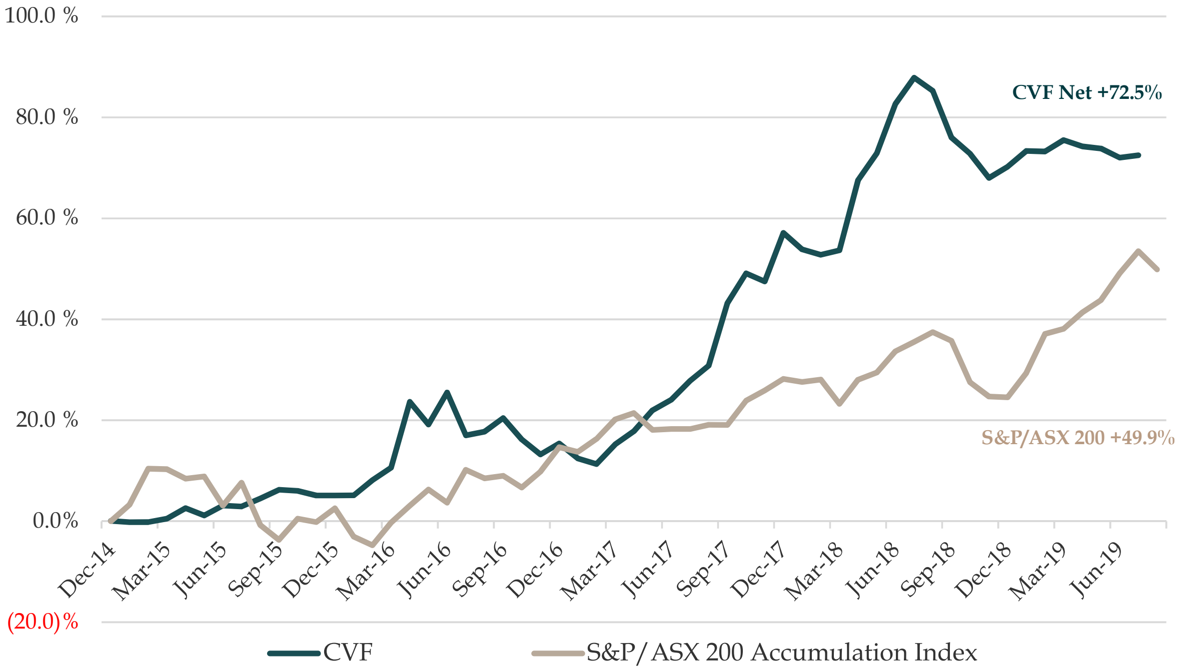
AROWANA
CONTRARIAN VALUE FUND

Monthly Update – August 2019

Fund Investment Performance

CVF Cumulative Net Performance vs Index - Since Inception



					Since inception (5 Jan 2015)	
At 31 August 2019	**1 mth**	**1 yr**	**2 yr p.a**	**3 yr p.a**	**Annualised**	**Cumulative**
Arowana CVF Gross performance	0.5 %	(6.8)%	21.1 %	17.7 %	16.0 %	99.5 %
S&P/ASX200 Accumulation Index	(2.4)%	9.0 %	12.2 %	11.4 %	9.1 %	49.9 %
Gross outperformance	2.9 %	(15.8)%	8.9 %	6.3 %	6.9 %	49.6 %
Arowana CVF Net performance*	0.3 %	(8.2)%	16.2 %	13.8 %	12.4 %	72.5 %
S&P/ASX200 Accumulation Index	(2.4)%	9.0 %	12.2 %	11.4 %	9.1 %	49.9 %
Net outperformance	2.7 %	(17.2)%	4.0 %	2.4 %	3.3 %	22.6 %

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

Net Tangible Assets (NTA) per Share

At 31 August 2019	$
NTA pre-tax on unrealised gains	**1.14**
NTA after tax on unrealised gains[1]	**1.14**

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	8%
EAF.US	GRAFTECH INTERNATIONAL LTD	6%
VRL	VILLAGE ROADSHOW LIMITED	5%
ADSK.US	AUTODESK INC	5%
COE	COOPER ENERGY LIMITED	3%
Top 5 as % of Gross Portfolio		**27%**

Contrarian Value Fund Limited
ACN: 602 250 644

Monthly Newsletter

In August, the Fund recorded +0.3% performance, net of all costs and fees. The main contributor to performance over the month was *Graftech International* (EAF.US). NTA per share was $1.14 as at 31 August 2019 which is after the 5 cent per share fully franked dividend declared during the month.

Reporting season caused significant volatility to many companies on our watchlist during the month. We took advantage by initiating positions in *Autodesk* (ADSK.US), *Bellamy's* (BAL.AU) and *oOh!media* (OML.AU) post their respective announcements.

Autodesk is a global leader in design and simulation software which is used by architects and engineers to design buildings, infrastructure and products. It is mission critical software - evidenced by ADSK's ~115% revenue renewal rate on existing customers which is driven by low customer churn and strong pricing power.

Their competitive advantage appears durable. For example, ADSK provides its software to students around the world for free. This is a simple but ingenious idea - what better way to acquire future long-term customers and provide a barrier to entry to competitors!

The investment opportunity arose after ADSK reported earnings and the price slipped close to its 52-week low. Investor panic set in after management downgraded earnings for the full year, notwithstanding earnings and operating metrics that continue to strengthen and were ahead of analyst expectations. On closer inspection, driving the downgrade was a strengthening US Dollar rather than any operational factors.

The large investment upside stems from the company's business model transformation and product transition. ADSK has transformed their business model from a perpetual license model which generated large one-off fees, to a subscription model generating smaller but recurring fees. The transformation has caused short term earnings pain but should generate substantial long-term shareholder value. We are beginning to see this play out with pricing, margins and free cashflow now inflecting. We think this continues and operating margins expand to >40%, or ~3x FY2019 levels over the next few years.

Studying analogues such as *Adobe Inc* (ADBE.US) who went through a similar business model transformation in 2012, shows increases in customer lifetime value by up to 2x is possible. Investors also like certainty, so the recurring nature of the subscription model which provides significant earnings visibility, may also result in a re-rating just like ADBE's - whose share price has increased by ~10x since 2012.

Perhaps not as well understood by the market is ADSK's opportunity from its product transition to the cloud. Piracy of ADSK's software has traditionally been widespread resulting in 14 million active, but non-paying users – **3.5x the number of current paying subscribers!**

New technology has recently enabled ADSK to identify, monitor and engage these active non-paying users. ADSK is engaging these users through both their salesforce and in-product messaging. If the non-paying users continue without paying, ADSK now can limit product functionality remotely and even turn the product off as a last resort.

There is a lot of low hanging fruit. Many non-paying users are unaware that they are non-compliant and are at domestic firms where a current sales relationship already exists. Based on the conversion ratios at ADBE and *Microsoft* (MSFT.US) who have completed similar transitions, we estimate that ADSK will be able to convert more than 2 million of these non-paying users in the medium term – significantly above broker expectations.

We also initiated a position in *Bellamy's* (BAL.AU) after the company issued near-term earnings guidance below expectations causing the share price to crash to ~$7. Lost in the initial panic selling, is that there is now clear early evidence that BAL's infant formula product transition in February is gaining traction. 4Q19's revenue increased by 24% sequentially on 3Q19, whilst retail pricing in China has increased by 30% indicating strong end-user demand. A strong net cash position (~12% of the market capitalisation) and normalised inventory levels also limits the downside from here.

oOh!media (OML.AU) downgraded earnings guidance for the full year due to weak advertising markets in July and August. High debt levels from the company's acquisition of Adshel last year exacerbated fears, causing an incredible ~34% drop in the share price. However, on the investor update call, management disclosed two crucial data points – the debt covenants and forward bookings growth. This gave us comfort that OML is highly unlikely to breach its debt covenants, which meant downside was low. We think there is ~2x upside from current prices should advertising markets normalise.

Portfolio News

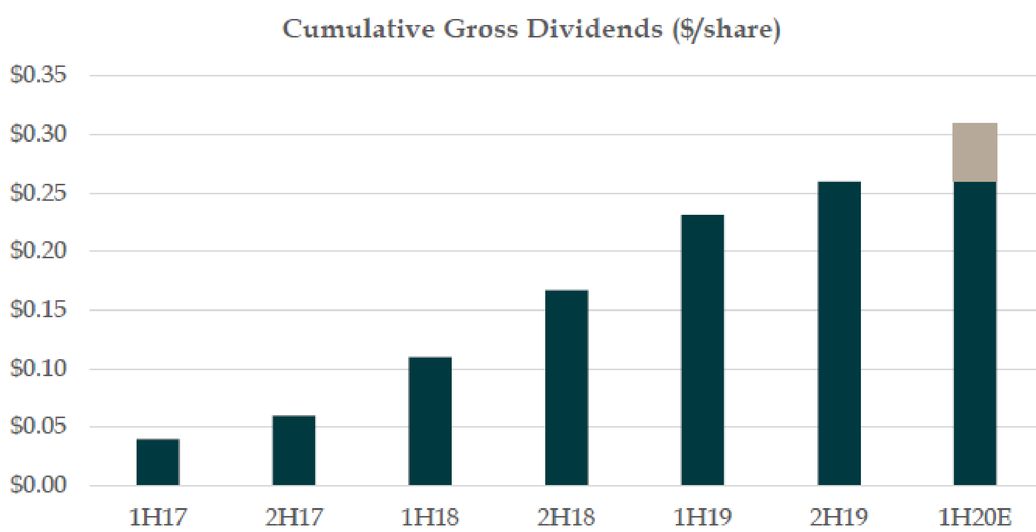
During the month, several of the fund's portfolio companies reported. Similar to ADSK, *Stars Group* (TSGI.CN) downgraded guidance based largely on foreign currency movements. Pleasingly, the company's sports-betting division – the growth engine of the business – exceeded expectations on all metrics.

Village Roadshow (VRL.AU) continues its turnaround with pace, growing EBITDA by 37% driven largely by higher ticket prices at their theme-parks. Management continue to deleverage by selling off non-core businesses, whilst also reinstating its dividend. There is also early evidence that attendances at their theme-parks are reverting to pre-2016 levels after nearly three years of depressed volumes post the Dreamworld incident.

Graftech International (EAF.US) announced a $100m buyback during the month as the company continues to return much of its significant free cashflow to shareholders, prompting a 25% rally in the shares.

Capital Management

During the month, the company continued to buyback shares – buying 1,075,000 shares in August. The company also declared a 5.0 cents per share fully franked dividend. Since inception in 2015, the Fund has now declared 31.0 cents of dividends per share.



Fund Information

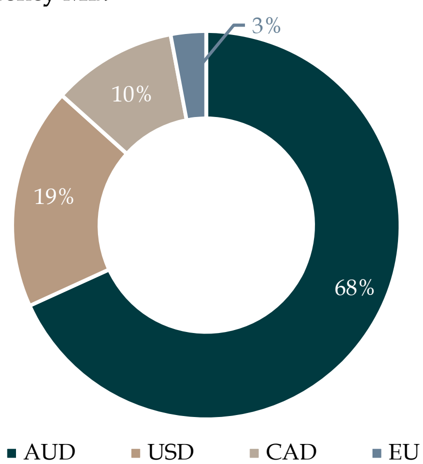
ASX ticker	CVF
Net Month's performance	0.3%
Last price (at 31 August 2019)	$1.03
Pre-tax NTA	$1.14
Premium/(Discount) to pre-tax NTA	(9.6)%
Fund AUM	A$80.1m
Market capitalisation	A$71.6m
Shares on issue	69,491,275
Current franked dividend yield	9.7%
Franking account balance	A$6.5m
Gross/Net equities exposure	48% / 41%
Cash weighting	59%
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%	1.3%
May	2.1%	11.8%	2.2%	9.1%	(0.7)%
Jun	(1.4)%	(3.6)%	3.5%	3.2%	(0.2)%
Jul	2.0%	5.3%	1.7%	5.6%	(1.1)%
Aug	(0.2)%	(6.8)%	3.0%	2.9%	0.3%
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%**	**2.7%**

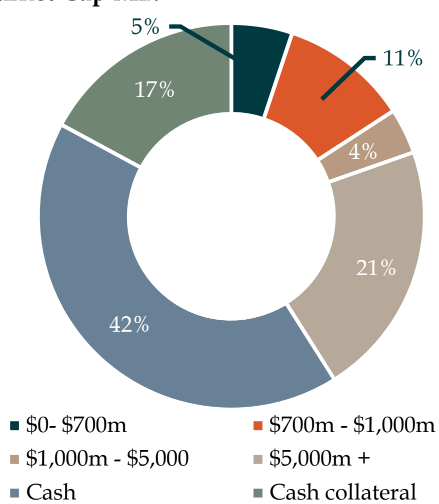
Portfolio Information

Currency Mix*

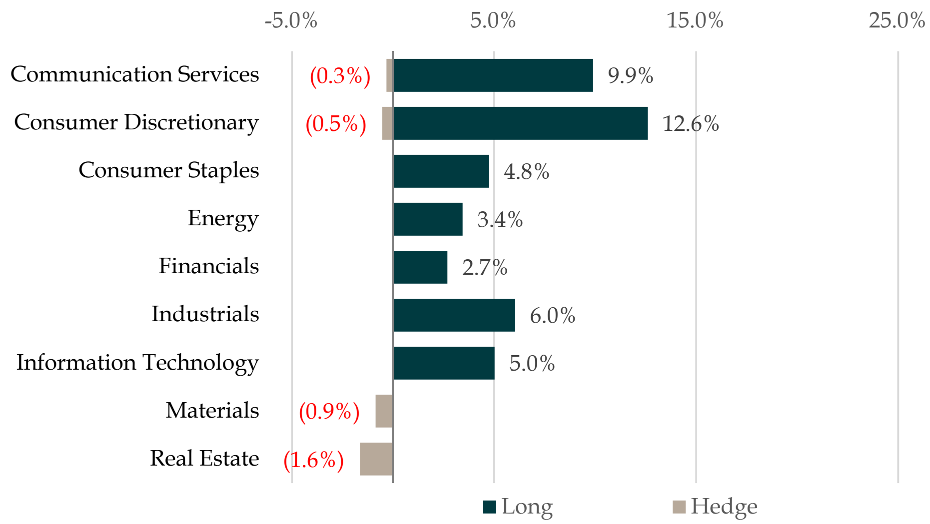


*Currency mix includes cash and equities

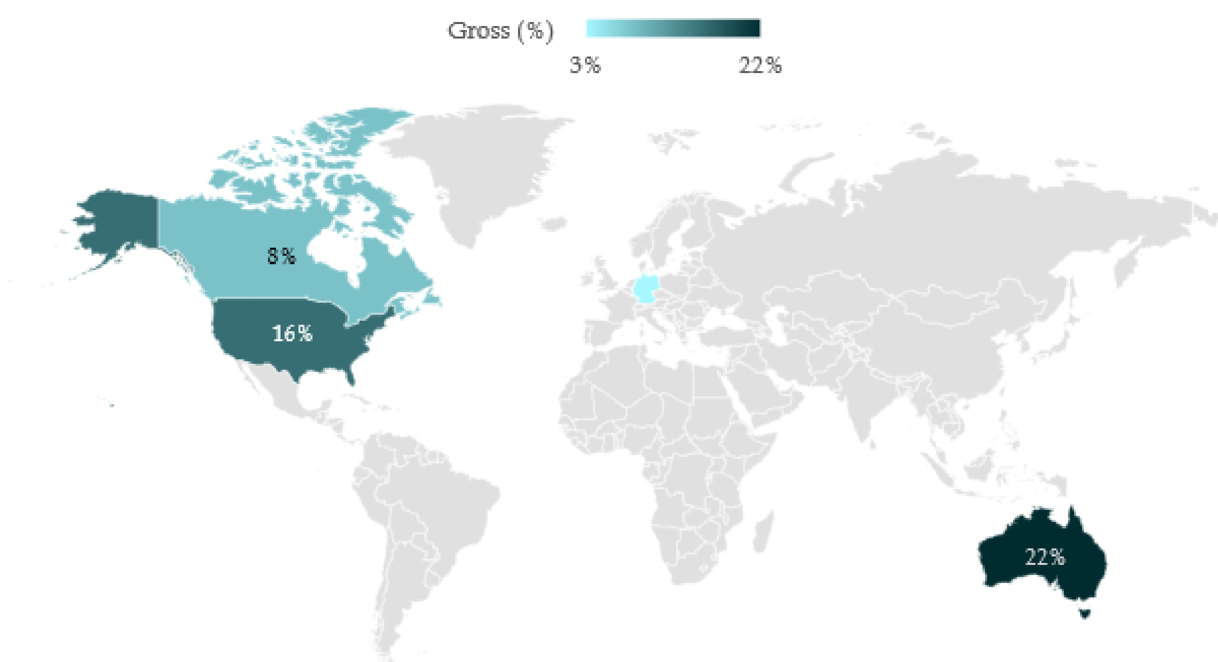
Market Cap Mix



Exposure by Sector



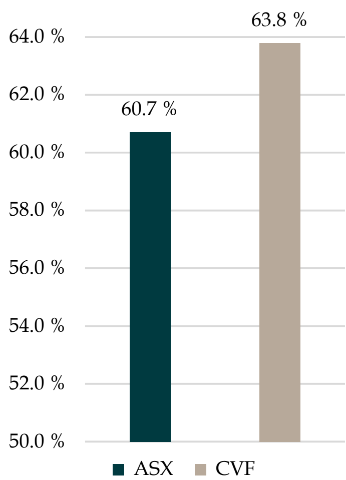
Equities Exposure by Country



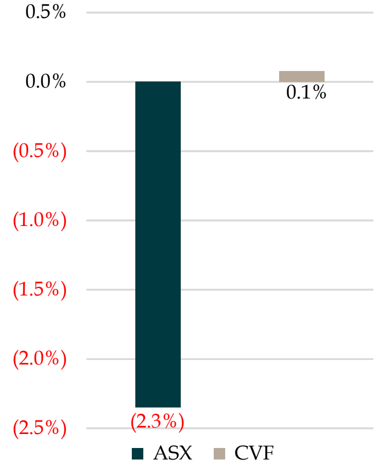
Country	Long	Hedge	Gross	Net
Australia	18.1%	(3.4%)	21.5%	14.7%
United States of America	15.5%	-	15.5%	15.5%
Canada	7.9%	-	7.9%	7.9%
Germany	3.0%	-	3.0%	3.0%
Total	**44.5%**	**(3.4%)**	**47.8%**	**41.1%**

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

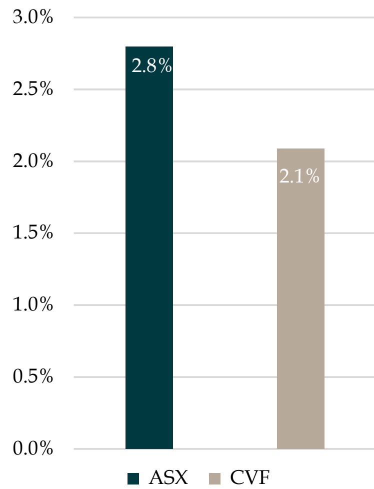
Incidence of Up Months



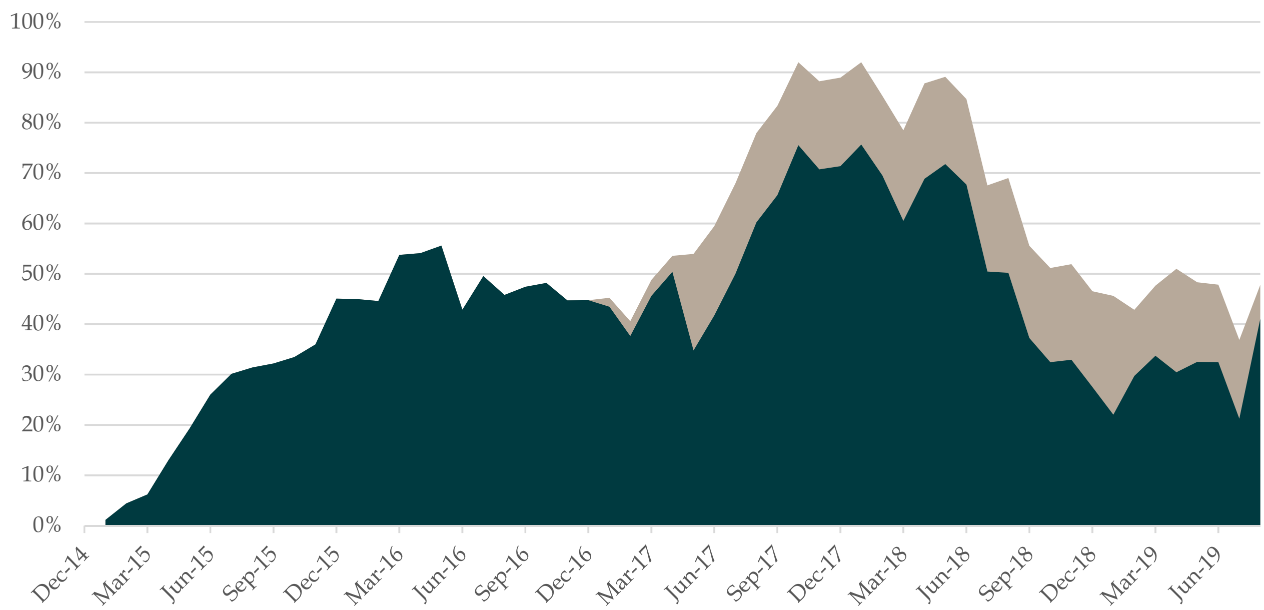
Downside Participation (3.3)%



Upside Participation +75%



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



Important Information and Disclaimer

While all reasonable care has been taken in the preparation of this monthly update, neither Contrarian Value Fund Limited ("Fund") nor ACVF Management Pty Ltd ("Fund Manager") is responsible for any errors nor misstatements. To the full extent permitted by law, no representation or warranty is made, and any and all liability is disclaimed, in relation to the accuracy or completeness of any statement, opinion, forecast or information contained in this monthly update.

This monthly update has been prepared for the purposes of providing general information only and does not constitute an offer, solicitation or recommendation with respect to the purchase or sale of any securities in the Fund or in which the Fund has invested, nor does it constitute financial product or investment advice, nor take into account your investment objectives, financial situation or needs.

Past performance is not indicative of future performance. Returns can be volatile. Potential investors should seek independent advice as to the suitability of a particular investment to their investment need.