence of loss and severity of loss: Critical factors in driving Expected Return
- Hurdle rate is not enough
- Focus on risk / reward
- Target extreme positive asymmetry
- Drives our capital allocation
- Drives our higher expected and realised returns

Same Hurdle/ Different Asymmetry		
	Typical	Asymmetric
Hurdle rate	30.0%	30.0%
Win rate	58.0%	70.0%
Loss rate	42.0%	30.0%
Avg. win upside	30.0%	30.0%
Avg. loss severity	(30.0%)	(6.0%)
Return/risk	1.0x	5.0x
Risk Type	Binary	Asymmetric
Expected return	8.4%	19.2%

What does not drive our returns

Doing the same thing as everyone else



This must result in mediocre returns

Excessive diversification



This must result in mediocre returns

Active trading



Over time this destroys value

Chasing high returns



You can be prepared for opportunity but you cannot manufacture it

Leverage



Our gross exposure is extremely low by industry standards

What does drive our returns

Maniacal focus on time prioritisation



Why spend time on things that don't make money?

Maniacal focus on asymmetry of return vs. risk



A hurdle return rate is not enough

Screening funnel



Unconventional filtering and idea generation process

Team structure & approach



Unconventional team based approach to every investment

Enhanced data



Critical to maximising asymmetric returns