

10 June 2016

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

New and improved Investor Updates

The Directors of Arowana Australasian Value Opportunities Fund Limited (ASX: AWQ) are pleased to announce a new format of monthly shareholder update as part of our continuing enhancement of investor communication and information.

The attached 31 May monthly update incorporates the NTA per share information required under Listing Rule 4.2 as well as additional performance, portfolio and market information for investors. We will continue to meet our Listing Rule 4.2 disclosures in this format in future months.

Investors are reminded that until expiry of the listed options, on 30 June 2016, we will continue to make additional weekly announcements of NTA per share, the next such update being Tuesday 14 June 2016.

On behalf of the Board of AWQ



Tom Bloomfield
Company Secretary

AROWANA AUSTRALASIAN VALUE OPPORTUNITIES FUND LIMITED

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Net performance

At 31 May 2016	1 Mth	3 Mths	6 Mths	1 year	Since Inception (5-Jan-15)
AAVOF (AWQ) Investment Portfolio*	12.3%	18.1%	17.2%	21.0%	24.0%
S&P/ASX 200 Accumulation Index	3.1%	11.6%	6.5%	3.1%	6.3%
Outperformance	9.2%	6.5%	10.7%	17.9%	17.7%

* 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 May 2016	Basic NTA per share (\$)	Fully diluted NTA per share (\$)
NTA after tax and before estimated tax on unrealised gains	1.20	1.09
NTA after tax and after estimated tax on unrealised gains*	1.13	1.06

* The Company is required to estimate the tax that may arise should the entire portfolio be disposed of 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		Options	
ASX ticker	AWQ	ASX ticker	AWQO
Last price	\$1.02	Last price	\$0.03
Number on issue	48,379,000	Number on issue	47,849,000
Pre-tax NTA per share	\$1.20		
Market capitalisation	A\$49.3m	Option expiry	30 June 2016
Gross portfolio value	A\$58.2m	Option strike price	\$0.98
Estimated half year dividend*	\$0.03/share		

* Shares issued in respect of Options exercised will qualify for the Company's maiden dividend to be declared at the time financials results in respect of the half year to 30 June 2016 are announced

Market Commentary

The S&P/ASX200 Index rose 2.4% in May. The RBA cut its official interest rate by 25 basis points to a new record low rate of 1.75%. The US Federal Reserve in May foreshadowed the potential for a rate rise as early as June; in response to this and the RBA rate cut which was not widely anticipated, the AUDUSD currency cross depreciated ~5% in the month. Packing all that together, in USD terms the S&P/ASX200 Index fell in May. Wealth is ultimately a relative concept.

Data out of some markets appears soft; we would single out the broader spectrum of Chinese credit data in this respect. Like Pavlov's dog, Chinese equity markets tend to run hard when official credit growth is strong (the logic is that credit growth is a leading indicator of economic growth). Our suspicion is if official May credit data is soft when announced in mid-June, the opposite will play out.

Markets remain devilishly tricky. Record low interest rates and tepid economic growth confer extreme importance on the pronouncements of policy makers. It is easy to get wrong footed on the macro. More than ever before we are going to the micro; trying to find highly idiosyncratic stock stories that can withstand at least some of the macro gyrations.

Portfolio Notes

We got lucky in May. Net of all fees and charges the portfolio rose 11.9% in the month of May. We aren't counting on this happening again any time soon.

Infigen Energy (ticker IFN.AU), our biggest position rose 50% in the month of May. When we built our position last year we believed there was 3x – 4x upside on relatively conservative assumptions. Sometimes these things play out slowly and sometimes they play out quickly; we made our own luck in finding the stock but the timing of when the market chooses to discount into a stock price future earnings prospects is always uncertain. We still see significant upside from here as the company transitions from a virtual debt zombie to what we hope will become an investment grade renewable energy company offering an attractive distribution yield.

A big winner can forgive some sins. We exited GUD Holdings (ticker GUD.AU) during the month. We made a loss on the position; it was less than 1% of NTA but it still stings. Our error was in framing the investment thesis. Elsewhere our stocks performed well; the two positions that did decline were also our smallest.

The portfolio presently exhibits excessive concentration. Part of this arises from the extremely high weighting Infigen Energy represents. A risk manager might suggest we cut this to "manage risk". A risk taker might suggest we not cut, given our expectations the stock has 50%+ upside to what we consider conservative valuation levels. Because we think the upside risk is greater than downside, we are going to run this position at size a little longer.

We are working actively to balance out portfolio concentration via the identification of attractive long candidates and hedges. The frustration is they are hard to find (or we are obtuse and not seeing the opportunities). We would like to see the portfolio comprised of 15-20 securities, which would confer the full benefits of concentrated investing with most of the benefits of diversification and are working actively to make this a reality.

AAVOF CORE OBJECTIVES



AAVOF Asset Allocation

Asset class	A\$m	%**
Australian Equities	28.1	48%
AUD cash and equivalent	21.1	36%
USD cash and equivalent	4.7	8%
Australian Hybrids & Bonds	4.3	7%
International Equities	-	0%
Hedges	-	0%
Portfolio Value*	58.2	100%

* Totals may not sum due to rounding

** Percentage of gross portfolio value

Top 5 Holdings

Ticker		%**
IFN	Infigen Energy	25%
SIV	Silverchef Limited	11%
USD	USD ETF	8%
ELDPA	Elders Hybrid	7%
ELD	Elders Limited	6%
Top 5 as % of Gross Portfolio		57%