

Contrarian Value Fund Limited

Half Year Presentation

26 February 2019



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Half Year FY2019 | Key Highlights

Strategic review completed

- Exited or reduced stocks considered inconsistent with contrarian value style
- Increased cash weighting ahead of bear market correction between Oct to Dec 2018
- Reduced correlation risk and exposure to macroeconomic and geopolitical risk in the portfolio

Dividend policy update

- Interim fully franked dividend of 2 cents per share declared (to be paid 2 May 2019)
- Franking balance of \$4.0m, sufficient to pay 13cents of fully franked dividends
- Review underway as to the feasibility of paying fully franked special dividends before 30 June 2019

Board rotation and new chairman

- Kent Kwan, a co-founder of CVF and formerly a fund manager with J.P. Morgan Asset Management responsible for an A\$1bn portfolio will become Non Executive Chair
- Victoria Guy, who has also been on the CVF board since its IPO will become Non Executive Vice Chair
- Kevin Chin, a co-founder and major shareholder in CVF, who has served as Executive Chair since its IPO will step back into an Executive Director role

Key Actions from Strategic Review

Re-alignment of portfolio

- Sold positions that were not considered to be aligned with the fund's contrarian value strategy – this included selling out of positions such as Facebook and reducing exposure to growth stocks such as AfterPay.
- Completed in September 2018.

Tactical defensive tilt

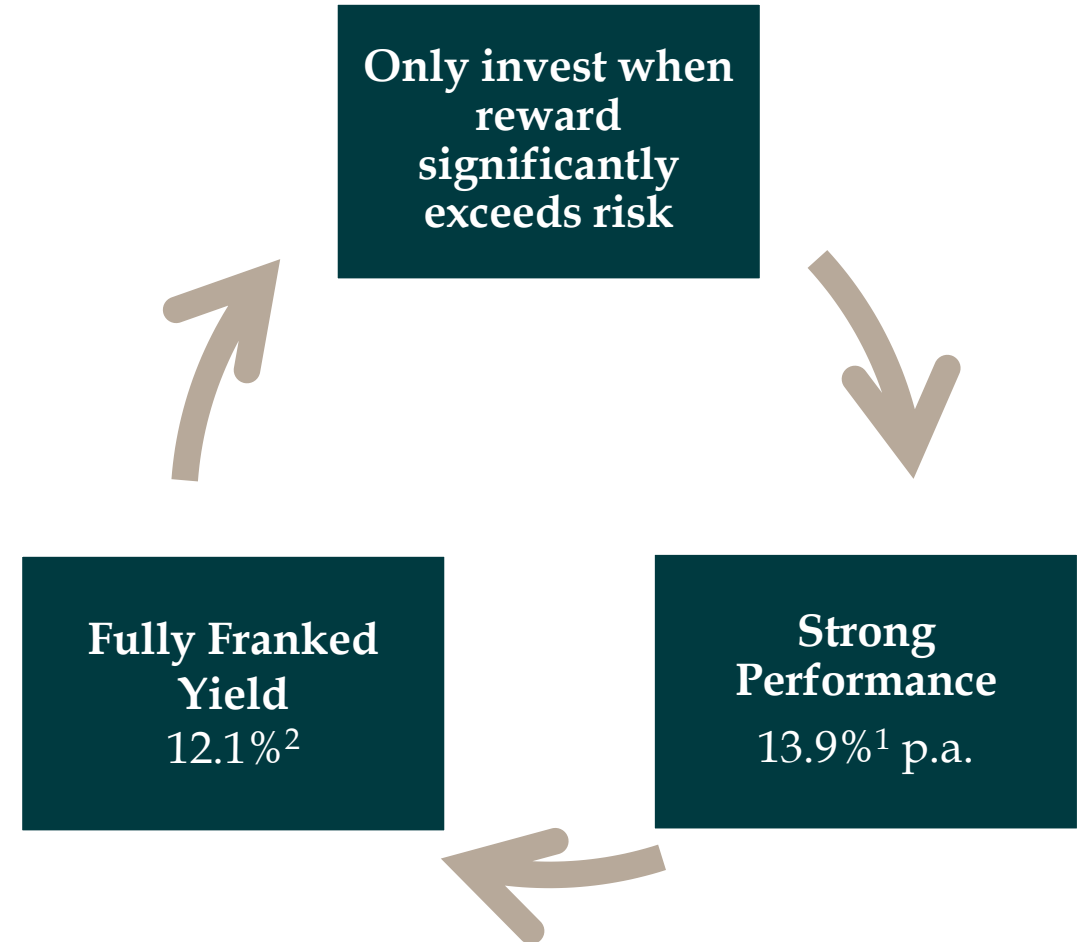
- Adopted a defensive portfolio stance, given significant concerns about market valuations and macroeconomic risks – this involved significantly increasing the fund's cash weighting, which resulted in portfolio losses being contained during the bear market correction in the final quarter of calendar 2018.
- This was completed in October 2018.

Reduced correlation risk

- Reviewed all positions in the portfolio to reduce correlation risk, as well as exposure to macroeconomic and geopolitical risks (for example trade wars) – this resulted in further pruning of certain positions in the portfolio and a further increase in cash weighting.
- This was completed in January 2019.

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 – 31 January 2019)

² 8.5c fully franked final dividend annualised on \$1.00 CVF stock price

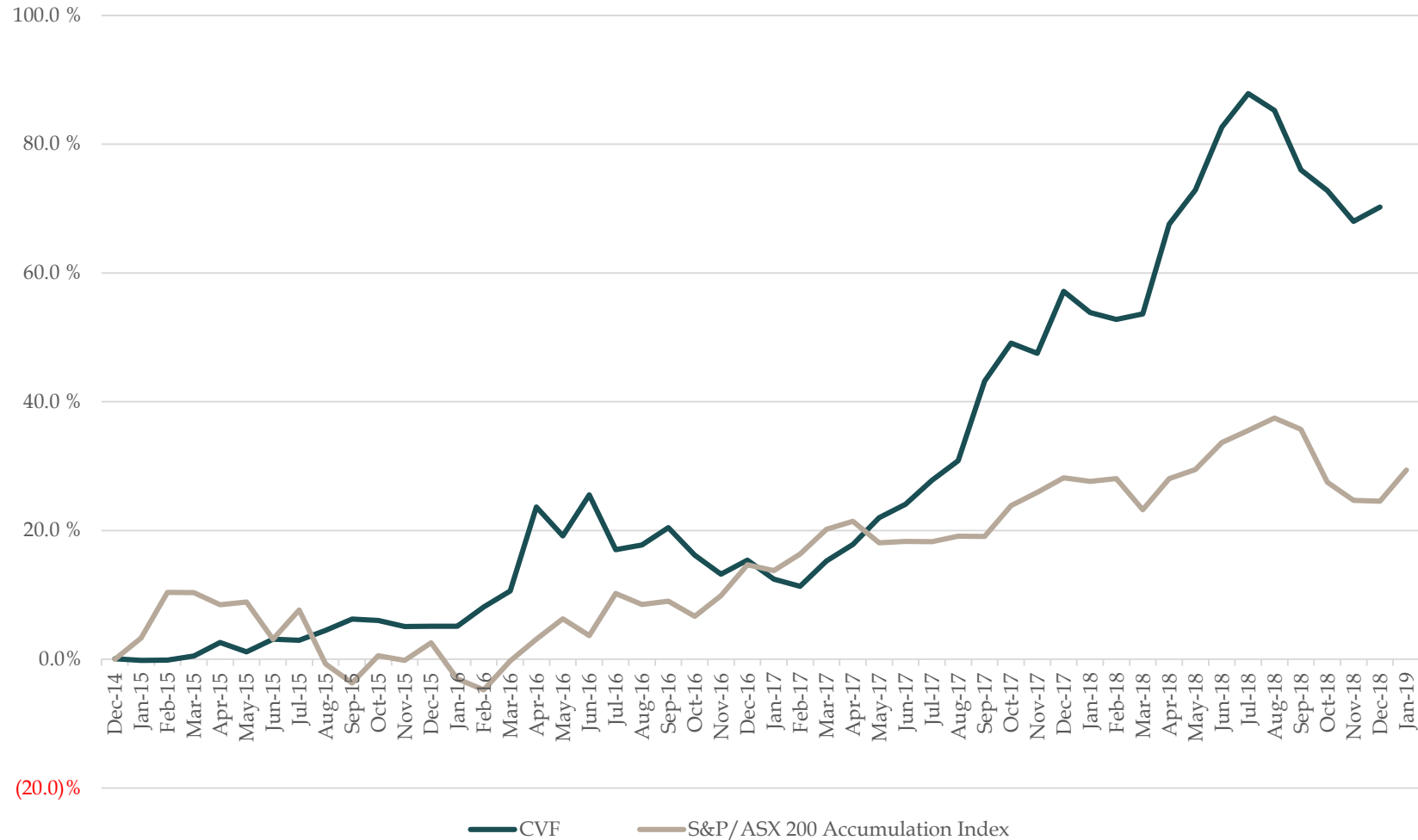
Outperformance with low correlation...

	1 mth	3 mths	1 yr.	2 yrs.	3 yrs.	Since inception (5 Jan 2015 – 31 Jan 2019)	
						Annualised	Cumulative
CVF Gross	1.4 %	(3.3)%	12.3 %	26.7 %	22.2 %	17.8 %	95.3 %
S&P/ ASX200 Accumulation Index	3.9 %	1.5 %	1.4 %	6.6 %	10.1 %	6.5 %	29.4 %
Gross outperformance	(2.5)%	(4.8)%	10.9 %	20.1 %	12.1 %	11.3 %	65.9 %
CVF Net *	1.3 %	(3.3)%	8.3 %	21.5 %	17.4 %	13.9 %	70.2 %
S&P/ ASX200 Accumulation Index	3.9 %	1.5 %	1.4 %	6.6 %	10.1 %	6.5 %	29.4 %
Net outperformance	(2.6)%	(4.8)%	6.9 %	14.9 %	7.3 %	7.4 %	40.8 %
Correlation to benchmark							30.4 %
Cash weighting as at 31 January 2019							77.9%

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

CVF Cumulative Net Performance vs Index – Since Inception

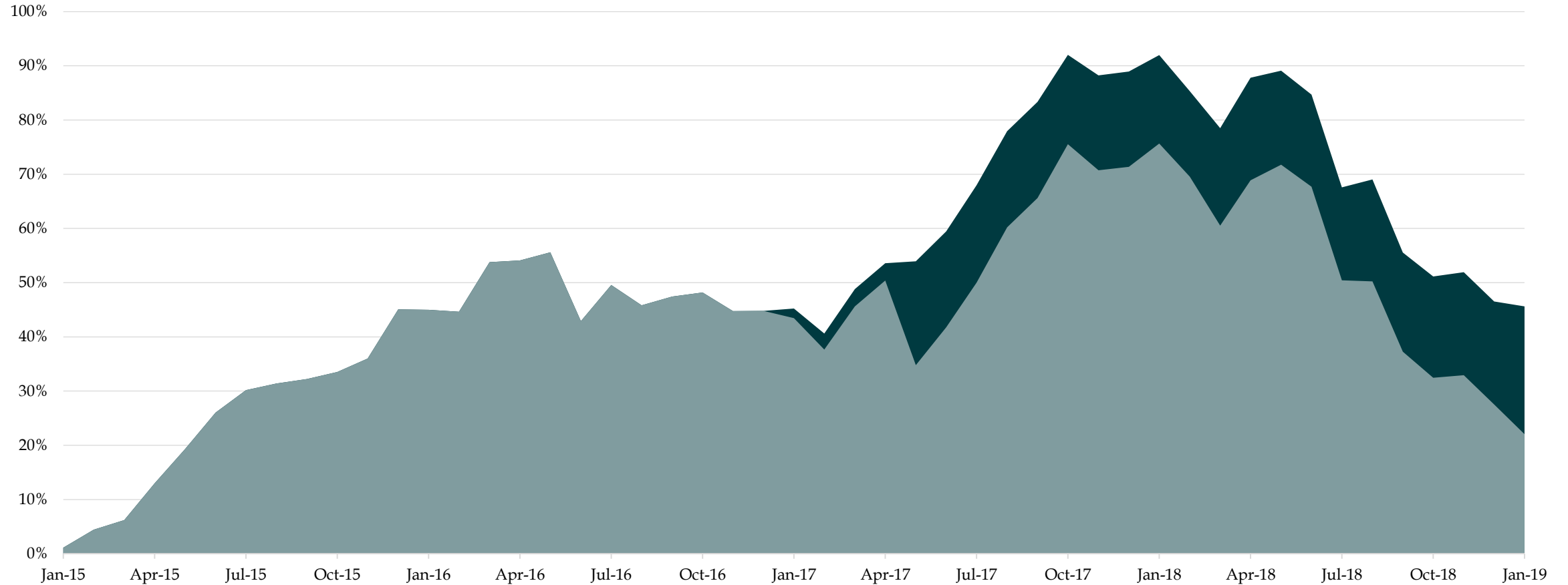
Strong outperformance despite an average gross exposure of 52% since inception



Portfolio exposure

Since inception, CVF has outperformed the ASX 200 accumulation index by 1.4x post all costs and fees, pre-tax

Gross & Net Portfolio Exposures



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 sizing: assess risk/ reward payoff
- Investment Committee Review

Hypothesis Testing

- Identify the market inefficiency
- Direct testing including nulls
- Develop counterfactual 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

- Formal debrief methodology
- Were errors preventable?

Risk and Compliance

Cultural focus

- Strict grants of authority
 - Third party custodian
 - Middle office trade confirmation approvals
 - Monitoring of portfolio concentrations & correlations
 - 1 authorized trader only
 - Counterfactual assessment
 - Institutionalise debrief protocol
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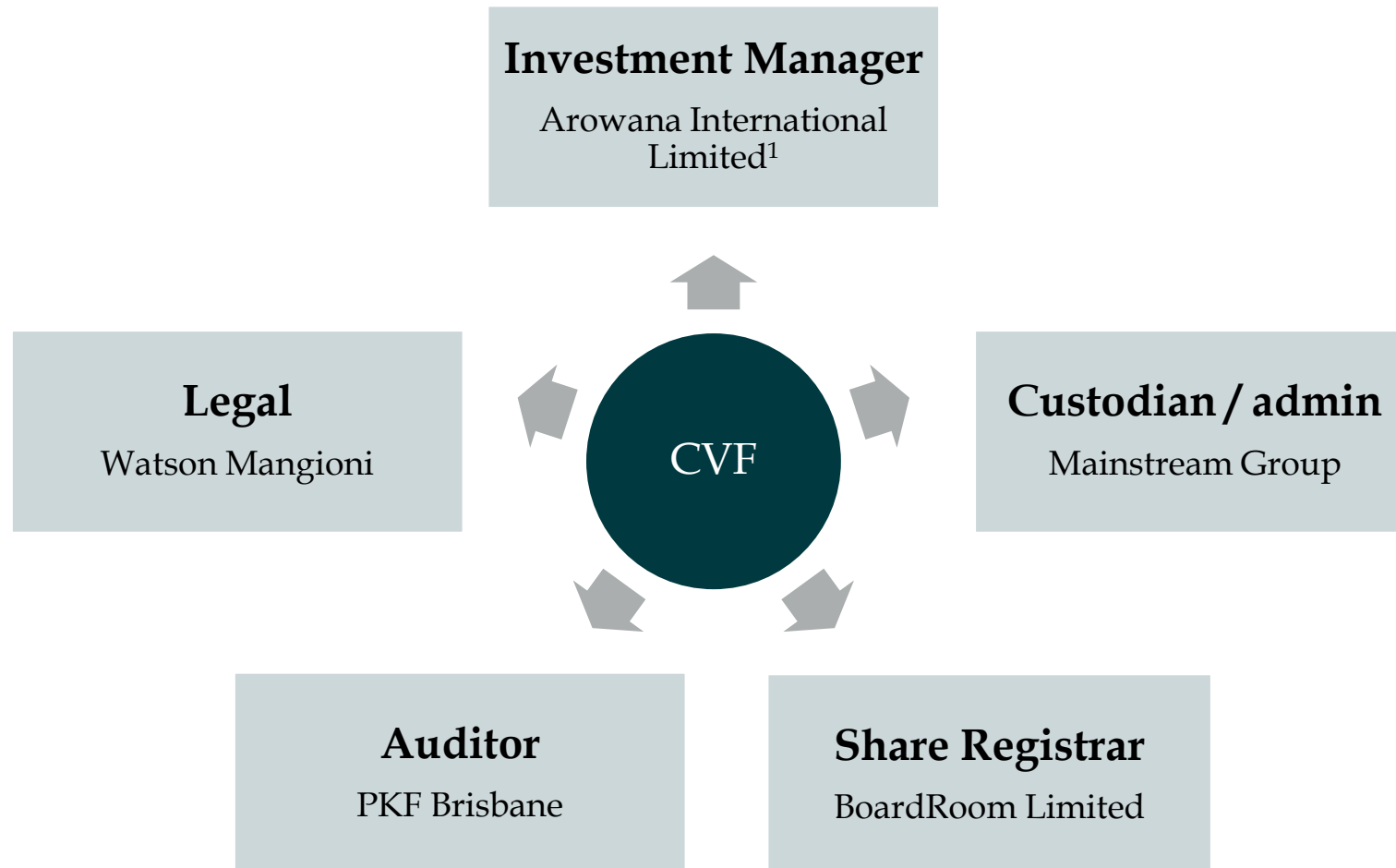
Hard Limits

- No portfolio leverage
 - 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
 - Minimum liquidity parameters
 - No unlisted pre IPO
 - No OTC (over-the-counter)
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Compliance

- B Corp alignment
 - Commitment to compliance best practice & higher B Corp standards
 - Increase focus on ESG (Environment, Social & Governance)
 - Introduce more regular compliance training
 - Update corporate risk register (incorporating B Corp elements)
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CVF Support Structure



¹ Via ACVF Management Pty Limited, a wholly-owned subsidiary

Fund Summary

Name	Contrarian Value Fund (CVF)
Fund Style	Global, Absolute Return
Domicile	Australia
Manager	Arowana International Limited (via ACVF Management Pty Limited)
Functional Currency	Australian Dollar
Inception	Jan-15
Return since inception*	70.2%
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	PKF Brisbane
Administrator	Mainstream Group Holdings Limited
AFSL	Arowana Capital Pty Ltd License no. 307070
Website	https://arowanaco.com/arowana-cvf/
Contact	+61 2 8083 9800

*After all fees and expenses, pre tax

AROWANA CVF

The End

