

4 August 2016

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

NTA, fund update and dividend intention

The Directors of Arowana Australasian Value Opportunities Fund Limited (ASX: AWQ) are pleased to announce the 31 July Net Tangible Asset backing per share in the attached fund update which also highlights portfolio news and the dividend intention, based on strong performance

The attached 31 July monthly update incorporates the NTA per share information required under Listing Rule 4.12. This calculation has been made in accordance with the definition of net tangible asset backing in Chapter 19 of the Listing Rules and is subject to review by the Company's external auditor.

On behalf of the Board of AWQ,



Tom Bloomfield
Company Secretary

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Net performance

At 31 July 2016	1 Mth	3 Mths	6 Mths	1 year	Since Inception (5-Jan-15)
AAVOF (AWQ) Investment Portfolio*	5.4%	13.3%	19.2%	21.5%	25.2%
S&P/ASX 200 Accumulation Index	6.3%	6.9%	13.7%	2.4%	10.2%
Outperformance	(0.8)%	6.5%	5.6%	19.1%	15.0%

* Net return after all fees, costs and company tax and before providing for estimated tax on unrealised gains.

Net Tangible Assets (NTA) per Share

At 31 July 2016	Basic NTA per share (\$)
NTA after tax and before estimated tax on unrealised gains	1.16
NTA after tax and after estimated tax on unrealised gains*	1.10

* The Company is required to estimate the tax that may arise should the entire portfolio be liquidated on the above date and show the result per share after deducting this theoretical provision. Any such tax would generate franking credits, whose value would not be lost but rather transferred to shareholders on payment of franked dividends.

About Arowana Australasian Value Opportunities Fund Limited (AAVOF)

AAVOF (ASX ticker: AWQ) offers investors an opportunity to gain exposure to a concentrated portfolio of securities built from a bottom up research process. Whilst the majority of the portfolio is built around Australian listed securities, AAVOF is able to invest in overseas listed securities and to hedge its portfolio.

The core objectives of the fund are to:

1. Generate superior returns over the medium to long term,
2. Provide shareholders a rising stream of dividends, and
3. Grow Net Tangible Assets per share

Ordinary Shares	
ASX ticker	AWQ
Last price (29 July 2016)	\$1.02
Number on issue	68,354,832
Pre-tax NTA per share	\$1.16
Market capitalisation	A\$69.7m
Gross portfolio value	A\$79.2m
Estimated year-end dividend*	\$0.03/share

* A dividend is expected to be declared during August, subject to finalisation of the annual financial statements. Given strong investment performance, it is expected that the maiden semi-annual dividend will be in the region of \$0.03/share.

Market Commentary

The S&P/ASX200 Accumulation Index rose 6.3% in July. AAVOF underperformed slightly, impacted by our still large cash weighting which is gradually declining as our research and investment process runs its course.

In early August, the RBA cut its official interest rate by 25 basis points to a new record low rate of 1.5%, in the process eroding the incomes of savers. The bad news for retiree savers is we think there is more downside to RBA cash rates and hence bank deposit rates. The good news is in a relative sense this should manifest for a while as a positive for equities; provided corporate earnings can actually grow (a number of sectors are clearly challenged in this regard).

With an expanded mandate we are able to cast our net wider. We continue to find interesting stocks that offer attractive upside asymmetry. During July, we made our first investment into a non-ASX listed stock.

Portfolio Notes

During July we added a new position to the portfolio; Herbalife (ticker HLF.US, market cap. US\$6.2bn). Herbalife is a somewhat controversial company.

A large hedge fund in 2012 sold the stock short and then publicly alleged the company was running a pyramid scheme. The fund in question, Pershing Square, published its thesis in the form of a lengthy presentation, and proceeded to lobby US regulators (principally the US Federal Trade Commission) to investigate the allegations.

Herbalife is a multi-level marketing (MLM) company, as are Avon, Tupperware and Amway. The core allegation of Pershing Square was that most of Herbalife's sales go to members who stockpile product in an attempt to rapidly build sales status in the company; rather than to end customers. Had this been correct, Herbalife would have been a pyramid scheme and the FTC would most likely have shut it down, as they have done with other pyramid schemes.

Several clever investors examined the Pershing Square presentation, conducted their own field research, and then rather than short the stock, they did the exact opposite – they bought it. Prominent in thought and research leadership in this camp has been John Hempton, an Australian fund manager.

When you have two groups of actors that are manifestly intelligent, yet based on the same facts reach wildly different conclusions, it makes for a fascinating spectacle. It should also play out as a great case study in logic framing.

In July 2016, just after we started to build our position, the FTC reached a settlement with Herbalife. A \$200m fine was levied and Herbalife has agreed to undertake some business reforms which management believes will have no long-term impact on the business. The FTC didn't label Herbalife as a pyramid scheme which helped drive a 10% increase in the value of HLF shares on the day of the announcement.

It would be a mistake to think that Herbalife management have been twiddling their thumbs waiting for 3 years on a regulatory pronouncement before acting on future proofing their business. The FTC outcome is a *negotiated* settlement.

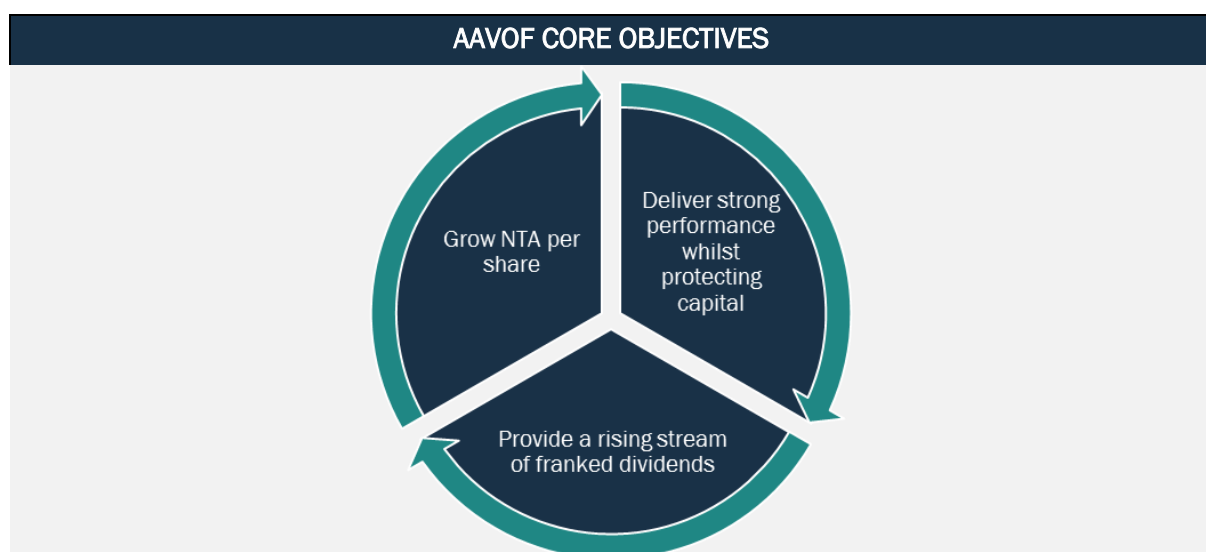
In this drama what always seems to get overlooked are the product facts. Herbalife makes the #1 selling meal replacement protein powder globally. This premium product has demonstrated pricing power and very strong margins and returns. The market segment of health and wellness enjoys very strong secular growth tailwinds. Herbalife's volume and earnings growth are we think now inflecting.

Herbalife trades at half the valuation of many ASX listed China consumption stocks. FX headwinds (translational and transactional) are slowing Herbalife's *reported* earnings growth; underlying growth is much stronger and must ultimately come to the fore. Balance sheet leverage is very low. A logical possibility is a stock buyback given the strong EPS accretion potential and management's history – pre FTC investigation – of returning all free cash flow to shareholders.

The stock is heavily shorted. Given the relatively low free float after one considers the short interest is ~25% of shares on issue, a corollary of any buyback is likely to be a short squeeze.

We think the short thesis is wrong. If investment was skeet shooting, the short case is aimed at where the skeet was years ago, not where it is now or where it is going to.

We think Herbalife has very large mathematical share price upside.



MONTHLY UPDATE AND
NET TANGIBLE ASSET REPORT

AS AT 31 JULY 2016



AAVOF Asset Allocation

Asset class	A\$m	%**
Australian Equities	36.5	46%
AUD cash and equivalent	34.5	44%
USD cash and equivalent	1.0	1%
Australian Hybrids & Bonds	-	0%
International Equities	7.2	9%
Hedges	-	0%
Portfolio Value*	79.2	100%

* Totals may not sum due to rounding

** Percentage of gross portfolio value

Top 5 Holdings

Ticker		%**
IFN	Infigen Energy	19%
HLF.US	Herbalife Limited	9%
SIV	Silver Chef Limited	9%
USD	USD ETF	6%
ELD	Elders Limited	6%
Top 5 as % of Gross Portfolio		49%