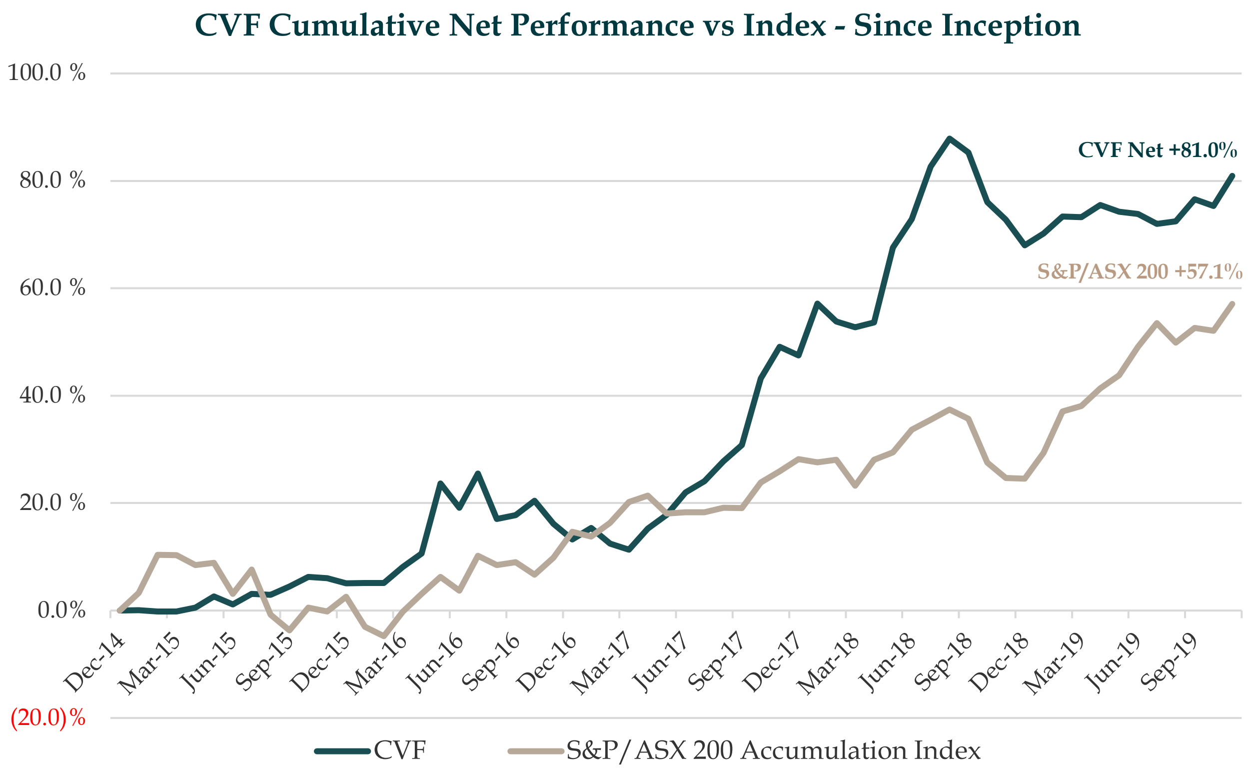
Monthly Update – November 2019

Fund Performance



At 30 November 2019	1 mth	1 yr p.a	2 yr p.a	3 yr p.a	Since inception (5 Jan 2015) Annualised	Cumulative
Arowana CVF Gross performance	3.4 %	6.5 %	14.8 %	19.8 %	16.3 %	110.1 %
S&P/ASX200 Accumulation Index	3.3 %	26.0 %	11.7 %	12.7 %	9.6 %	57.1 %
Gross outperformance	0.1 %	(19.5)%	3.1 %	7.1 %	6.7 %	53.0 %
Arowana CVF Net performance*	3.2 %	4.7 %	10.2 %	15.9 %	12.8 %	81.0 %
S&P/ASX200 Accumulation Index	3.3 %	26.0 %	11.7 %	12.7 %	9.6 %	57.1 %
Net outperformance	(0.1)%	(21.3)%	(1.5)%	3.2 %	3.2 %	23.9 %

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

Net Tangible Assets (NTA) per Share

At 31 November 2019	$
NTA pre-tax on unrealised gains	**1.19**
NTA after tax on unrealised gains[1]	**1.18**

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		%
ADSK.US	AUTODESK INC	9%
PSH.NA	PERSHING SQUARE HOLDINGS	6%
VRL	VILLAGE ROADSHOW LIMITED	6%
KER.FP	KERING	3%
GSKY.US	GREENSKY INC	3%
Top 5 as % of Gross Portfolio		**27%**

Newsletter

In November, the Fund recorded 3.22% performance, net of all costs and fees in line with the ASX200 accumulation index. NTA per share was $1.19 as at 30 November 2019.

The largest contributor to performance in the month was our largest position, *Autodesk* (ADSK.US), which was up 24% and contributed +1.8% of fund performance.

ADSK reported earnings above analyst expectations driven by strong pricing growth, increased sales in their underpenetrated construction vertical and strong monetisation of previously un-monetised users. Ultimately, ADSK is benefitting from secular tailwinds driven by its transition to a subscription model and a digital transformation to the cloud.

Throughout ADSK's transition to a subscription model, management incentivised customers and resellers to transition by lowering prices and increasing commissions respectively – resulting in substantially lower net average revenue per subscriber (ARPS). Now that the transition is largely behind them, ADSK's net ARPS is inflecting as commissions and pricing revert to normalised levels, whilst the company also drives upselling into bundled products. This yield growth is underpinned by inelastic demand for their software reflecting how mission critical it is to their customers.

In the medium term, ADSK's net ARPS will also benefit from their digital transformation. The company will sell more of their software directly online removing the need for resellers in many instances. Direct selling currently accounts for ~30% of total sales and should be able to get to 50% over the next few years.

Two other tailwinds driven by ADSK's digital transformation to cloud based software is their penetration of the construction vertical (a US$12bn opportunity) and the conversion of un-monetised users (14 million subscriber opportunity or ~3x the current subscriber base). We think the market has significantly under-estimated both opportunities.

ADSK has digitally transformed their internal systems such that they can now identify and engage with non-monetised users, whilst also having the ability to turn off their software remotely. We think ADSK will grow its subscriber base by >50% in the medium term from this driver alone, significantly above what Wall Street analysts have factored in. The benefits from this initiative are accelerating with monetisation in the latest quarter equalling to the total amount for last year.

The above tailwinds should drive ~20% compound annual growth to its revenues over the next few years, which will also drive significant operating margin expansion meaning earnings will grow at ~2x the rate of revenue growth. Prima facie, much of this appears to be fully priced in given a fwd P/E of 40x. However, one feature of the subscription model is that the company receives payment for their software upfront and then recognises the revenue over the course of the subscription. Thus, on a free cash flow multiple the company is trading on a much more palatable 24x (which is a third less than peers) - and especially as the company should be able to double FY21 free cash flow by FY24. Another relevant valuation metric to note is its sales multiple given the company's depressed margins as a result of the business model transition. ADSK is trading at a significant discount to its peers such as *Ansyss* (ANSS.US), whilst growing revenues at twice the rate.

Nine Entertainment (NEC.AU)

During the month, we made an investment in *Nine Entertainment Co* (NEC.AU) post the company downgrading guidance at their Annual General Meeting due to weak advertising markets. Whilst television advertising is almost half the company's earnings, its value to the company is much less due to their fast-growing digital assets.

Post the merger with Fairfax last year, NEC now owns 60% of *Domain Holdings* (DHG.AU), Stan, Macquarie Radio, the Fairfax newspapers as well as their TV assets which includes their fast-growing Broadcast Video on Demand (BVOD) channels.

The value of their DHG stake is worth ~$1.3bn or $0.75/share which implies a market valuation of $1.5bn for the rest of the company – which we think provides an asymmetric risk/return proposition.

Core to our thesis is Stan, which the market doesn't appear to ascribe any value to, as it is yet to record an annual profit. We think Stan is currently worth ~$1.5bn with large upside should they continue to execute well. Stan's growth in subscribers inflected in FY19, whilst they were also able to push through a 20% price increase with no material increase in customer churn levels.

The data suggests that subscriber additions continues to be strong even in the face of increased competition, whilst the US analogue suggests that Australian households are likely to have 2-3 streaming services each. As an aggregator, Stan is well placed to partner with content producers who do not wish to partner with vertically integrated streaming services, such as Netflix, who are also competitors on content. Stan also has an advantage by being able to leverage NEC's advertising assets to acquire customers at low cost. Ultimately, we think Foxtel will be the big loser competitively in this environment given their higher price point, with multiple winners on the streaming side.

Corporate Travel Management (CTD.AU)

We invested in CTD in September after their conservative FY20 earnings guidance failed to meet expectations. This, coupled with a media and short selling attack of their business, meant CTD's earnings multiple has de-rated significantly over the last year. The key concerns have been focussed on the company's cashflow conversion and its organic growth (i.e. growth excluding acquisitions). Our analysis suggested that these concerns were overdone, whilst the company's acquisition strategy was ultimately working well. Our thesis played out to some extent during the month as management reaffirmed guidance in the face of some macro headwinds causing the share price to increase by 17% (although the price has come off somewhat since 1 December).

AROWANA
CONTRARIAN VALUE FUND

Monthly Update – November 2019

Fund Information

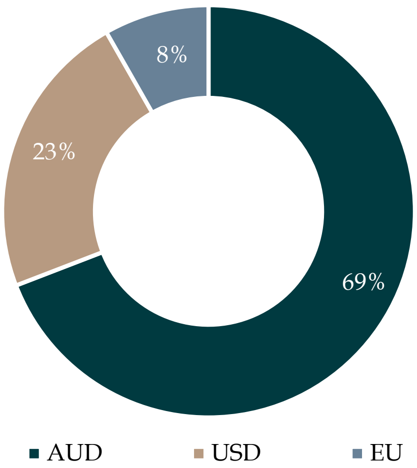
ASX ticker	CVF
Net Month's performance	3.22%
Last price (at 30 November 2019)	$1.04
Pre-tax NTA	$1.19
Premium/(Discount) to pre-tax NTA	(12.6)%
Fund AUM	$83.1m
Market capitalisation	$72.2m
Shares on issue	68,928,113
Current franked dividend yield	9.6%
Franking account balance	A$5.4m
Gross/Net equities exposure	48.4% / 48.4%
Cash weighting	51.6%
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)%	2.4%
Oct	1.7%	2.3%	9.5%	(5.0)%	(0.7)%
Nov	(0.2)%	(3.5)%	4.1%	(2.0)%	3.2%
Dec	(0.9)%	(2.5)%	(1.1)%	(2.8)%	
Total	**5.1%**	**7.7%**	**30.3%**	**13.9%**	**7.7%**

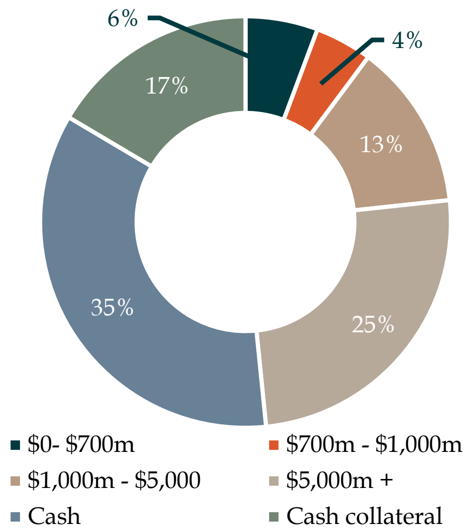
Portfolio Information

Currency Mix*

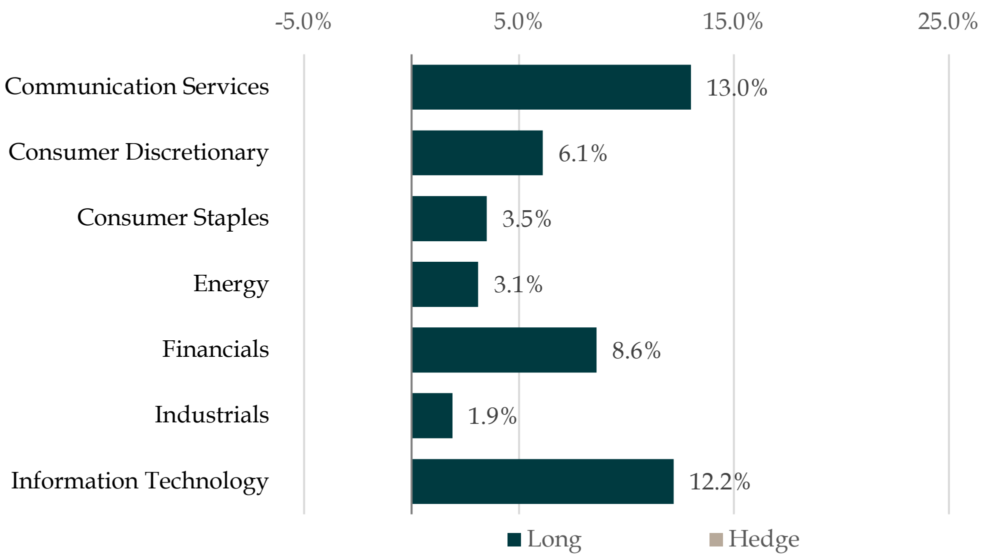


*Currency mix includes cash and equities

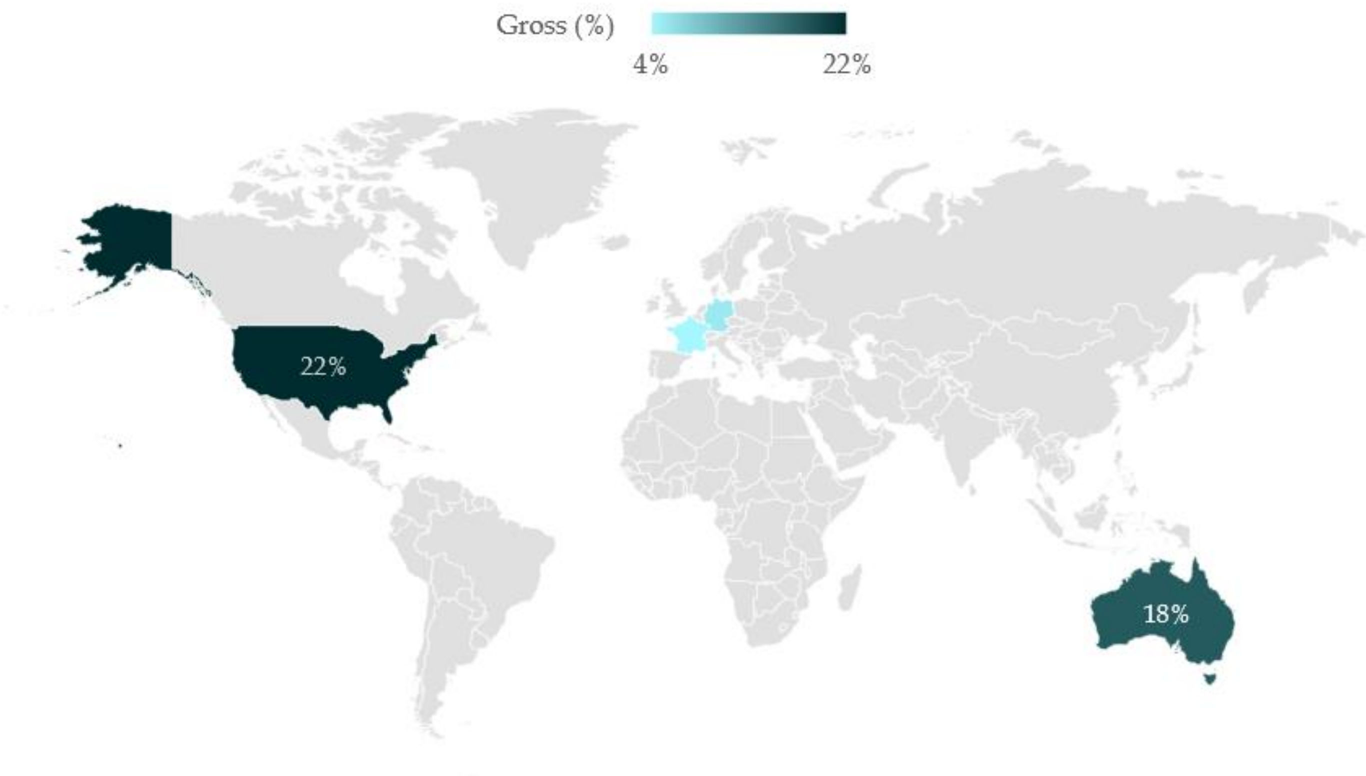
Market Cap Mix



Exposure by Sector



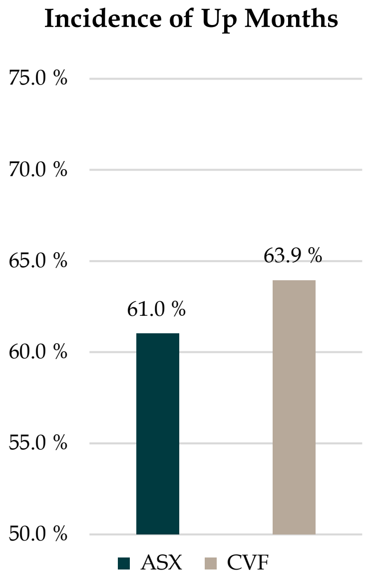
Equities Exposure by Country

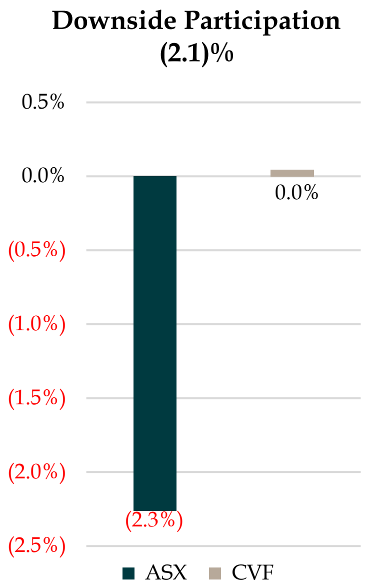


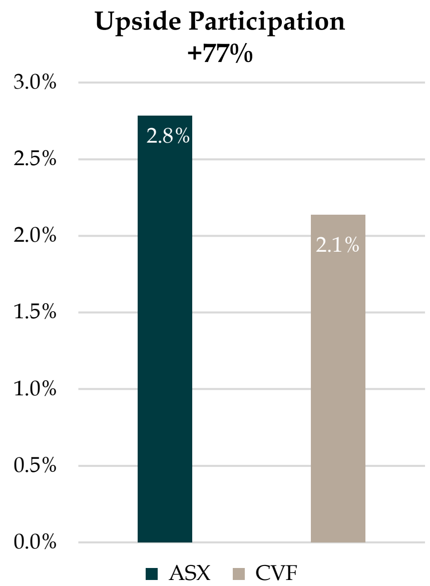
Country	Long	Hedge	Gross	Net
Australia	18.0%	-	18.0%	18.0%
United States of America	22.2%	-	22.2%	22.2%
Germany	4.7%	-	4.7%	4.7%
France	3.5%	-	3.5%	3.5%
Total	**48.4%**	**-**	**48.4%**	**48.4%**

ARWANA
CONTRARIAN VALUE FUND

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







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