

27 February 2020

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

Subject: Contrarian Value Fund Limited Investor Presentation

The Board of Contrarian Value Fund Limited (ASX: CVF) are pleased to release the attached Investor Presentation.

Sincerely,



Laura Newell
Company Secretary

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Contrarian Value Fund

H1, FY20 | Half Year Results Presentation

27th February 2020



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CVF Achievements | 6 Months to 31 December 2019

6 Month Outperformance

CVF 4.9 % ¹ versus
ASX Accumulation Index 3.1%

Capital Management

\$0.10 cents per share ² returned to
shareholders via dividends and
buybacks

Increased Income Yield

average monthly DPS of 0.91c ³ in
past 6 months versus 0.33c since
listing

Upgraded Investment Process

proprietary ML (machine learning)
powered algorithm identifies “value
catalyst” stocks versus “value trap”
stocks

Increased Liquidity

average daily volume increased
period on period to 95,765 versus
37,588 ⁴

Increased Cash Deployment

cash weight of portfolio reduced
to 45% (31 Dec 2019) from
67% (30 Jun 2019)

NOTES

¹ After all fees and expenses, pre tax

² Based on number of shares on issue at 31 December 2019

³ Based on dividends paid in the 6 months to 31 December 2019

⁴ Volume traded for 6 months ended 31 December 2019 versus 6 months ended 31 December 2018

H1, FY2020 Review | 6 Months to 31 December 2019

Financial Results

Revenue	\$5.1m
NPAT	\$2.8m
EPS	\$0.04
FUM	\$82.9m
Pre-tax NTA	\$1.21
NTA Discount	14.0%

Shareholder Survey

- CVF conducted a shareholder survey in November 2019
- Key findings:
 - 82% believe interest rates will remain low
 - 62% favour regular income/capital protection
 - 86% believe equities are overvalued
- In summary, a statistically significant percentage of the shareholder base consider equities to be overvalued, but interest rates will remain low and favour regular income and capital protection

Capital Management

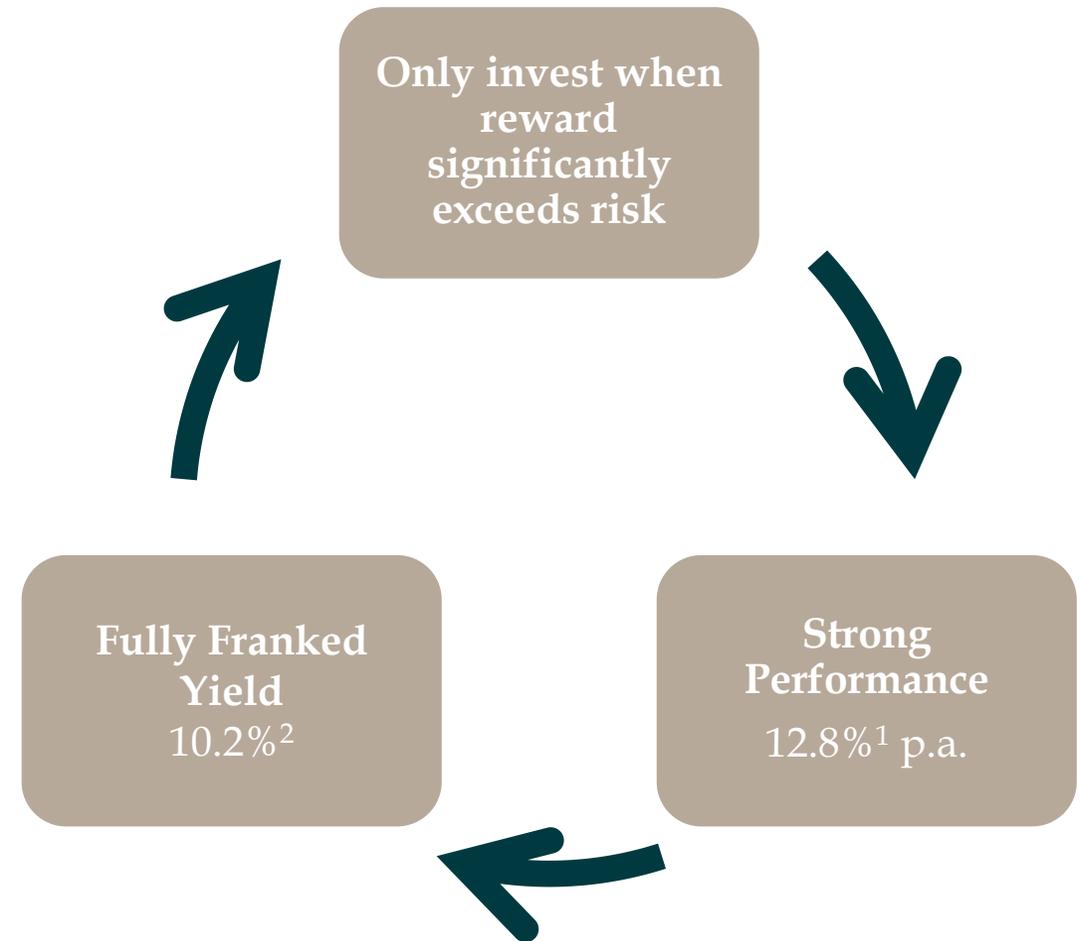
- Bought back 2,675,000 shares
- Implemented monthly fully-franked dividends
- Declared \$0.0592 per share worth of fully-franked dividends
- The above represents a return of capital of over \$6.5m (\$0.10 per share) to shareholders
- However, pre-tax NTA was flat at \$1.21 versus 30 June 2019 due to solid underlying portfolio performance

Strategic Review

- Independent advice has been sought since the AGM, with a significant amount of work completed to date
- The outcome of the review will conclude this quarter and shareholders will be asked to vote on the following options at an EGM:
 - termination of the LIC and return of monies; or
 - change of mandate to a secured Australian private credit income fund
- The CVF portfolio will continue to be actively managed by the Manager in accordance with the mandate

CVF has delivered on its core investment objectives since IPO

- **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...** the Board and affiliates represent 10% of the share register
- **Grow NTA and dividends**



NOTES

¹ After all fees and expenses, pre tax since inception (5 January 2015 – 31 December 2019)

² 2c fully-franked interim dividend combined with a 5c fully-franked final dividend and a 0.0458c fully-franked monthly dividend (grossed up) based on \$1.04 CVF stock price as at 31 December 2019

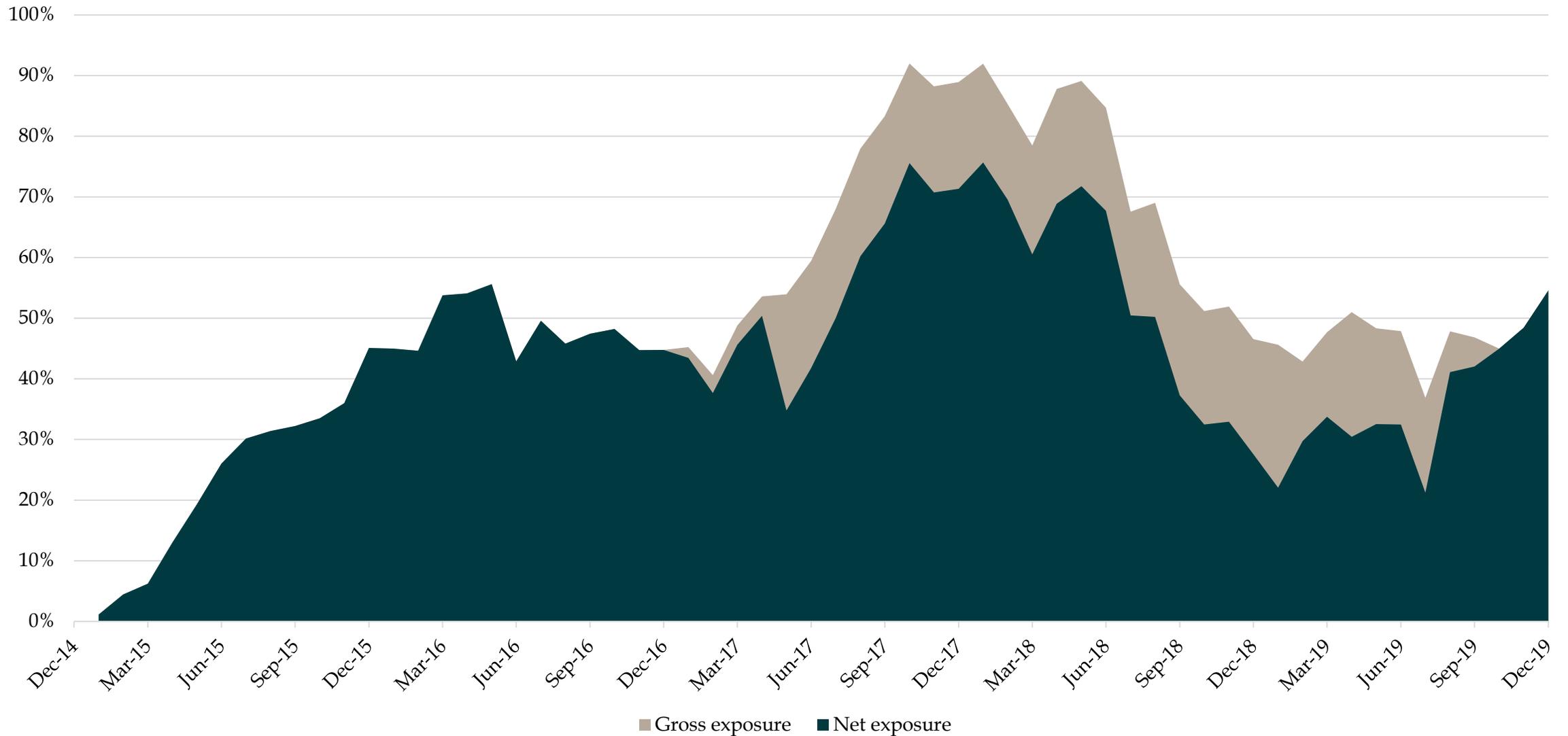
Our “all weather” investment process has delivered outperformance since IPO

	Since IPO (5 Jan 2015 – 31 December 2019)				
	1 year	2 years	3 years	Annualised	Cumulative
CVF Gross	10.5 %	15.1 %	21.3 %	16.3 %	112.8 %
S&P/ ASX200 Accumulation Index	23.4 %	9.5 %	10.3 %	9.0 %	53.7 %
Gross outperformance	(12.9) %	5.6 %	11.0 %	7.3 %	59.1 %
CVF Net *	8.6 %	11.2 %	17.2 %	12.8 %	82.4 %
S&P/ ASX200 Accumulation Index	23.4 %	9.5 %	10.3 %	9.0 %	53.7 %
Net outperformance	(14.8) %	1.7 %	6.9 %	3.8 %	28.7 %
Net outperformance multiple	0.4x	1.2x	1.7x	1.4x	1.5x

* Net returns are after all fees and expenses, pre tax

Outperformance has been delivered notwithstanding an average cash balance of 57% since IPO

CVF has closed all short / hedge book positions and maintains no portfolio leverage



Case Study: UK Homebuilders & Taylor Wimpey



Our UK Homebuilders thesis is a classic contrarian value opportunity

We invested in a basket of UK Homebuilders, which were trading as “value stocks” despite a clear growth outlook

- The UK homebuilding industry has benefited from historically low interest rates, government incentives and an improved regulatory regime
- Post the GFC, the UK government initiated the Help to Buy program to help first time home buyers via low interest government backed financing
- The program was designed to address a structural shortfall in housing that the UK government has estimated will require upwards of 340,000 homes per year and has led them to target 300,000 home deliveries per year by the mid-2020s
- Based on recent housing statistics, there were 240,000 homes supplied to the UK market during 2018-19, which is still substantially short of the government’s goal
- The Help to Buy program is currently scheduled to be phased out by 2023, but given the likely continued shortfall in housing supply it is not unlikely that some form of government support will continue beyond 2023; the elected PM Boris Johnson is supportive
- One might presume that such a long boom cycle would have resulted in dramatically inflated home prices; but to the contrary, the average price of a home in the UK has actually fallen by 0.8% from the end of 2009 through the end of 2019 (after adjustment for inflation)
- Given the structural undersupply of housing remains, we believe the UK homebuilding industry will continue on a growth trajectory that will likely go on for a number of years

The logo for Taylor Wimpey, featuring the word "Taylor" in red and "Wimpey" in purple.The logo for Persimmon, featuring a green icon of a house with columns and the word "PERSIMMON" in black.The logo for Bellway, featuring the word "Bellway" in blue with an orange swoosh underneath.The logo for Redrow Homes, featuring a red icon of a house with a roof and the words "REDROW HOMES" in red.The logo for Arowana CVF, featuring a circular icon with a house and the text "AROWANA® CVF" in blue and brown.

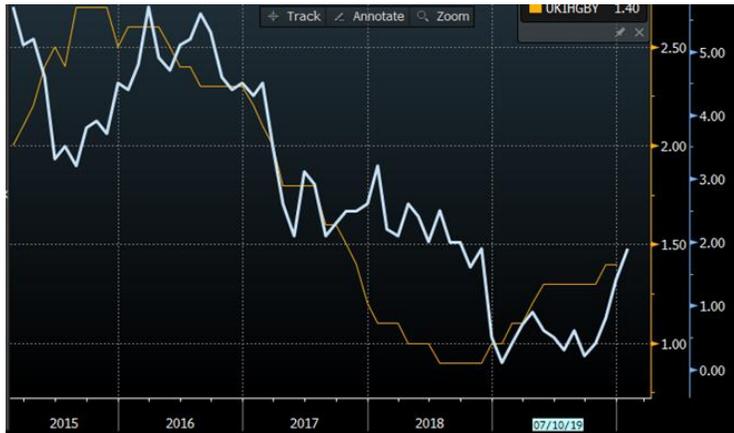
Arowana's proprietary data scraping tool identified predictive industry intel

But a value catalyst(s) was needed: we hypothesized that this would be Brexit resolution & Boris Johnson election win

"Housing is the most pressing domestic challenge facing this government."

"Denial over housing shortage will sink May"
The Telegraph, 22nd September 2018

Secular shortage in UK housing is starting to drive up rents and prices



SOURCE
Arowana, Bloomberg

The [UK] Government has set a target of 300,000 housing completions by the mid-2020s. The last time that many homes were built in the UK was in the late Sixties and early Seventies..."

"Theresa May needs to get a grip on the housing crisis"
The Telegraph, 11th November 2018

The government target is a catalyst for a jump in housing starts



SOURCE
Arowana, Bloomberg

This translated to strong order books for the UK Home Builders...

UK home builders stock prices were catalysed by election result



SOURCE
Arowana, Bloomberg

Taylor Wimpey (TW.LN) is our primary holding in the UK Homebuilder's basket

Our overweight decision was based on (i) data driven fundamental analysis; & (ii) ML powered algorithmic analysis



Presence & Scale

Taylor Wimpey ("TW") has a national presence and is one of the largest homebuilders in the UK. They construct a wide range of properties, from one- and two-bedroom apartments to six-bedroom detached houses, across a broad price range including both private and affordable homes

Addressable Market

The average price of a TW home is below the UK national average for newly built homes thus much of what they sell is oriented towards greater affordability and a larger addressable market

Consistent Performance

From an operating perspective, TW has been the model of consistency, generating operating margins and returns on shareholders' equity at an average of 20% over the last 5 years without the use of leverage

Capital Management

Management has also been keenly focused on returning capital to shareholders as they have given back the equivalent of nearly 1/3 of their current market capitalization to shareholders in the form of dividends over the last 5 years

Near Term Catalysts

CVF acquired TW into the portfolio at approximately 10.5x trailing PE multiple; a significant discount to fair value for a business of this quality with near-term value re-rating catalysts (as per previous page)

Headquarters	High Wycombe, UK
CEO	Peter Redfern (since July 2007)
Market cap	£7,755.6M
Revenues	£4,094.9M
Total Debt/Equity	3.64x
EBIT	£838.4M
EPS	£0.20
DPS	£0.08
Dividend Yield	3.23%

TW.LN's fundamentals are clearly attractive, but we wanted to avoid a "value trap"

Capital Structure (millions)

Market cap	£6,584
Debt	115
Cash	481
EV	£6,218

Valuation Metrics

P/E (TTM)	10.0
P/B	2.2
P/S	1.6
P/FCF	10.3

Operating Metrics

Operating Margin (%)	20.5
Net Margin	16.0
ROE	21.4
ROA	12.4

Key Financials

Fiscal Period Ending	12 months	12 months	12 months	12 months	LTM
	Dec-31-2015A	Dec-31-2016A	Dec-31-2017A	Dec-31-2018A	12 months Jun-30-2019A
Currency	GBP	GBP	GBP	GBP	GBP
Total Revenue	3,139.8	3,676.2	3,965.2	4,082.0	4,094.9
<i>Growth Over Prior Year</i>	16.9%	17.1%	7.9%	2.9%	3.5%
Gross Profit	788.0	940.4	1,031.8	1,074.5	1,039.1
<i>Margin %</i>	25.1%	25.6%	26.0%	26.3%	25.4%
EBITDA	628.1	759.1	832.9	876.9	840.8
<i>Margin %</i>	20.0%	20.6%	21.0%	21.5%	20.5%
EBIT	626.1	757.0	830.6	873.8	838.4
<i>Margin %</i>	19.9%	20.6%	20.9%	21.4%	20.5%
Net Income	490.1	589.3	660.3	656.6	654.1
<i>Margin %</i>	15.6%	16.0%	16.7%	16.1%	16.0%
Diluted EPS	0.15	0.18	0.20	0.20	0.20
<i>Growth Over Prior Year</i>	29.6%	20.1%	11%	Stable	Stable

SOURCE
Arowana, S&P Capital IQ, Gurufocus

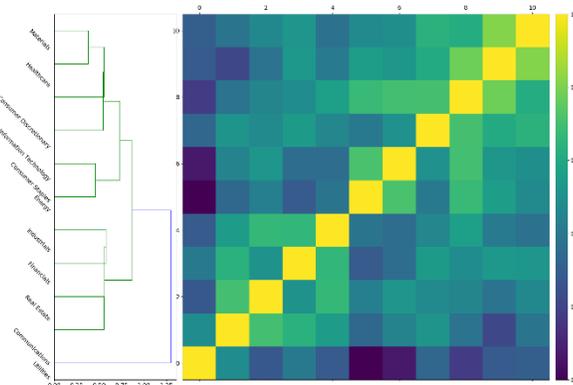
We used our ML powered algorithm to confirm near-term alpha generation probability

Upgraded investment process uses a ML powered algorithmic tool that enables us to marry Value with Growth / Momentum

Dynamic Asset Allocation



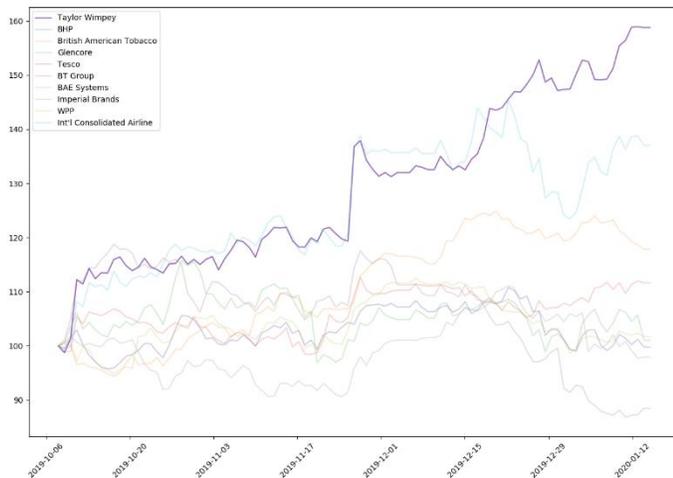
Similarity & Anomaly Detection



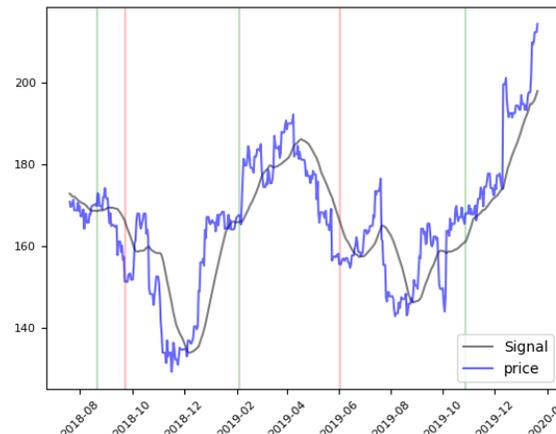
Systematic Reasoning

- Novel optimisation and anomaly detection methodologies identify favourable portfolio exposures at the sectoral level
- These algorithms update and evolve with machine learning to adjust for the chaotic nature of financial markets
- UK homebuilders were identified as geographic and sectoral exposures that were likely to produce near-term portfolio alpha

Share Price Trajectories



Algorithmic Signals



Stock-Specific Reasoning

- TW.LN's share price trajectory exhibited consistently positive returns with relatively low levels of volatility
- Algorithmic signals extract the 'true' signal underlying noisy share price data, and use this information to help make investment decisions
- In addition to displaying positive characteristics independently, portfolio optimisation indicated that the stock would likely provide ACVF with higher risk-adjusted returns

Fund Information



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
Cumulative return since inception*	82.4%
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 Brisbane/PKF Sydney
Administrator	Mainstream Group Holdings Limited
AFSL	Arowana Capital Pty Ltd License no. 307070
Website	https://arowanaco.com/arowana-cvf/
Contact	+61 2 8083 9800

NOTE

*After all fees and expenses, pre tax

AROWANA CVF

The End

