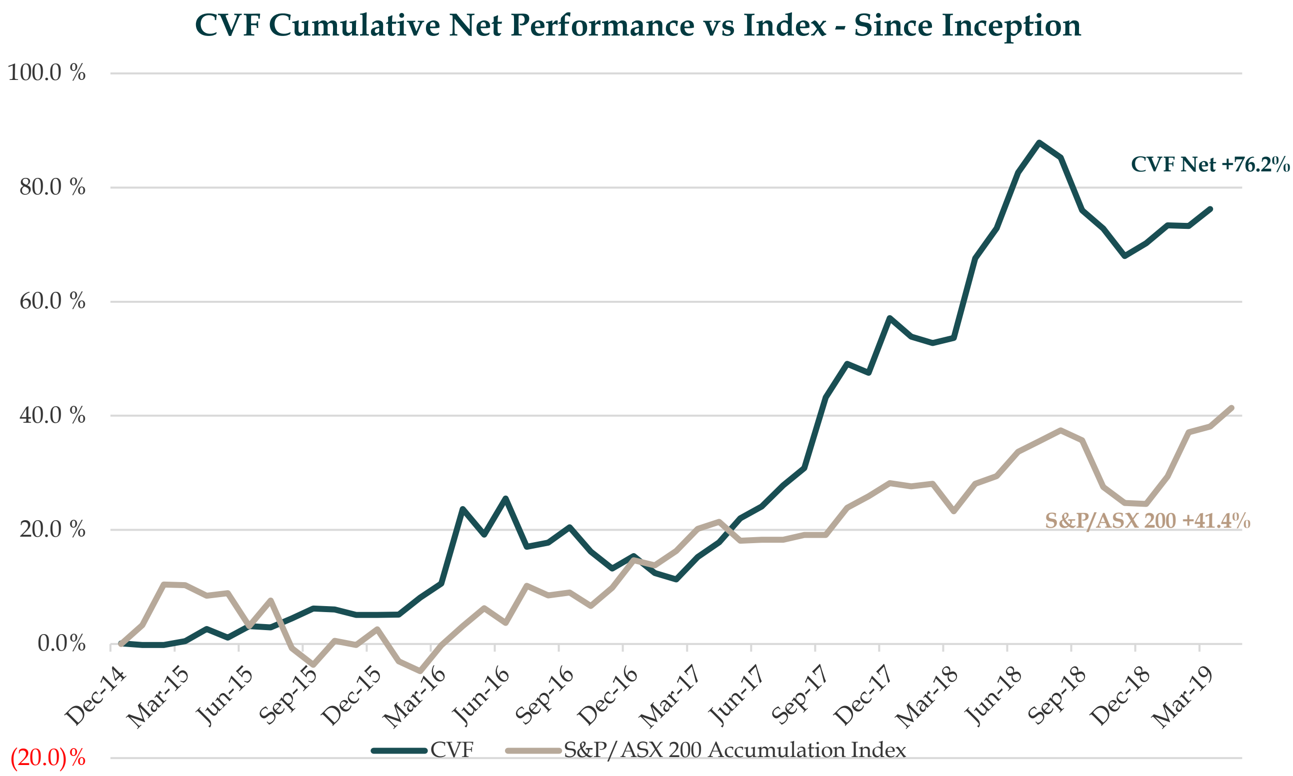
ARROWANA
CONTRARIAN VALUE FUND

Monthly Update – April 2019

Fund Performance



At 30 April 2019	1 mth	1 yr	2 yr p.a	3 yr p.a	Since inception (5 Jan 2015) Annualised	Since inception (5 Jan 2015) Cumulative
Arowana CVF Gross performance	1.8 %	19.5 %	29.1 %	21.5 %	17.7 %	102.8 %
S&P/ASX200 Accumulation Index	2.4 %	10.4 %	7.9 %	11.1 %	8.3 %	41.4 %
Gross outperformance	(0.6) %	9.1 %	21.2 %	10.4 %	9.4 %	61.4 %
Arowana CVF Net performance*	1.7 %	14.7 %	23.7 %	16.8 %	14.0 %	76.2 %
S&P/ASX200 Accumulation Index	2.4 %	10.4 %	7.9 %	11.1 %	8.3 %	41.4 %
Net outperformance	(0.7) %	4.3 %	15.8 %	5.7 %	5.7 %	34.8 %

** Net of all fees and expenses, pre-tax*

Net Tangible Assets (NTA) per Share

At 30 April 2019	$
NTA pre-tax on unrealised gains	**1.22**
NTA after tax on unrealised gains[1]	**1.20**

1.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.

Top 5 Holdings (% of Gross Portfolio Value)

Ticker		%
TSGI.CN	STARS GROUP INC	9%
VRL	VILLAGE ROADSHOW LIMITED	7%
DHG	DOMAIN HOLDINGS LTD	5%
EAF.US	GRAFTECH INTERNATIONAL LTD	5%
APT	AFTERPAY TOUCH GROUP	5%
Top 5 as % of Gross Portfolio		**31%**

Monthly Newsletter

In April, the Fund recorded 1.7% performance, net of all costs and fees. The main contributors to performance over the month were *Afterpay Touch* (APT.AU), *Village Roadshow* (VRL.AU) and *The Stars Group* (TSGI.CN). The biggest detractor was *Graftech International* (EAF.US). NTA per share was $1.22 as at 30 April 2019. Not reflected in the NTA, is $0.08 per share worth of unused franking credits. The NTA is also net of $0.02 per share tax payable on realised gains which will generate franking credits when paid.

Portfolio News

Box office data shows that *Village Roadshow's* (VRL.AU) cinema division had a weak March quarter. This has been mostly offset by recent strong trading related to the Avengers: Endgame movie released in April which has broken box office records. We are also anticipating strong growth in the company's theme park earnings catalysed by ticket price increases. This should lead to management resuming dividends post the final year results.

Afterpay Touch (APT.AU*)* continued to re-rate on anticipation of strong growth in the US which our data-sets confirm. In early May, the company announced a new US debt facility which positions the company well to accelerate their US business.

As expected, *Domain Holdings* (DHG.AU) announced weak 3Q19 revenue driven by weak new listings volumes. Recent data shows that 4Q19 will probably be the company's nadir as potential house sellers wait for elections to pass before listing their property. Pleasingly, management continue to drive the company forward through price increases, audience share increases and by restraining costs. DHG's earnings are akin to a coiled spring. If the volume of new listings reverts in FY20, material shareholder value should be catalysed.

Graftech International's (EAF.US) share price declined 10% during the month after a broker report forecasted a bearish electrode pricing outlook driven by Chinese producers increasing global supply. While we acknowledge the risk, we think this is more than priced in. EAF's share price implies a free cashflow yield of ~30% which is supported by long term take or pay contracts. EAF also has the lowest cost structure in the industry meaning they are well placed competitively should prices decline longer term.

There is also significant upside to the brokers forecasts given strong domestic demand in China (i.e. market size to double over the next two years) and due to the nuances in supply of UHP electrodes (EAF's key product). The processes and technology required to produce UHP electrodes typically take several years to develop. Some Chinese producers designating their product as UHP, are not actually UHP as defined by EAF and the wider industry, meaning oncoming supply in China may be significantly overestimated.

Research and New Positions

During the month we initiated two short positions. Both positions are related to the Australian construction market, which we have seen evidence of significant deterioration after a long period of strength. Once the construction cycle turns, the market typically underappreciates the depth and length of the downturn. In these cyclical situations, we typically look for companies that are highly leveraged and have limited pricing power.

As volumes drop away due to lower construction demand, pricing tends to also drop away quickly as the industry corrects the supply imbalance for their products. This is often painful as these companies have typically structured their cost base and balance sheet to support higher revenues. As investors begin to realise this, they can't rush to the exits quick enough which then also drives a multiple de-rating resulting in a stock price decline. Pleasingly we have seen this begin to play out in May with both companies announcing earnings guidance which was significantly lower than consensus expectations.

The team also identified two companies that have large positive asymmetric risk/reward profiles to their latest traded price. We are in the final stages of our due diligence and look forward to updating shareholders in future newsletters.

Process
During the month, the team implemented a weekly data review as part of our risk management process. This involves reviewing publicly available data points pertaining to the key drivers of portfolio companies and those on our watchlist. We believe this will help drive longer term returns by increasing our strike rate of winners and by managing the sizing of positions.

Discount to NTA/Capital Management
As mentioned in earlier reports, the Company believes that continued trading of its shares at a material discount to the underlying net asset value (which is unfortunately common amongst listed investment companies) may provide an opportunity to increase shareholder value through the operation of an on-market share buy-back. Accordingly, the Company approved an on-market buy-back that commenced from 1 May 2019. We will continue to repurchase the company's shares whenever we believe it is beneficial for shareholders.

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Fund Information

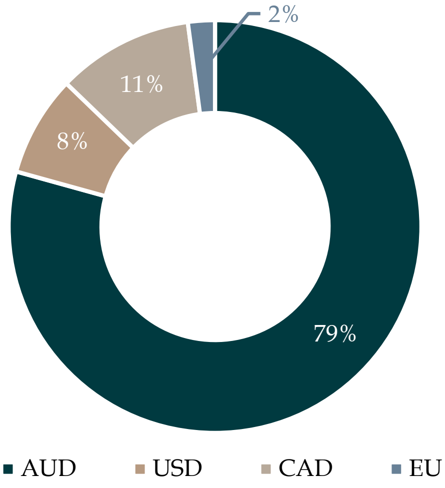
ASX ticker	CVF
Net Month's performance	1.7%
Last price (at 30 April 2019)	$1.04
Pre-tax NTA	$1.22
Premium/(Discount) to pre-tax NTA	(14.8)%
Fund AUM	A$87.7m
Market capitalisation	A$73.2m
Shares on issue	70,413,825
Current franked dividend yield	8.9%
Franking account balance	A$5.4m
Gross/Net equities exposure	51% / 30%
Cash weighting	70%
Geographic mandate (Equities)	Global (45% ex Aust)
Fund Inception	5-Jan-15

INVESTMENT PERFORMANCE (Pre-tax, net of all costs)

	2015	2016	2017	2018	2019
Jan	0.1%	0.0%	1.9%	6.5%	1.3%
Feb	(0.3)%	0.0%	(2.6)%	(2.1)%	1.8%
Mar	0.0%	2.9%	(1.0)%	(0.7)%	(0.1)%
Apr	0.7%	2.3%	3.5%	0.6%	1.7%
May	2.1%	11.8%	2.2%	9.1%	
Jun	(1.4)%	(3.6)%	3.5%	3.2%	
Jul	2.0%	5.3%	1.7%	5.6%	
Aug	(0.2)%	(6.8)%	3.0%	2.9%	
Sep	1.5%	0.6%	2.4%	(1.4)%	
Oct	1.7%	2.3%	9.5%	(5.0)%	
Nov	(0.2)%	(3.5)%	4.1%	(2.0)%	
Dec	(0.9)%	(2.5)%	(1.1)%	(2.8)%	
Total	**5.1%**	**7.7%**	**30.3%**	**13.9%**	**4.9%**

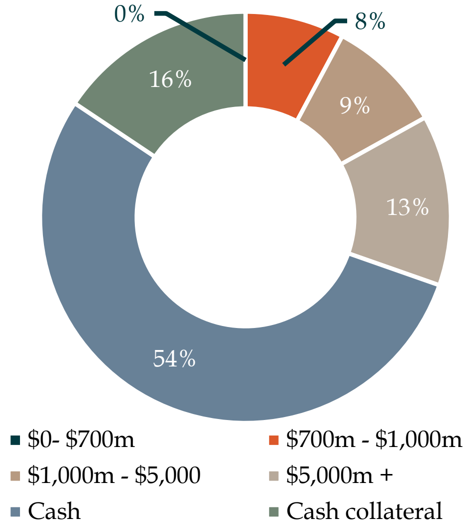
Portfolio Information

Currency Mix*

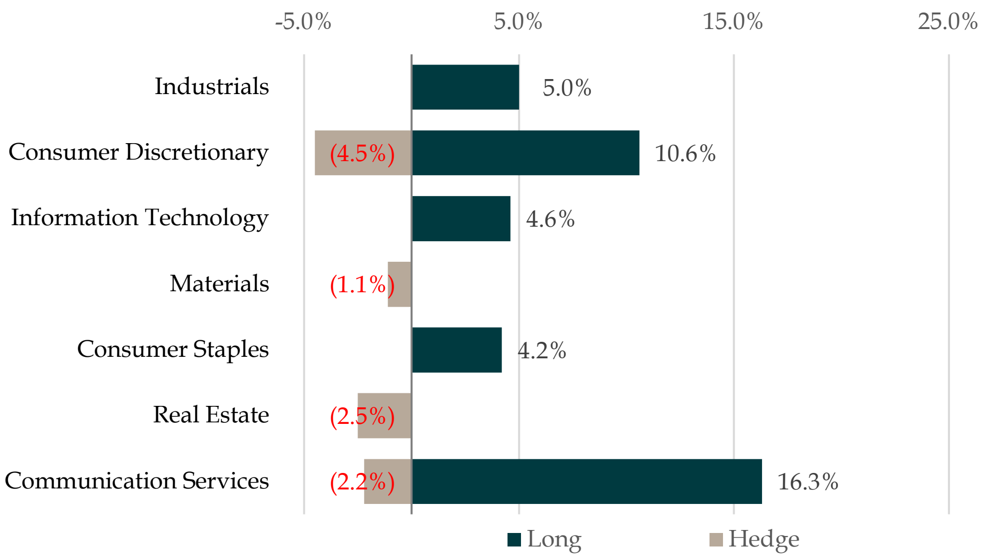


*Currency mix includes cash and equities

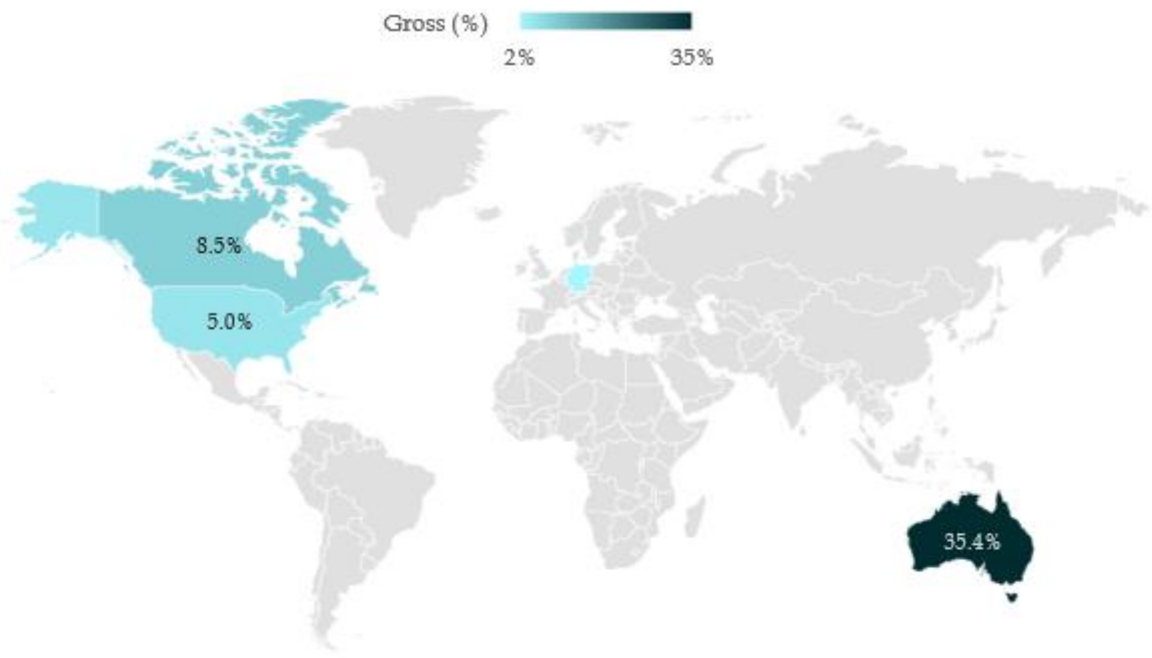
Market Cap Mix



Exposure by Sector



Equities Exposure by Country



Country	Long	Hedge	Gross	Net
Australia	25.1%	(10.3%)	35.4%	14.8%
United States of America	5.0%	-	5.0%	5.0%
Canada	8.5%	-	8.5%	8.5%
Germany	2.1%	-	2.1%	2.1%
Total	**40.7%**	**(10.3%)**	**51.0%**	**30.4%**

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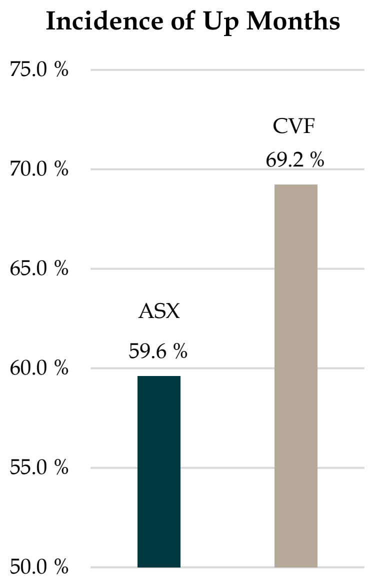
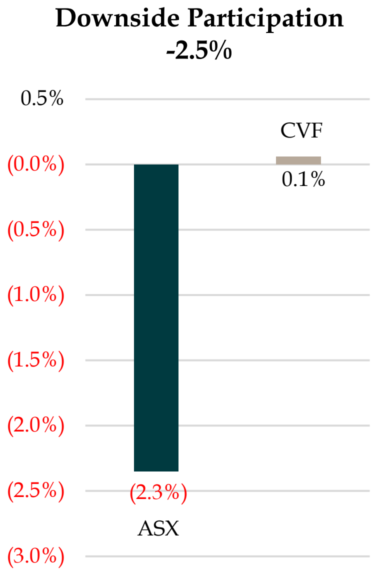
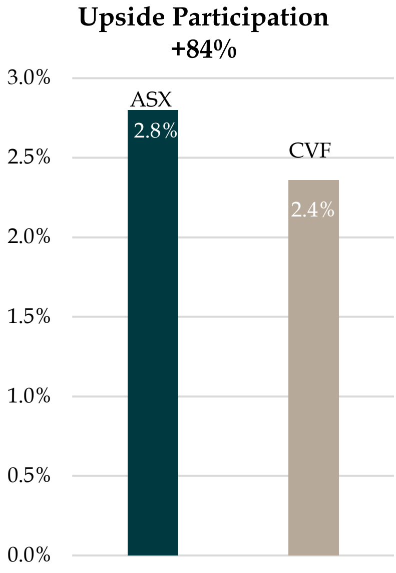
Uncorrelated Returns: More positive months and negative correlation in months when market is down







Gross & Net Portfolio Exposures – Outperformance achieved with no portfolio leverage