MAINSTREET

AROWANA AUSTRALASIAN VALUE OPPORTUNITIES FUND LTD

ASX: AWQ

June 2016

A NON INDEX AWARE OPPORTUNITY FUND

Listed Investment Company Analysis

CONTENTS

1. Product Summary 3
2. Investment View and Relative Valuation 5
3. Structure 6
4. Management & Corporate Governance 8
5. Investment Process 9
6. Performance Analytics 11
7. Portfolio Structure and Performance 12
8. Appendix – Ratings Process 14

IMPORTANT NOTICE

Mainstreet Equities Advisers Pty Limited ('MEA' or "Mainstreet") has been commissioned to produce this report. This means that MEA has received a direct fee for reviewing and assessing this product. In compiling this report, MEA's views remain fully independent of influence or conflicts of interest. Our team of analysts undertake an objective analysis of the offer and conclusions are presented to senior officers for review.

For more information regarding our services please phone +612 8296 1100.

AROWANA AUSTRALASIAN VALUE OPPORTUNITIES FUND

A "NON INDEX AWARE", OPPORTUNISTIC FUND MANAGER

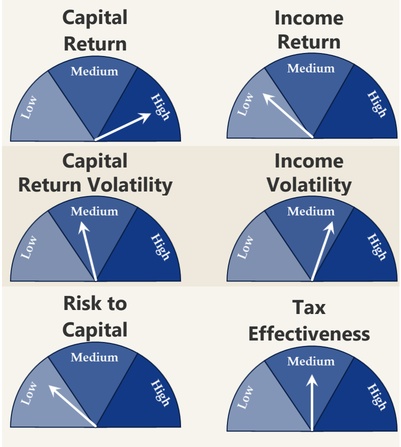
OVERVIEW

1. PRODUCT SUMMARY

The Arowana Australasian Value Opportunities Fund (ASX: AWQ, or the Fund) is an LIC within the Arowana International Limited group of companies (Arowana Group). AWQ was established to give both wholesale and retail investors the ability to gain an exposure to the management and investment style of the Arowana Group.
The Fund has the flexibility to invest in listed securities **plus unlisted securities that have a path to listing**, as well as cash and debenture securities. AWQ is able to invest in various hedging related securities. There are limited capital protection structures available to the fund manager. On 9 May 2016 the Manager announced that it had expanded its investment mandate to include hedge positions, short positions and an expanded international exposure. AWQ remains restricted from investing in stocks within the GICS sector: Materials - Metals and Mining.
The managers intend to distribute to shareholders in AWQ all accrued distributions and dividends received to the extent that profits and franking credits permit. The payout policy adopted is 70-100% of post-tax profits.
While the Fund does not intend to make capital returns to shareholders, the Fund manager maintains the flexibility to buy back securities if the share price is below the latest reported NTA.
Mainstreet has back tested the performance of the current portfolio. On the assumption the current portfolio was held for a six month period, AWQ has significantly outperformed the benchmark S&P/ASX 200 Accumulation Index, generating a theoretical 30% return compared to 1% for the benchmark over the six months.
The Fund Manager of AWQ has a long term investment horizon. While AWQ is listed on the ASX and thus investors are able to trade their holding, AWQ recommends a 3 to 7 year investment time horizon.

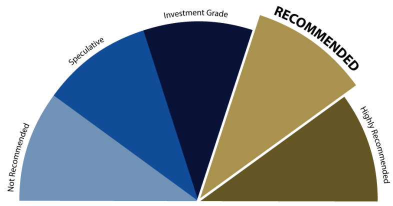
Listing Details	
Listing Date	5 January 2015
Maturity (years)	Open ended
Min. Investment	Not relevant
Liquidity	50,345 sh/mth
Dividends	Semi annually

Risk/Return Profile



INVESTMENT VIEW

In Mainstreet's opinion, AWQ is a suitable investment option for those investors looking to diversify their portfolios away from the standard large capitalisation/index aware funds into a more concentrated and opportunistic portfolio, providing a greater capital risk/return profile. One of the proven strengths of AWQ's management is to source, analyse, understand and invest in opportunities that exist outside the universe of "traditional Index aware" fund managers. This approach should lead to investment in opportunities that provide strong potential for superior capital risk/return. Based on management's successful track record in creating portfolios of this nature we have assigned AWQ a RECOMMENDED rating.



The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

SWOT SUMMARY

STRENGTHS

- Experienced management team.
- Not constrained by an index aware investment strategy.
- Comprehensive investment database and the flexibility to provide direct management of investee companies.
- Flexibility to leverage key industry research insights via investing in Australian and international shares, and to further target optimal risk / reward via investing across the capital structure, ie debt, debenture securities & hedging.

WEAKNESSES

- Small market capitalisation (circa $50M). With the anticipated conversion of the 48M options expiring 30 June 2016, the market capitalisation could increase to the $60M-$100M range.
- Limited recognition by the broad investment community.
- Not registered on an approved financial planner platform.

OPPORTUNITIES

- Opportunistic investment of the substantial (by percent) cash holdings in identified securities.
- Ability to invest in securities that are not within the investment universe of other investment groups, reducing the competitive bid / ask spread.

THREATS

- One or more of the operating company investments reporting an unexpected negative surprise (management change, deterioration of operating conditions, increased competitive threat, management capability, technology innovation risks including the associated risks of changes to government policy, etc).
- A significant exposure to a macro thematic (eg, direct or indirect exposure to the A$ or interest rates) becoming exposed to a negative trend or development.
- Unexpectedly strong recovery in the equity markets while the fund remains significantly invested in cash or cash-like securities.
- Concentrated investment style (a target of 15 to 25 investments) is both a Strength (deep knowledge of the investee companies), and a Threat (exposed to underperformance of one security).

Product Fees (paid by investors)		
	Product	**Sector Avg.**
Base Fees, % of Gross Assets		
Up-front[1]	Nil	
Ongoing[2]	1.0%	0.75%
Exit[3]	Nil	
Average, p.a.	1.0%	0.75%

1. Annual Management Fee, as a percent of the Portfolio Gross Value.
2. Does not include the Performance Fees.
3. A Termination Fee of 1% of the Gross Value of the Portfolio is payable if shareholders vote to remove the Manager after the initial ten year term.

Total Fees, % of Expected Total Return*		
Up-front	Nil	
Ongoing	1.0%	0.75%
Exit	Nil	
Total	**1.0%**	**0.75%**

Performance Fees

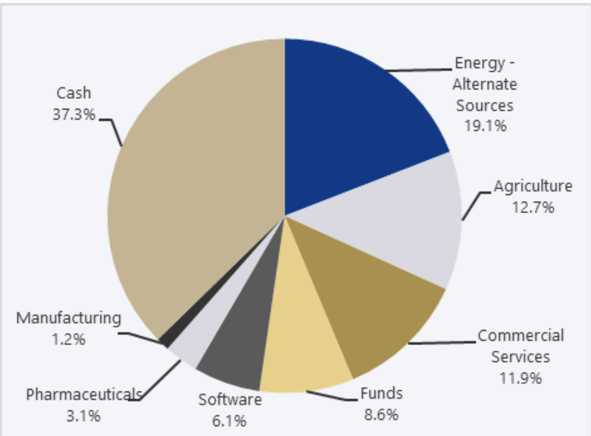
20% (excluding GST) of the amount (if any) of the Aggregate Outperformance each Performance Calculation Period. The Hurdle to calculate outperformance is: 8% per annum if the change in the S&P/ASX 200 Accumulation Index is positive, or 0% per annum if the change in the S&P/ASX 200 Accumulation Index is negative or zero. Once a Performance Fee has been paid, no further Performance Fee can be accrued or paid unless the Portfolio's value increases above its previous high, indexed by the Hurdle.

Fee Commentary

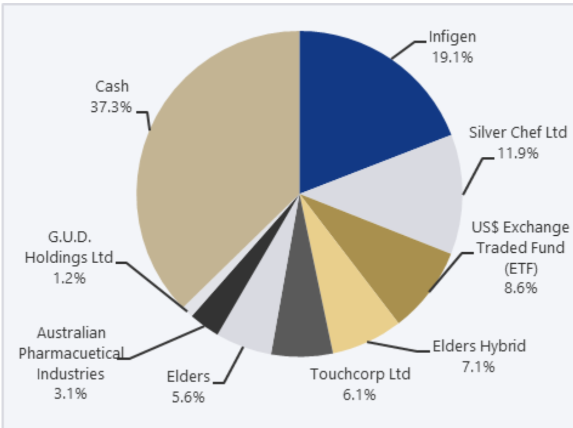
The fees payable are considered to be in line with the sector average, and for the small to medium sized Funds. The large Fund peers charge a significantly lower Ongoing Fee.

PORTFOLIO DIVERSIFICATION

BY STRATEGY



BY FINANCIAL INSTRUMENT



2. INVESTMENT VIEW AND RELATIVE VALUATION

While AWQ's investment mandate is defined by a concentrated portfolio structure, the benchmark index and investable universe for the Fund is all Australian equities and, after a review of the mandate by the Board of AWQ, overseas listed equities. The current portfolio constituents have been selected within the mandate of the fund manager. As the portfolio is currently composed of Australian listed securities plus cash, Mainstreet has performed a relative valuation of AWQ compared to other ASX listed LICs that are permitted to invest in Australian equities.

While the Manager of AWQ is not well known to Australian investors, they have established a strong track record of outperforming the benchmark indices over the short and long term for the various unlisted and wholesale funds managed by the investment team.

Mainstreet is attracted to the investment philosophy and proven capabilities of the investment team including the focus on shareholder returns.

Mainstreet notes that the Manager expanded its investment mandate, as announced on 9 May 2016, such that up to 25% of its portfolio can be invested in overseas securities. Mainstreet notes that currently only 4.3% of the portfolio is invested in securities that are included in the benchmark S&P/ASX 200 Accumulation Index, being G.U.D. Holdings (ASX: GUD) and Australian Pharmaceutical Industries (ASX: API). Of the balance of the portfolio, 45.9% is in capital protection related products (the Betashares US$ ETF and cash), and the rest in opportunistic ASX listed securities outside the benchmark index (Infigen, ASX: IFN; Silver Chef, ASX: SIV; Elders Hybrids, ASX: EDLPA; Elders Limited, ASX: ELD).

AWQ has generated most of its positive return since listing through its investment in Infigen. The Manager has analysed this stock for an extended period of time, and opportunistically acquired the shares not long before a significant increase in the share price. While the debt burden within this company remains a concern, the Manager believes the opportunities from the company's renewable energy generation technology (557 MW capacity of electricity generation from wind farms located in WA, SA and NSW plus electricity storage technology) combined with the structure of the debt provided a period of significantly more upside potential than downside risk at the time of investment. AWQ analysis of the debt structure of IFN indicated a low probability of the company being exposed to a bank related default event, and the dynamics for revenues generated from wind farms indicated a strong likelihood of revenue growth. Mainstreet recognises the deep analysis of the risk dynamics of Infigen by the AWQ investment team, which identified the best time for an "investment entry". Mainstreet also notes the timing of this investment was structured to optimise the risk / reward opportunity from the investment.

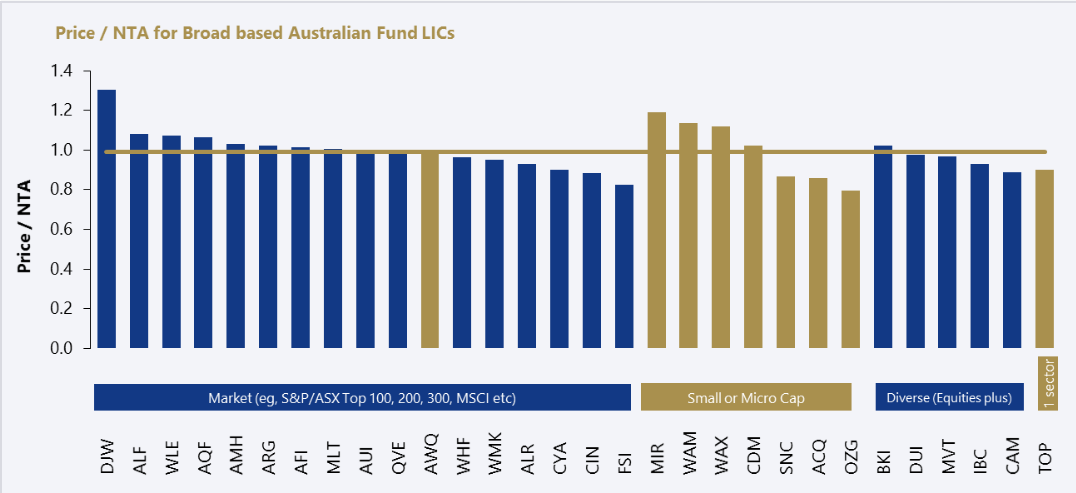
Similarly, the Elders investment was made opportunistically. The hybrid securities (ELDPA) were acquired circa 25% below the issue price. The AWQ investment team identified an opportunity to acquire these securities prior to a potential buyback of the securities by the parent. Mainstreet notes that since the acquisition of the ELDPA hybrids, the share price has increased from $75 to $90 per security. Similarly, while the ordinary shares in Elders are exposed to high levels of company level debt, the managers of Elders are managing this situation and the underlying operations are currently performing strongly. In the event that Elders management decides to buy back the ELDPA hybrids and the company commences paying dividends on the ordinary shares, **the ordinary shares are expected to come to the attention of a wider investment community providing upside potential.**
Mainstreet recognises the ability of the AWQ investment team to identify and capitalise on investment opportunities before the wider investment community identifies the opportunities.

The Managers of AWQ are averse to an investment to resource stocks and the banks, as they have a negative long term view on the outlook for these sectors. Also, with the exposure of these sectors to exogenous factors (commodity prices, the A$ and interest rate movements) that are difficult to predict, having a low or nil exposure to these sectors is a risk management strategy.

Mainstreet notes that the AWQ portfolio has a high liquidity percent (comprising cash and hybrids, 44.4% of the total portfolio value at April 2016) which can be applied to investment opportunities. In addition, as AWQ does not employ a "buy and hold" investment strategy, potentially any investment that has reached its target price can be liquidated for redeployment.

- AWQ is currently valued by the stock market at approximately 1.0 times its latest stated NTA. This is equivalent to the average for its peer group.

Figure 1. Relative valuation based on the P / NTA metric



Source: AWQ / IRESS / Mainstreet Equities Research

3. STRUCTURE

KEY EXPOSURE	
Underlying Exposure:	AWQ is permitted to invest in any security listed on the Australian Stock Exchange (and up to 25% on foreign stock exchanges), with the exception of securities in the GICS sector: Metals and Mining. At the date of this report, AWQ had a significant cash holding (37.3% of the portfolio) and is permitted to hold from 0% to 100% of the portfolio in cash. AWQ also has holdings in an Exchange Traded Fund and a Hybrid (Income Security) security being the Betashares USD ETF (ASX: USD.AXW) While the Investment Manager has a long term (three to seven year) time horizon for its investments, the Manager also reserves the right to rebalance the portfolio where individual holdings are no longer seen to meet the initial potential. AWQ is permitted to short securities. The portfolio may hold listed option securities. The portfolio may hold listed option securities.
FX Exposure:	AWQ is permitted to hedge the overseas exposure of its portfolio, and at the date of this report held a US$ related ETF (ASX: USD.AXW)
PRODUCT LEVERAGE	
Used:	The Manager is permitted to invest in debenture securities and bonds of a corporate or government that are listed on either the Australian or New Zealand Stock Exchange.

CAPITAL PROTECTION	
Method:	AWQ is a listed security. There is limited capital protection available through the Manager's investment in capital protection securities. The Manager is permitted to liquidate the entire portfolio and hold 100% cash if this strategy is perceived to be the best strategy from time to time. Holding cash rather than listed securities provides capital protection in times of market weakness. This strategy is only effective if the Manager accurately forecasts a prolonged period of listed market weakness, and if a market exists for the securities to be sold. **The Manager is permitted to "short sell" securities up to 25% of the Gross Portfolio value at the date of investment for capital protection purposes.**
TAX	
Disclaimer:	Tax consequences depend on individual circumstances. Mainstreet cannot provide specific taxation advice, and so investors must seek their own taxation advice. The following comments show Mainstreet' expectation of tax for ordinary Australian taxpayers, but cannot be considered tax advice.
Distributions:	For Australian residents, distributions (dividends) are taxable in the year earned, with an offset for the franking component of the dividend.
Foreign Income Fund (*FIF*):	AWQ may invest up to 25% of its portfolio in securities listed on foreign stock exchanges. Australian shareholders need to be aware of the different tax related conditions that relate to Capital Gains Tax and franking (imputation) benefits available for any investments of the Fund listed on foreign stock exchanges.
LEGAL STRUCTURE	
Wrapper:	Company
Custodian:	**White Outsourcing**
RETURNS	
Capital vs. Income:	Based on the performance of the Manager with other managed funds, it is anticipated that most of the anticipated returns will be in the form of share price appreciation. This is subject to the Manager being able to replicate its historic performance with other managed funds, and subject to market conditions during the period of the shareholder's investment in AWQ. Note that historic returns or targeted returns are not an indication of potential returns.
Income Frequency:	Dividends are expected to be paid semi-annually, subject to the discretion of Directors and the financial position of the Fund from time to time. AWQ has adopted a dividend payout policy of 70-100% of post tax profits.
Foreign Currency Risk:	AWQ may invest in securities listed on foreign stock exchanges, and as at the date of this report had an investment in a US$ Exchange Traded Fund (ETF) listed on the Australian Stock Exchange. The Manager may engage in hedging strategies to cover the value of any currency risk in the portfolio. AWQ may invest up to 25% of the gross portfolio in overseas securities measured at cost on the date of investment.
INVESTOR LEVERAGE	
Available:	No. The Fund does not provide mechanisms for shareholders to leverage their investment in AWQ. Shareholders may make independent arrangements to leverage their investment in AWQ.
RISKS	Refer to Section 6 of the PDS for a detailed discussion of the Risks. A summary is provided below. **RELIANCE ON THE MANAGER.** The Company's success and profitability is reliant upon the Manager's ability to successfully devise and maintain an investment portfolio consistent with the Company's investment objective, strategy, guidelines, and permitted investments set out in this Prospectus and as adjusted by the Board from time to time. The Manager may cease to manage the portfolio or key personnel involved in the management of the Company's portfolio may resign requiring the Company and the Manager respectively to find replacements. **RISK OF ENTRENCHMENT OF MANAGER.** During the initial 10 year term of the Management Agreement, shareholders will not be able to pass a resolution to remove the Manager and terminate the Management Agreement. In addition, if, after the initial term, the shareholders pass a resolution to remove the Manager and terminate the Management Agreement (other than as a result of the insolvency of the Manager or material unrectified breach of the Management Agreement by the Manager), the Company must pay the Manager a fee equal to 1.0% (excluding GST) of the gross value of the Portfolio calculated at the date of termination. There is therefore a risk that, if the Manager performs poorly, it may be difficult for shareholders to remove the Manager and terminate the Management Agreement until after the initial 10 year term. The termination fee establishes a cost for the Company to remove the Manager after the initial term.

EQUITY MARKET RISK.
The risk that equity market fluctuations impact the market price of assets held by the Company.

CONCENTRATION RISK.
The risk of a significant decrease in the value of the Portfolio as the result of a movement in the market price of any single investment or related group of investments. There may be more volatility in the Company's Portfolio due to a lack of diversity in its investments.

LIQUIDITY RISK.
The risk that a Portfolio investment may be difficult or impossible to sell in a timely fashion when required, or that the price at which such a sale may be made differs substantially from what the Manager considers to be fair market value.

4. MANAGEMENT & CORPORATE GOVERNANCE

The management and executive Board members of the Fund have wide experience in the management of high conviction funds, including the creation of stock selection filters based on large databases and multi factor parameters. The management team also has direct experience in managing investee companies, and extracting or crystalising value from these investments over time.

BOARD OF DIRECTORS

Majority non executive Board

Mainstreet has reviewed the composition of Board of AWQ and the management company. In our view, the Board has adequate skills to manage and supervise a product such as the Fund. The Board comprises two executive directors and three non executive directors. Each Board member has a significant holding in the Fund through shares and options allocated at the time of the IPO. The group has Board-approved corporate governance principles, which include maintaining a Board that consists of a majority number of independent directors.

The Board members are:

KEVIN CHIN – EXECUTIVE CHAIRMAN

Founder of Arowana & Co., Arowana International, Arowana Partners and a co-founder of Arowana Capital. Kevin Chin has 20 years investment experience, including direct management experience of investee companies, funds management, private equity, mergers & acquisitions and capital raisings. Prior to working for the Arowana group companies, Kevin Chin worked for RuleBurst Ltd, Lowy family Group, JPMorgan, Ord Minnett, Price Waterhouse and Deloitte.

GARY HUI – PORTFOLIO MANAGER

Joined Arowana in 2014. Prior to this, Gary Hui was a senior analyst and Managing Director at Indus Capital, an SEC registered hedge fund. Prior to this he held positions at J.P. Morgan and Deloitte. Gary Hui has 20 years experience in commercial enterprises including mergers and acquisitions, capital raisings and forensic accounting.

KENT KWAN – NON EXECUTIVE DIRECTOR

Kent Kwan was previously employed by the Arowana group companies for the years 2012 to 2014. Prior to this, Kent Kwan was involved in funds management and corporate advisory for J.P. Morgan and Macquarie. He helped develop the data research systems and platform while working at J.P. Morgan.

JOHN MOORE AO – NON EXECUTIVE DIRECTOR

John Moore was a member of the Brisbane Stock Exchange between 1962 and 1975. He is currently a non executive director of Arowana International. John Moore was the Federal Minister for Industry, Science and Tourism from 1996 to 1998 and the Federal Minister for Defence from 1998 to 2001. He has held several Board positions of Australian listed companies, as well as for Merrill Lynch Australia and Citinational Australia.

VICTORIA GUY – NON EXECUTIVE DIRECTOR

Victoria Guy is currently a research analyst at Ruminator Pty Ltd, and family based investment company led by retired stockbroker Peter Guy. Victoria has held roles within Deloitte including financial functions, business transformation and merger integration strategies.

MANAGEMENT AND INVESTMENT TEAM

The management and investment team comprises Kevin Chin, Gary Hui and Kent Kwan who are noted above. In addition, there is an Advisory Board structure which currently comprises Dr Simon Ogus who is based in Hong Kong. Dr Simon Ogus has extensive experience advising companies in the economics and politics of Asia, has an academic background, and has also had funds management and investment experience including as Managing Director and Chief Economist of Warburg Dillon Read, Hong Kong. AWQ also recently appointed Ben Wolrige as an investment analyst, based in the group's Sydney office. Prior to his appointment, Ben worked as an Associate Director for Corality (2012 – 2015) in Sydney; an investment analyst for international equities at VGI Partners (2009 – 2012) in Sydney and an analyst at Macquarie Group (Sydney) in 2009.

Mainstreet believes the management team has adequate skills for managing a high conviction funds management business with the attributes of Arowana.

ALIGNMENT OF INTEREST

The directors of AWQ have a co-ownership alignment with public shareholders, through the purchase of shares at the time of the IPO. The Chairman, Kevin Chin, acquired 2,000,000 shares and options; Gary Hui acquired 200,000 shares and options; Kent Kwan acquired 200,000 shares and options; John Moore AO acquired 100,000 shares and options while Victoria Guy acquired 100,000 shares and options. In addition, the Performance Fee structure benefits the Manager through the 20% outperformance fee payable to the management if the Fund value increases by at least 8% (if the S&P/ASX 200 Accumulation Index has a positive move) or by at least 0% (if the S&P/ASX 200 Accumulation Index has a negative return) during each month. There is also a Termination Fee payable on termination of the management agreement.

5. INVESTMENT PROCESS

INVESTMENT PHILOSOPHY / OBJECTIVE

OBJECTIVE & STRATEGY

The Manager has established a comprehensive, multi factor qualitative and quantitative filter process to focus the portfolio on a concentrated number of securities. While the Fund is permitted to invest in any stock listed on the Australian and New Zealand stock exchanges (with the exception of stocks in the Materials - Metals and Mining Index), the Manager in practice is likely to have a bias towards mid cap and smaller cap securities based on the PDS.

The Manager intends to outperform the ASX 200 Accumulation Index over the long term (ie, over rolling three to five year periods).

The Fund portfolio is expected to comprise 15 to 25 stocks when fully invested, and is permitted to hold from 0% to 100% in cash or cash like securities if the Manager believes this is the best portfolio structure to preserve capital. The Fund is also permitted to invest in debt and debenture securities and also to engage in hedging strategies to cover the value of investments listed on overseas exchanges. The Fund is permitted to hedge up to 25% of its gross portfolio measured at the date of investment, in hedging strategies.

The mandate of the fund was expanded in early 2016 and communicated to the market in May, 2016. The expanded mandate includes the ability for the fund to invest in foreign stocks (besides New Zealand listed securities) and for increased hedging flexibility by the Manager, with up to 25% of the portfolio (by value) now potentially comprising hedge related securities should the Manager view specific risks in the equities market or external factors (currency, interest rates, etc). In the view of Mainstreet, while the Manager has experience in the management of portfolios consistent with the expanded mandate, the market should have been advised of this change through a specific ASX release.

INVESTMENT PROCESS

The stated investment process of the Manager is compatible with the preferred strategies employed by Mainstreet in a portfolio stock selection process, apart from the imposed limitation that prevents investments within the GICS sector: Metals and Mining. These processes include the utilisation of a large quant database, multi factor portfolio filters, and a global mandate.

The AWQ investment process draws from the extensive experiences and capabilities of the Investment Team, the Fund's Board and the Advisory Board, and utilises in-house developed screening processes to highlight investment opportunities. The Fund employs a fundamental based value style investment process, which includes a combination of Porter Model analysis, macro and micro sector and economic analysis, free cash flow analysis, direct management and competitor contact, and qualitative factors including the competitive advantage and management quality and capability. Final portfolio actions are based on standard valuation metrics including PE, Price to Cash Flow and Price to Valuation ratios. AWQ also looks at the capacity for the business and management team to maximise shareholder value, and engages in the active management of its investee businesses where possible.

AWQ also maintains a global perspective to fully understand the opportunities for the domestic investable universe. This helps to build internal knowledge of the international trends and opportunities for the managers of local businesses.

The Fund proposes to hold securities for the long term (defined as three to four years on average) so that the identified opportunities and value can be maximised for each security. The manager assesses each investment on a regular basis to ensure that the potential upside remains, and reviews holdings when the share price reaches the assessed valuation. The manager also intends to quickly admit mistakes, implying that securities will be sold if the initial investment thesis cannot be achieved.

The portfolio is expected to maintain a high conviction bias, with a limited number of securities (15 to 25) when fully invested. Portfolio risks will be managed through a flexible allocation to cash (from 0% to 100% of the portfolio), low turnover, a combined long / short strategy (with its emphasis on long positions). Unlisted securities cannot be held unless the securities have an identified path to IPO on either the Australian or foreign stock exchange. Once fully invested, the portfolio is not expected to hold more than 15% of its value in any one security – however this mandate limit is measured at cost and does not obligate the Manager to sell strongly performing securities prematurely.

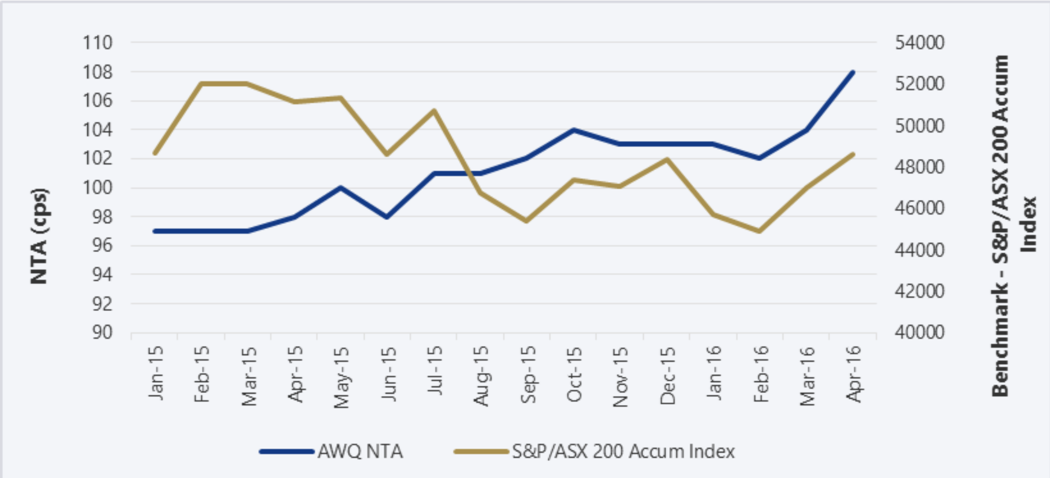
6. PERFORMANCE ANALYTICS

HISTORIC PERFORMANCE

AWQ listed on 5 January, 2015, As the Fund comprised 100% cash at this date, there is limited historic investment performance for the fund. Mainstreet notes that an associated fund, the Arowana Partners Group Australasian Value Opportunities Fund (AVOF), which has the same management team as AWQ and similar investment metrics as AWQ, generated an annualised 18.4% return per annum over five years, compared to 10.5% for the benchmark S&P/ASX 200 Accumulation Index over the same period.

Mainstreet has charted the NTA and Price / NTA for AWQ since its IPO, which is shown in Figure 2.

Figure 2. Historic AWQ NTA and Benchmark chart



Source: AWQ / IRESS / Mainstreet Equities Research

Mainstreet has performed an analysis of the performance and risk metrics of AWQ compared to the benchmark S&P/ASX 200 Accumulation Index. It must be remembered that AWQ has been listed for a limited period of time (since 5 January 2015) and remains under invested compared to its expected long term portfolio structure. As at the latest available information (30 April, 2016) 37.3% of the portfolio was represented by Cash, and 7.1% by a hybrid security (Elders Hybrid, ASX: ELDPA). A further 8.6% of the portfolio is held in a US$ based currency Exchange Traded Fund (Betashares US$ ETF, ASX: USD.AXW).

The risk and portfolio metrics shown in Figure 2 below are based on the current portfolio structure, and do not represent the metrics when the portfolio is fully invested.

As the Fund Manager remains in the process of establishing a stable portfolio structure, the analysis is for the previous six months rather than over a longer period or since inception.

For the Sharpe Ratio [(Portfolio Return - Risk Free Rate) / Standard Deviation)], the Risk Free Rate used is the current Australian 10 Year Government Bond rate (2.2734%).

For the Beta calculation, note that this is usually performed over a longer time period than six months. The benchmark index used for the Beta calculation is the S&P/ASX 200 Accumulation Index.

Figure 3. Historic performance metrics (six month basis)

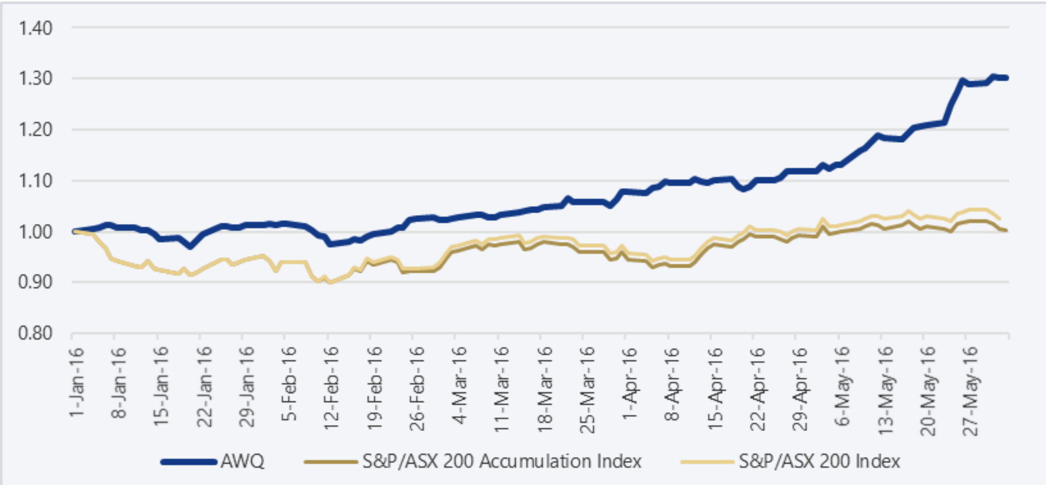
	AWQ	Benchmark S&P/ASX 200 Accumulation Index
6 month Return (%)	30%	1%
Std Dev	0.09	0.03
% Positive Days	66%	50%
Beta	0.18	na
Tracking Error	0.011	na
Sharpe Ratio	3.25	-0.62
Correlation	0.80	na

Source: IRESS / Mainstreet Equities Research

7. PORTFOLIO STRUCTURE AND PERFORMANCE

Mainstreet has analysed the "back-tested" performance of AWQ based on the assumption that the current portfolio weightings were held constant for an historic six month period. This approach has been adopted as the Fund maintains a high cash component.

Figure 4. Back tested performance (Note: this is not actual Fund performance)



Source: AWQ / IRESS / Mainstreet Equities Research

The Manager has not yet fully invested the proceeds from the IPO. Figure 5 shows the most current portfolio holdings and weightings, which were used for the back testing analysis.

Figure 5. Portfolio equity holdings

Code	Security	% (@30/4/2016)	% (@31/1/16)
IFN	Infigen	19.1%	13.2%
SIV	Silver Chef Ltd	11.9%	9.4%
USD.AXW	Betashares US$ ETF	8.6%	8.9%
ELDPA	Elders Hybrid	7.1%	7.4%
TCH	Touchcorp Ltd	6.1%	0.0%
ELD	Elders Limited	5.6%	8.3%
API	Australian Pharmaceutical Industries	3.1%	3.4%
GUD	G.U.D. Holdings Ltd	1.2%	3.2%
	Cash	37.3%	46.2%
	Total	**100.0%**	**100.0%**

Source: AWQ / Mainstreet Equities Research

Note that AWQ maintains a high cash component (at 37.3% based on the latest reported portfolio structure) which provides an element of capital preservation during negative or volatile market movements.

- On this basis, the AWQ portfolio significantly outperformed both the benchmark S&P/ASX 200 Accumulation Index and S&P/ASX 200 Index, generating a 30% return over the period compared to 1% for the Accumulation Index and 3% for the price index.
- The major positive contributors to this outperformance was the Fund's holding in Infigen (ASX: IFN) which represents over 19% of the portfolio (and assumed to be held constant for the duration of the back testing). The share price of IFN increased from 44 cps to 108 cps over the six month period, and increase of 144%. The other securities recorded price moves of -20% to +16% over this period (Cash by definition was held constant).
- Looking at volatility of individual stock performances over this period, both Touchcorp (ASX: TCH) and GUD Holdings (ASX: GUD) have been volatile performers while Silver Chef (ASX: SIV) has recently performed strongly.
- Note that this analysis does not replicate the actual Fund's trading of securities that may have occurred during the period of the analysis (refer to Figure 2 for the historic NTA).

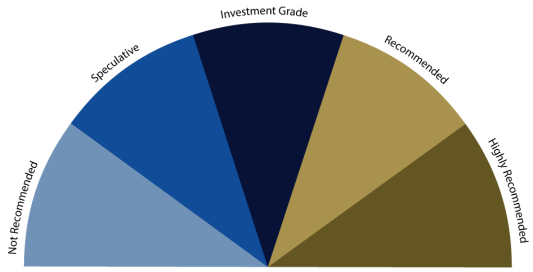
8. APPENDIX – RATINGS PROCESS

Mainstreet has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors.

The evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

THE RATINGS

Our rating is based on the following scale:



Highly Recommended: indicates that Mainstreet believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and scored exceptionally in a number of categories. It has an attractive risk/return trade-off; however, we caution that the risk/return trade-off will not be suitable for all investors.

Recommended: indicates that Mainstreet believes this is an above average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above average risk/return trade-off; however, we caution that the risk/return trade-off will not be suitable for all investors.

Investment Grade: indicates that Mainstreet believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation parameters. The product may provide unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off; however, we caution that the risk/return trade-off will not be suitable for all investors.

Speculative: indicates that Mainstreet believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Mainstreet does not rule out investing in this product, investors should be very aware of, and be comfortable with, the specific risks. The product may provide unique diversification opportunities; however, concerns over one or more features means that it may not be suitable for most investors.

Not Recommended: indicates that Mainstreet believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. However, this does not mean that the product is without merit.

This report has been commissioned, and, as such, Mainstreet has received a fee for its publication. However, under no circumstances has Mainstreet been influenced, either directly or indirectly, in making statements and/or recommendations contained in this report.