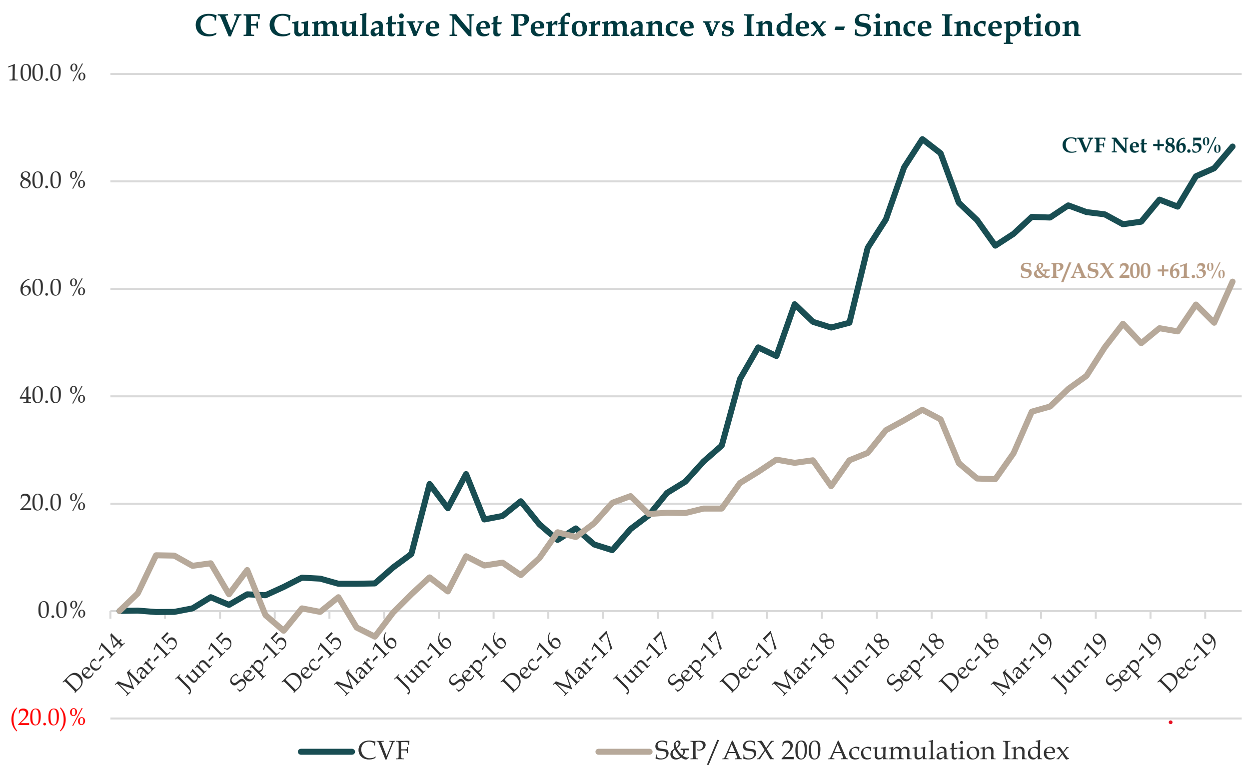
AROWANA
CONTRARIAN VALUE FUND

Monthly Update | January 2020

Fund Performance



At 31 January 2020	1 mth	1 yr p.a	2 yr p.a	3 yr p.a	Since IPO (5 Jan 2015) Annualised	Since IPO (5 Jan 2015) Cumulative
Arowana CVF Gross performance	2.4 %	11.5 %	11.9 %	21.4 %	16.5 %	117.8 %
S&P/ASX200 Accumulation Index	5.0 %	24.7 %	12.4 %	12.4 %	9.9 %	61.3 %
Gross outperformance	(2.6)%	(13.2)%	(0.5)%	9.0 %	6.6 %	56.5 %
Arowana CVF Net performance*	2.2 %	9.6%	9.0 %	17.4 %	13.0 %	86.5 %
S&P/ASX200 Accumulation Index	5.0 %	24.7 %	12.4 %	12.4 %	9.9 %	61.3 %
Net outperformance	(2.8)%	(15.1%)	(3.4)%	5.0 %	3.1 %	25.2 %

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

Net Tangible Assets (NTA) per Share

At 31 January 2020	$
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		%
ADSK.US	AUTODESK INC	10%
VRL	VILLAGE ROADSHOW LIMITED	7%
PSH.NA	PERSHING SQUARE HOLDINGS	6%
TW.LN	TAYLOR WIMPEY PLC	5%
GSKY.US	GREENSKY INC	4%
Top 5 as % of Gross Portfolio		32%

Contrarian Value Fund Limited (ACN 602 250 644)
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Date of announcement: 13th February 2020

Newsletter

In January the fund posted a return of 2.2% net of all costs and fees while the S&P/ASX200 Accumulation Index recorded a 5.0% gain. Pre-tax NTA per share stood at $1.22 as at 31 January 2020.

The largest contributor to performance for the month was our basket of UK homebuilders. The late Benjamin Graham, widely recognized as the father of value investing, long ago described the mental attitude towards market fluctuations that would best facilitate long term investor success. To paraphrase, he advised investors to imagine that price quotes are created by a fellow named Mr Market. Everyday Mr Market will generate a price quote at which he will sell you his interest or buy yours. Even though the economics of the business may be stable over time Mr Market will often generate price quotes that can gyrate meaningfully. At times he will be so euphoric about the prospects of the business that he will ascribe a very high price to reflect his fears that someone will attempt to steal away his interest. At other times Mr Market takes an overly pessimistic view regarding recent events and seeing dim prospects for the foreseeable future, will assign a low price to the business so he can quickly unload it. Recently Mr Market's fear and pessimism surrounding Brexit afforded us the opportunity to buy a basket of well-run, shareholder friendly businesses generating high returns on shareholders' equity at significant discounts to fair value. Moreover, as a group they stand to reap the rewards of a secular tailwind largely unaffected by Brexit for several years to come.

Over the last decade, the UK homebuilding industry has benefitted greatly from a confluence of events: historically low interest rates, government incentives, an improved regulatory regime and a structural shortfall in housing that is still far from being met. Aside from an extended period of low interest rates one of the greatest boons to the UK homebuilding industry has been the government sponsored Help to Buy scheme. Post the GFC, the UK government initiated the Help to Buy program to provide assistance to first time home buyers via low interest government backed financing. The program was designed to address a structural shortfall in housing that the UK government has estimated will require upwards of 340,000 homes per year be built and has led them to target 300,000 home deliveries per year by the mid-2020s. Based on recent housing statistics however, there were 240,000 homes supplied to the UK market during 2018-19, which is still substantially short of the government's goal. While the Help to Buy program is currently scheduled to be phased out by 2023, given the likely continued shortfall in housing supply it is not unlikely that some form of government support will continue beyond 2023. One might presume that such a long boom cycle would have resulted in dramatically inflated home prices. Quite the contrary, the average price of a home in the UK has actually fallen by .8% from the end of 2009 through the end of 2019 after adjustment for inflation.

While a poorly negotiated trade deal post-Brexit may result in a short-term dip in consumer confidence the structural undersupply of housing remains and thus, we believe the UK homebuilding industry will continue on a growth trajectory that will likely go on for at least several years to come.

The largest holding in our UK homebuilder basket, Taylor Wimpey (TW), is representative of the type of quality business we have targeted for our exposure here. TW has a national presence and is one of the largest homebuilders in the UK. They construct a wide range of properties, from one- and two-bedroom apartments to six-bedroom detached houses, across a broad price range including both private and affordable homes. The average price of a TW home is below the UK national average for newly built homes thus much of what they sell is oriented towards greater affordability. From an operating perspective, TW has been the model of consistency, generating operating margins and returns on shareholders' equity at an average of 20% over the last 5 years without the use of leverage. Management has also been keenly focused on returning capital to shareholders as they have given back the equivalent of nearly 1/3 of their current market capitalization to shareholders in the form of dividends over the last 5 years. We were able to purchase TW at approximately 10.5x trailing earnings. Not only is this a significant discount to fair value for a business of this quality but there exists a likely near-term catalyst for re-rating in the form of a trade agreement with the EU post-Brexit.

One of the largest detractors from performance for the month of January was our holding in Carnival Cruise Lines (CCL). The stock was negatively impacted by news of the recent coronavirus outbreak, selling off by circa 17% off its 2020 highs. While we continue to monitor the situation closely, we believe our original thesis remains intact and the impact on CCL's profitability is likely to be modest and temporary in nature. Furthermore, excluding the one-off Coronavirus impact, CCL is trading on a P/E of 9x, which is below its 10 year average and the shares are also trading close to $37 book value (1.2x Price/Book) and a record low EV/berth of $161k.

CCL is more than twice the size by passengers carried of its next largest competitor, Royal Caribbean (RCL), and sources its passengers from a more diverse range of geographies than its two largest peers RCL and Norwegian Cruise Lines. This reduces its reliance on any one region and mitigates the impact from potential economic weakness, terrorism or health scares such as coronavirus. CCL's size and diversity of regions served also helps increase its brand awareness globally. Our original thesis was that CCL had been hurt by a series of events in 2019 that negatively impacted profitability but in our view were unlikely to recur. As a result, we believe there is anywhere from 30-45% upside based on peer valuations with a potential catalyst for re-rating in better than expected FY20 results for Europe and the Caribbean based on our research.

To date approximately 99% of the reported cases of the coronavirus have been on mainland China according to the European Centre for Disease Prevention and Control. However, China represents only about 5% of Carnival's total passenger capacity and thus the direct impact to operating profits is unlikely to be significant. While general fears of the virus spreading may impact bookings in other parts of the world this is likely to be temporary particularly as the infection rate slows and containment of the virus to Greater China should mitigate this effect as well although it still bears watching. Based on our analysis and experience with previous virus outbreaks such as SARS and MERS we have found the travel industry generally to have proven to rebound quickly from such outbreaks. For example, during the SARS outbreak, the portfolio manager invested heavily in Comfort Delgro which was the world's largest taxi company listed in Singapore and benefited from a strong re-rating that delivered a 400% return in less than 15 months. There is of course the possibility that the virus spreads considerably beyond China's borders but thus far it seems to be largely contained to China, where CCL has only modest exposure. As long as our thesis remains intact, we will consider adding to our position as the discount to fair value widens. In addition, our view is that these short-term dislocations, fuelled by media histrionics and the reaction of the Mr Market herd create opportunities to identify and invest in other oversold stocks.

Fund Information

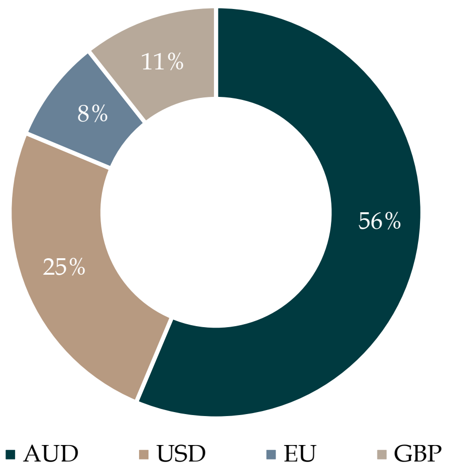
ASX ticker	CVF
Month's net performance	2.2%
Last price (at 31 January 2020)	$1.00
Pre-tax NTA	$1.22
Premium/(Discount) to pre-tax NTA	(18.0)%
Fund AUM	$84.5m
Market capitalisation	$68.6m
Shares on issue	68,591,205
Current franked dividend yield	11.3%
Franking account balance	A$5.4m
Gross/Net equities exposure	57.0% / 57.0%
Cash weighting	43.0%
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	2020
Jan	0.1%	0.0%	1.9%	6.5%	1.3%	2.2%
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)%	0.8%	
Total	**5.1%**	**7.7%**	**30.3%**	**13.9%**	**8.6%**	**2.2%**

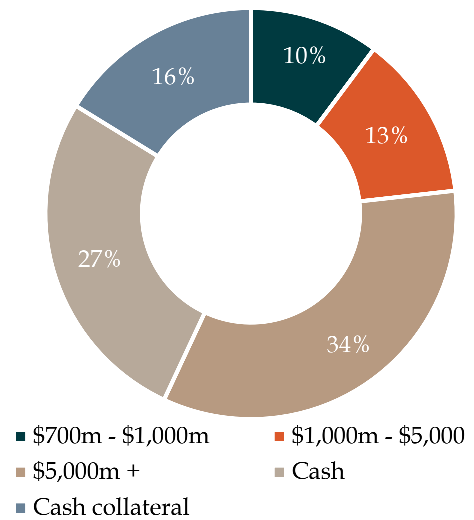
Portfolio Information

Currency Mix*

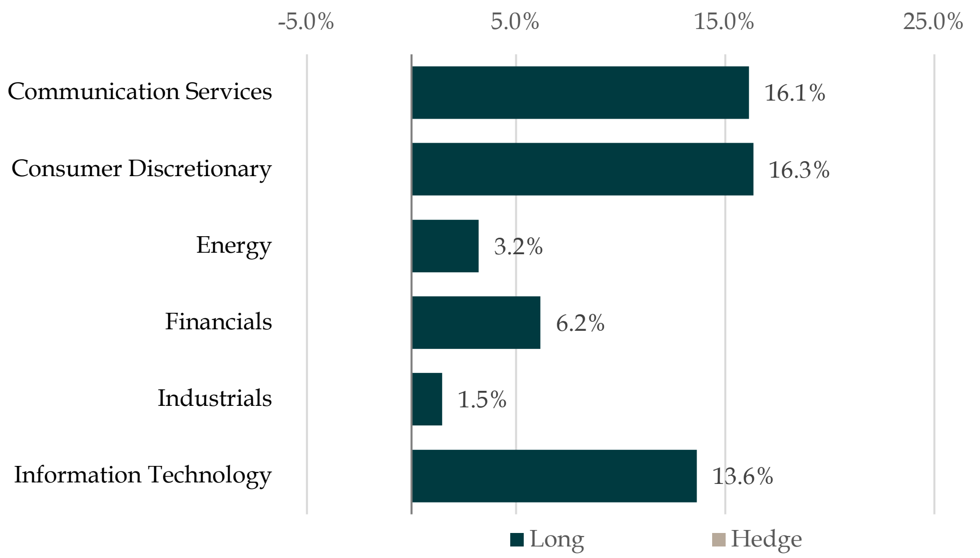


*Currency mix includes cash and equities

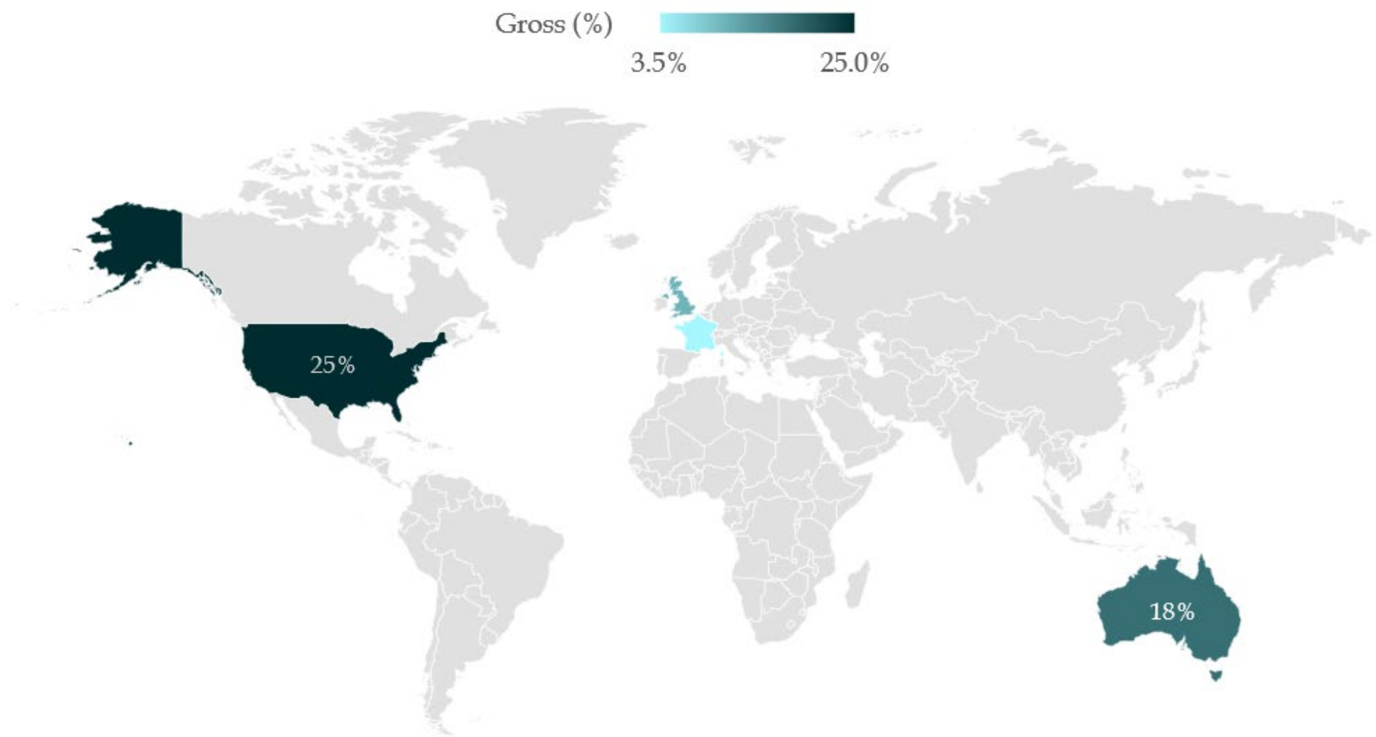
Market Cap Mix



Exposure by Sector

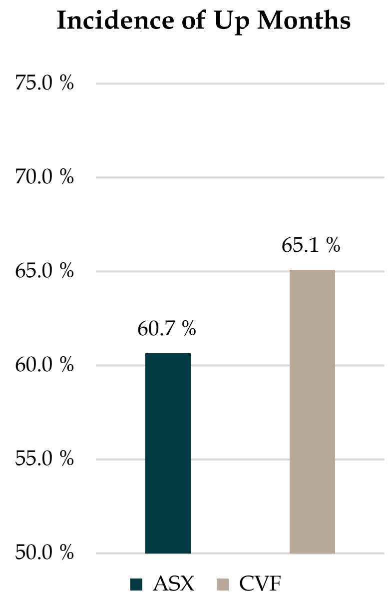


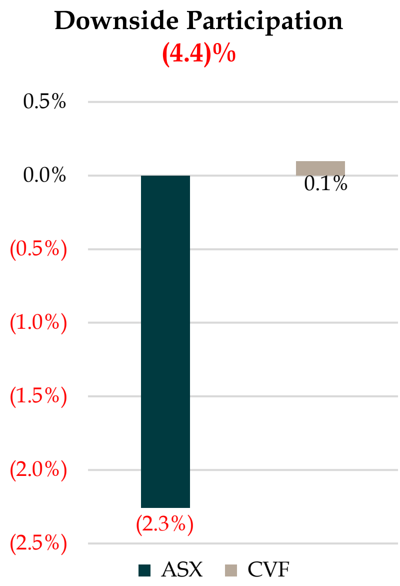
Equities Exposure by Country

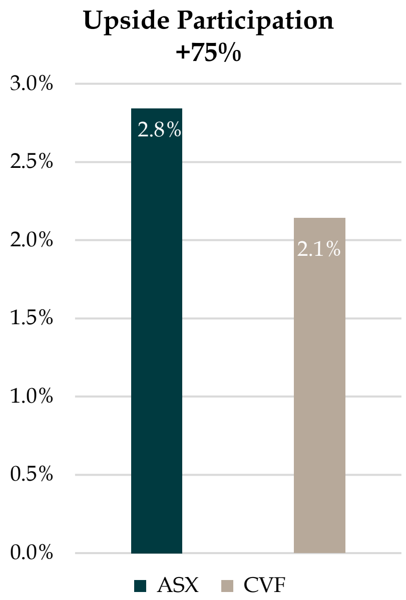


Country	Long	Hedge	Gross	Net
Australia	17.9%	-	17.9%	17.9%
United States of America	25.0%	-	25.0%	25.0%
United Kingdom	10.6%	-	10.6%	10.6%
France	3.5%	-	3.5%	3.5%
Total	**57.0%**	**-**	**57.0%**	**57.0%**

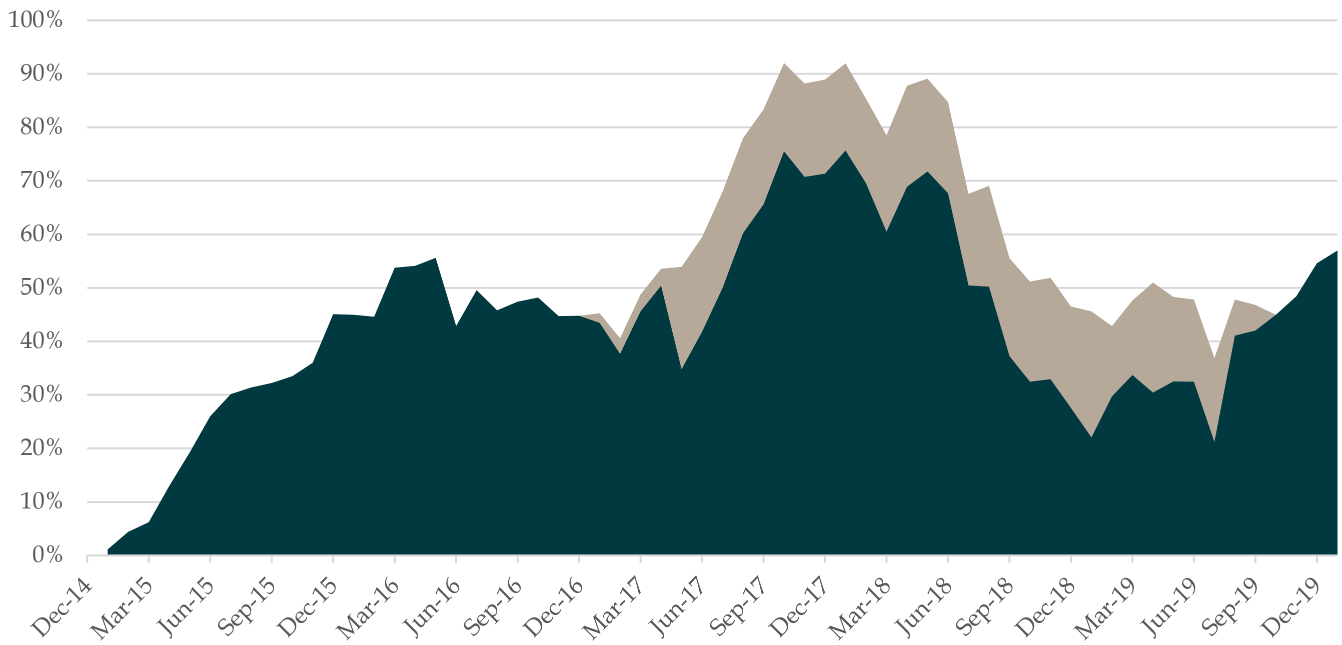
Uncorrelated Returns: More positive months and negative correlation in months when market is down







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



On behalf of the Board of Contrarian Value Fund Limited,

Laura Newell
Company Secretary

Important Information and Disclaimer

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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.