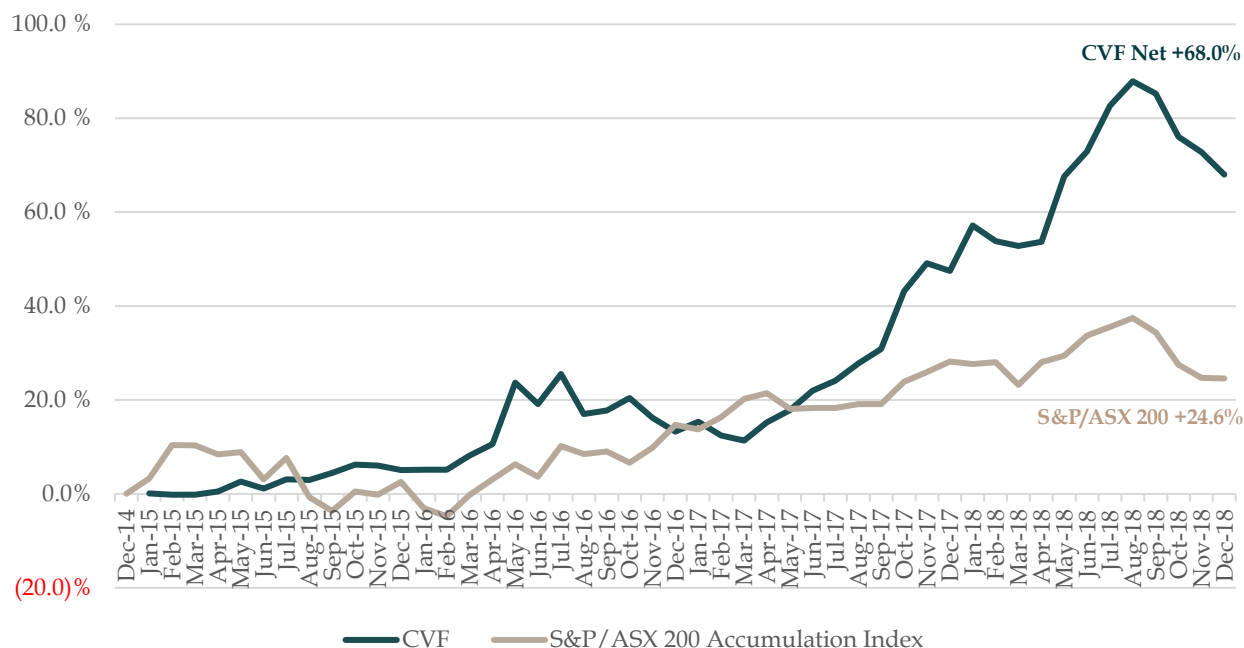


Fund Performance

CVF Cumulative Net Performance vs Index - Since Inception



| At 31 December 2018 | Since inception (5 Jan 2015) | | | | | | |
|--------------------------------------|------------------------------|--------|--------|----------|----------|------------|------------|
| | 1 mth | 3 mths | 1 yr | 2 yr p.a | 3 yr p.a | Annualised | Cumulative |
| Arowana CVF Gross performance | (2.4)% | (8.8)% | 19.9 % | 27.1 % | 21.7 % | 17.8 % | 92.5 % |
| S&P/ ASX200 Accumulation Index | (0.1)% | (7.3)% | (2.8)% | 4.2 % | 6.7 % | 5.6 % | 24.5 % |
| Gross outperformance | (2.3)% | (1.5)% | 22.7 % | 22.9 % | 15.0 % | 12.2 % | 68.0 % |
| Arowana CVF Net performance* | (2.8)% | (9.3)% | 13.9 % | 21.8 % | 16.9 % | 13.8 % | 68.0 % |
| S&P/ ASX200 Accumulation Index | (0.1)% | (7.3)% | (2.8)% | 4.2 % | 6.7 % | 5.6 % | 24.5 % |
| Net outperformance | (2.7)% | (2.0)% | 16.7 % | 17.6 % | 10.2 % | 8.2 % | 43.5 % |

* Net of all fees and expenses, pre-tax

Net Tangible Assets (NTA) per Share

| At 31 December 2018 | \$ |
|--|-------------|
| NTA pre-tax on unrealised gains | 1.17 |
| NTA after tax on unrealised gains¹ | 1.16 |

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 | | % |
|--------------------------------------|----------------------------|------------|
| VOC | VOCUS GROUP LIMITED | 7% |
| EAF.US | GRAFTECH INTERNATIONAL LTD | 6% |
| BAL | BELLAMYS AUSTRALIA LIMITED | 5% |
| TSGI.CA | STARS GROUP INC | 3% |
| EHL | EMECO HOLDINGS LIMITED | 3% |
| Top 5 as % of Gross Portfolio | | 24% |



Monthly Newsletter

In December, the Fund recorded (2.77%) performance, net of all costs and fees, versus the S&P/ASX 200 Accumulation Index return of (0.1%). NTA per share was \$1.17 as at 31 December 2018.

This meant the portfolio performed broadly in line with the market (9.3%) net versus the ASX200 Accumulation Index of (8.2%) for the quarter ended 31 December 2018.

We provide a synopsis below of the quarter's performance in terms of what has worked and what did not work, as well as our investment strategy going forward.

What worked?

Our investment strategy at the onset of the quarter was to de-risk the portfolio and increase cash holdings significantly given our concerns as to stretched valuations across a number of our positions as well as the broader market. The valuation for many of CVF's larger holdings (including *Afterpay Touch* (APT.AU), *The Stars Group* (TSGI.CN), *Zillow* (Z.US) and *Platinum Asset Management* (PTM.AU)) - which contributed to significant outperformance in FY18 - had become stretched, altering their risk profile.

During the quarter, we progressively increased our cash holdings by selling down these holdings, culminating in a cash position as at 31 December 2018 of 72%. As a result, the portfolio had elevated average cash levels of ~68%¹ during the quarter. We were cautious and remained on the sidelines during the initial market correction in late October and increased our cash holdings during recovery days in November. This contributed positively to performance as the broader market failed to register its traditional Christmas rally but rather suffered further declines, with a number of major indices including the S&P500 entering official bear market territory (defined as a sell off of 20% or more).

Aside from significantly increasing our cash levels, the investments we did make during the quarter were accretive to performance. This included a new long position, being an investment in *Village Roadshow Limited* (VRL.AU), whose share price has increased 22% since our purchase. In addition, we increased our hedge book positions in companies we consider to be structurally challenged. Whilst early days, we are seeing evidence that our theses are playing out for these investments.

What did not work?

Whilst we held elevated cash levels, the positions we did hold underperformed significantly in aggregate during the quarter. In particular, more than half of the negative performance was attributed to the cyclicals in the portfolio – *Grahtech International* (EAF.US) and *Emeco Holdings Limited* (EHL.AU). These positions were added in April 2018 and June 2017 respectively. We considered that the original investment thesis was still intact and that for both companies, the earnings/return outlook over the near-medium term appear to be very strong. However, during the quarter, increasing macro concerns over the trade war and further deceleration in China's growth outlook put pressure on steel and coal prices, with both declining more than 15%. These concerns translated into ~40% declines in the stock prices of both companies, which took us by surprise. We think this price correction is an over-reaction for two reasons:

- Both companies' earnings are not directly driven by commodity prices – rather it is their customers (steel producers for EAF, and coal miners predominately for EHL) who are directly exposed. Furthermore, both companies have medium term customer contracts that provide significant visibility for most of their earnings; and

¹ Includes cash realised from CVF's short positions.



- Pricing levels for both steel and coal are still double the prices seen in 2016, which means profitability for EAF's and EHL's customers is still high. Thus, the likelihood of their customers defaulting on their contracts remains very low.

The magnitude of the sell-off in the stock prices of both companies has surprised us. We decided to hold both companies given the thesis & earnings outlook remains in-tact whilst valuation looks even more compelling. EAF, for instance, was on a free cashflow yield of ~33% at its low point in December, whilst management are increasingly returning this cash to shareholders through dividends.² However, we did decide against investing more in both companies until we could see near term catalysts. We are also cognisant that significant and persistent declines in steel and coal prices in future would ultimately change earnings and valuation outlooks for these companies quite considerably given they both have a high degree of financial and operating leverage. Interestingly, in January, despite no material increase in commodity prices, both companies stock prices have bounced back sharply.

Where to from here?

The Fund is well positioned with 72% cash following the market sell off over the last quarter. We are now seeing a significant number of opportunities to deploy capital in accordance with our contrarian value style. The investment team is undertaking due diligence on several companies which may result in a significant reduction in our cash weighting over the coming quarter. That said, we remain cautious, given the myriad of geopolitical and macroeconomic risks and will only seek to deploy capital where the asymmetric risk / reward equation is favourable and as far as possible, insulated from geopolitical and macroeconomic risks.

² Graftech paid a special dividend in December of \$0.70 per share or 5.6% of average December stock price.

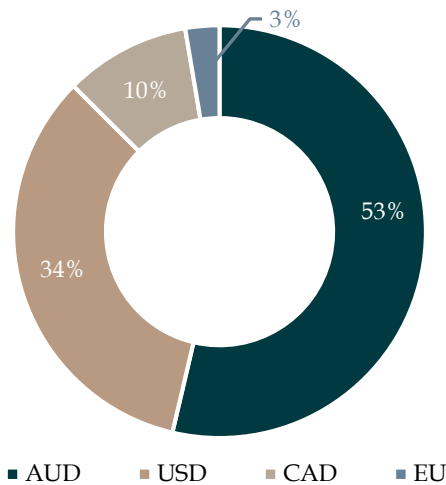


Fund Information

| ASX ticker | CVF | INVESTMENT PERFORMANCE (Pre-tax, net of all costs) | | | | |
|-----------------------------------|-----------------------|--|-------------|-------------|--------------|--------------|
| Net Month's performance | (2.8)% | 2015 | 2016 | 2017 | 2018 | |
| Last price (at 31 December 2018) | \$1.00 | Jan | 0.1% | 0.0% | 1.9% | 6.5% |
| Pre-tax NTA | \$1.17 | Feb | (0.3)% | 0.0% | (2.6)% | (2.1)% |
| Premium/(Discount) to pre-tax NTA | (14.5)% | Mar | 0.0% | 2.9% | (1.0)% | (0.7)% |
| Fund AUM | A\$86.8m | Apr | 0.7% | 2.3% | 3.5% | 0.6% |
| Market capitalisation | A\$70.4m | May | 2.1% | 11.8% | 2.2% | 9.1% |
| Shares on issue | 70,413,825 | Jun | (1.4)% | (3.6)% | 3.5% | 3.2% |
| Current franked dividend yield | 12.1% | Jul | 2.0% | 5.3% | 1.7% | 5.6% |
| Gross/Net equities exposure | 46.5%/27.6% | Aug | (0.2)% | (6.8)% | 3.0% | 2.9% |
| Cash weighting | 72.4% | Sep | 1.5% | 0.6% | 2.4% | (1.4)% |
| Geographic mandate (Equities) | Global (45% ex Aust.) | Oct | 1.7% | 2.3% | 9.5% | (5.0)% |
| Fund Inception | 5-Jan-15 | 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% |

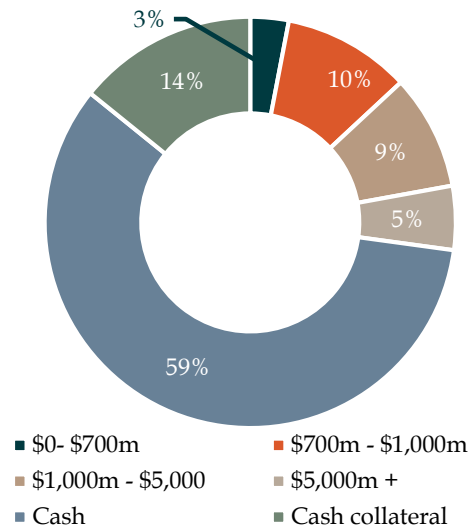
Portfolio Information

Currency Mix*

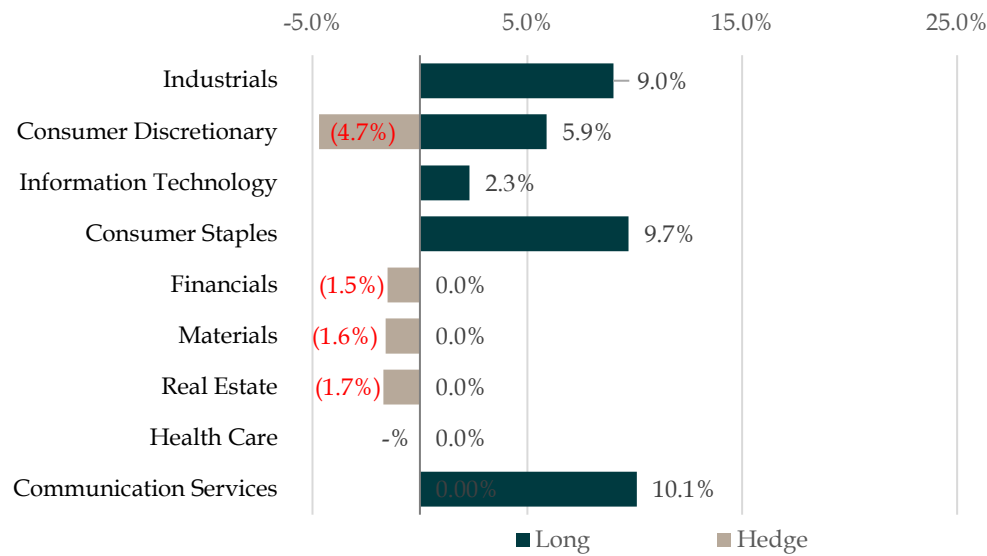


*Currency mix includes cash and equities

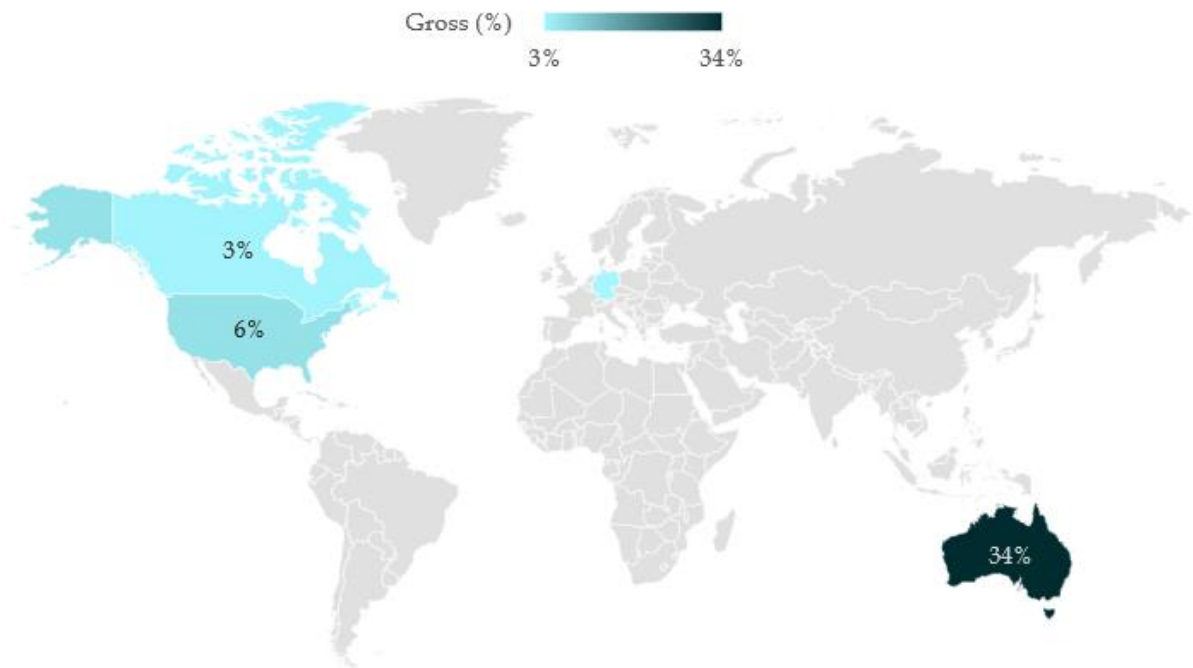
Market Cap Mix



Exposure by Sector



Equities Exposure by Country

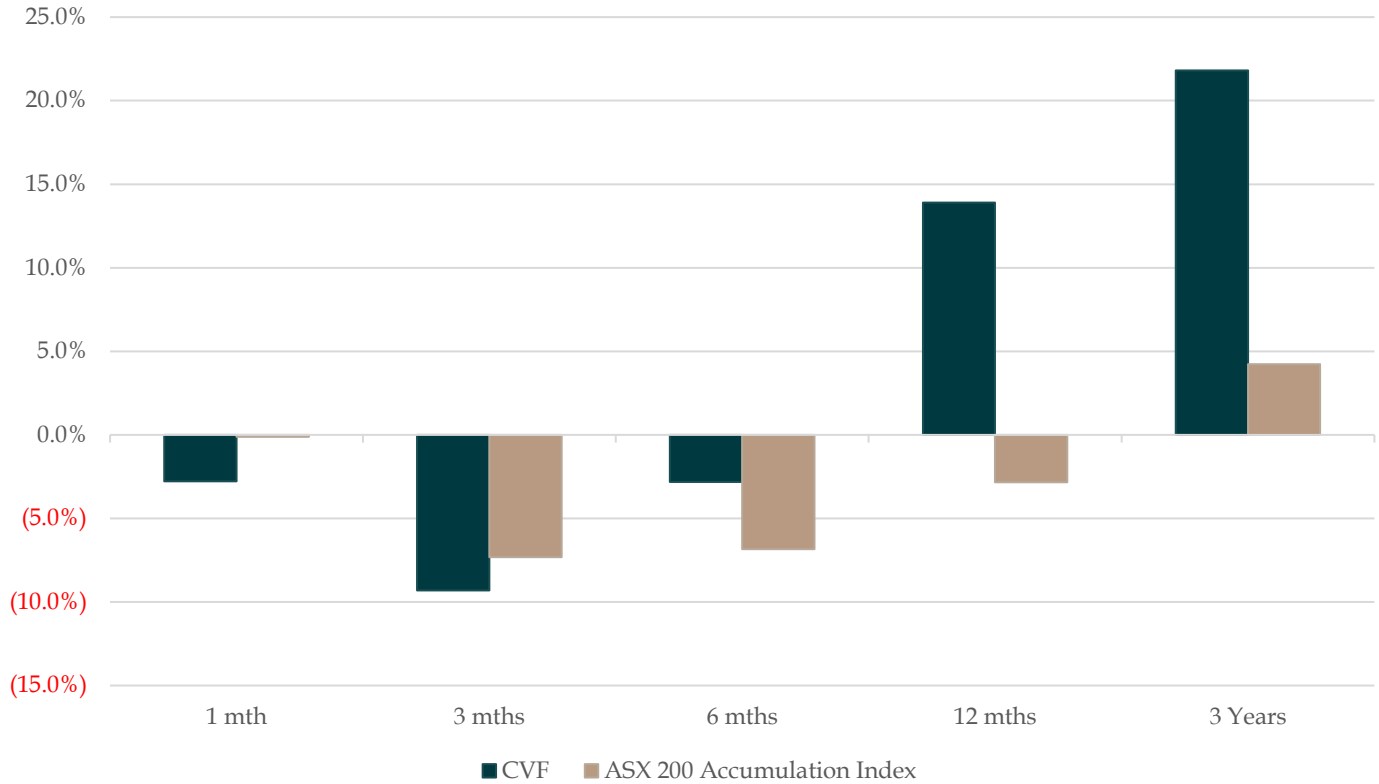


| Country | Long | Hedge | Gross | Net |
|--------------------------|--------------|---------------|--------------|--------------|
| Australia | 25.0% | (9.5%) | 34.4% | 15.5% |
| United States of America | 6.2% | - | 6.2% | 6.2% |
| Canada | 3.2% | - | 3.2% | 3.2% |
| Germany | 2.7% | - | 2.7% | 2.7% |
| Total | 37.0% | (9.5%) | 46.5% | 27.6% |

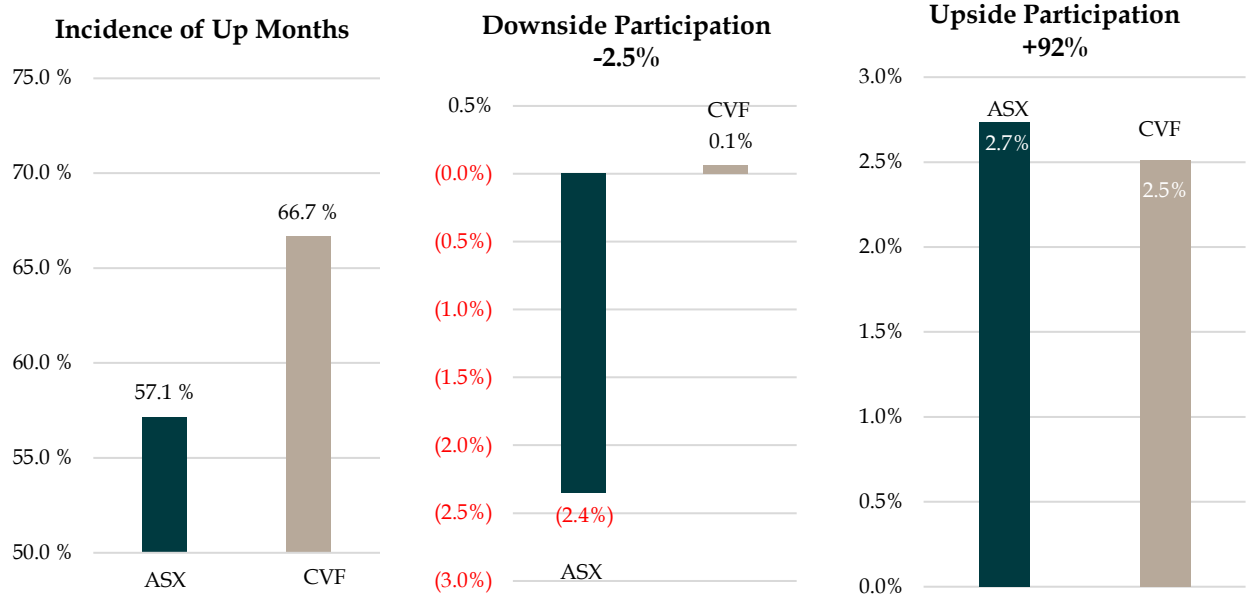


CVF outperformance over all time periods

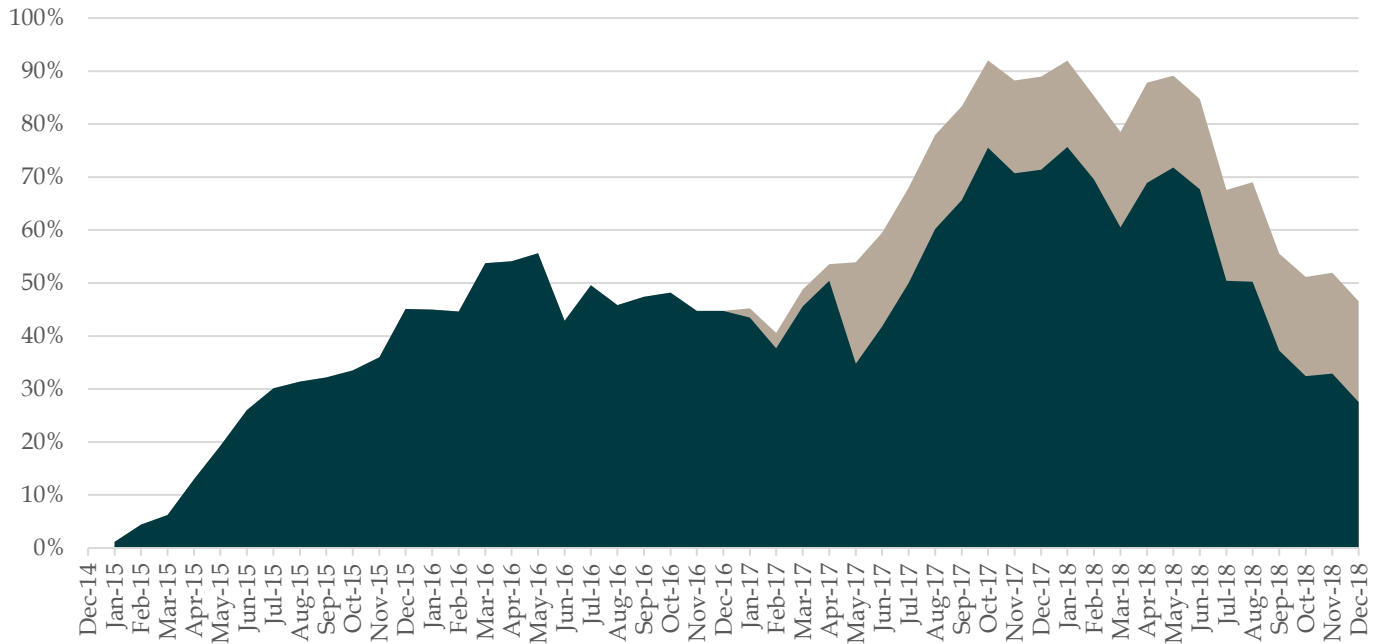
Arowana Net Performance vs Index



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



Gross & Net Portfolio Exposures – No Portfolio leverage



Important Information and Disclaimer

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