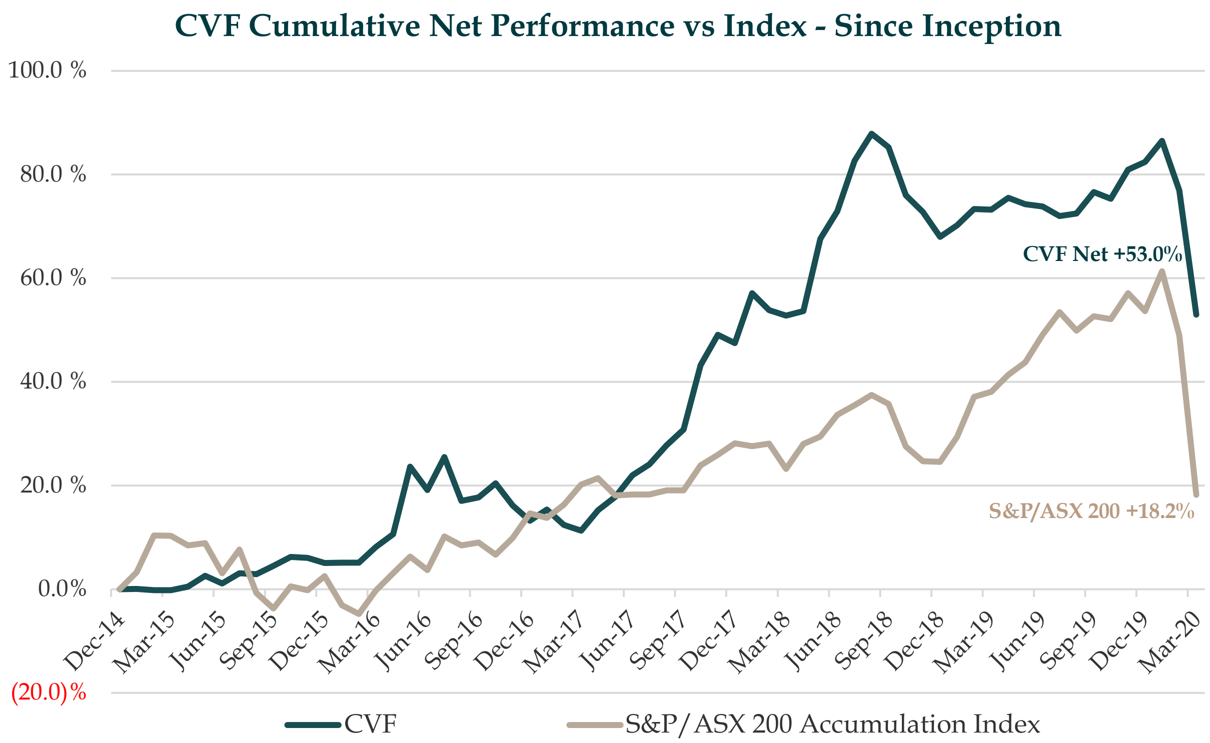
AROWANA
CONTRARIAN VALUE FUND

Monthly Update | March 2020

Fund Performance



At 31 March 2020	1 mth	6 mths	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	(13.6)%	(12.1)%	(9.8)%	3.3 %	15.2 %	11.8 %	79.7 %
S&P/ASX200 Accumulation Index	(20.7)%	(22.6)%	(14.4)%	(2.1)%	(0.6)%	3.2 %	18.2 %
Gross outperformance	**7.1 %**	**10.5 %**	**4.6 %**	**5.4 %**	**15.8 %**	**8.6 %**	**61.5 %**
Arowana CVF Net performance*	(13.5)%	(13.4)%	(11.7)%	0.1 %	11.2 %	8.4 %	53.0 %
S&P/ASX200 Accumulation Index	(20.7)%	(22.6)%	(14.4)%	(2.1)%	(0.6)%	3.2 %	18.2 %
Net outperformance	**7.2 %**	**9.2 %**	**2.7 %**	**2.2 %**	**11.8 %**	**5.2 %**	**34.8 %**

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

Net Tangible Assets (NTA) per Share

At 31 March 2020	$
NTA pre-tax on unrealised gains	**1.00**
NTA after tax on unrealised gains[1]	**1.03**

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. Generally, any such tax would generate franking credits, whose value would not be lost but rather transferred to shareholders on payment of franked dividends. At the current time, this would not be the case as the fund has unrealised net losses on its holdings and these would offset tax liabilities.

Top 5 Holdings (% of Gross Portfolio Value)

Ticker		%
PSH.NA	PERSHING SQUARE HOLDINGS	8%
CCL.LN	CARNIVAL PLC	5%
TW.LN	TAYLOR WIMPEY PLC	3%
DSCK.US	DISCOVERY COMMUNICATIONS	3%
VRL	VILLAGE ROADSHOW LIMITED	3%
Top 5 as % of Gross Portfolio		**21%**

Contrarian Value Fund Limited (ACN 602 250 644)
11/153 Walker St, North Sydney 2060

Date of announcement: 9th March 2020

This Time is Actually Not Different

Having lived and invested through the 1997 Asian Financial Crisis, the 1998 Emerging Market Crisis, the 2000 Tech Crash, the 2001 9/11 Crash, the 2003 SARS Epidemic and the 2008 Global Financial Crisis (GFC), we have been asked with increasing frequency as to which of these the 2020 COVID-19 Crisis is most analogous to. Our answer is that it is a combination of the media and public fear that we saw during SARS, the violent abruptness of 9/11 and the liquidity evaporation we saw during the GFC. Of course, this is already more profound than SARS and 9/11 and it is yet to be seen whether the second order effects are as bad as what manifested during the GFC.

Whilst we outperformed the benchmark index by 7.2% for the month, our post tax NTA was still down 10.4% (from $1.15 at the end of February 2020). We jettisoned our positions in Autodesk, Kering, Greensky, Graftech and Vocus as our concerns as to the second order financial consequences of global government lockdowns intensified, increasing our cash from 45% to 71% in the process. In hindsight, we were about a week too slow to move and we could have also applied a larger hedge position to protect the balance of the portfolio. However, we felt that our high cash weighting and significant holding in Pershing Square (which delivered a remarkable 11% NAV uplift in March) acted as de-facto hedges. We were hurt in particular by our positions in Village Roadshow (where lockdowns and the withdrawal of two private equity takeover offers at above A$4 led to a collapse in share price to below a bargain basement of A$1.00) and Carnival PLC (where port docking bans saw the share price plunge to an all-time low that reflects a price to book valuation of below 0.3x).

Since the start of the FY20 fiscal year, we are also outperforming with the benchmark index down 20.7% whilst we were down 12.0%. However, we do not celebrate being in negative territory. We are very focussed on how best we can judiciously invest the surplus cash we have accumulated to deliver medium to long term returns and positive outperformance.

At the time of writing, markets globally are rebounding strongly on the hope that the COVID-19 curve has peaked, is peaking or will peak in the coming weeks. However, we are still erring on the defensive:

- We are mindful that over the last decade, the biggest demand driver for listed equities has been buybacks, funded by companies taking on ever increasing levels of cheap debt. Our view is that COVID-19 has ended this trend, at least for the next 12 months, meaning greater downside risk and volatility;

EXHIBIT 2: **Corporates have bought much more equity than investors in recent years: Developed Market Buybacks and Equity Fund Flows (USD bn)**

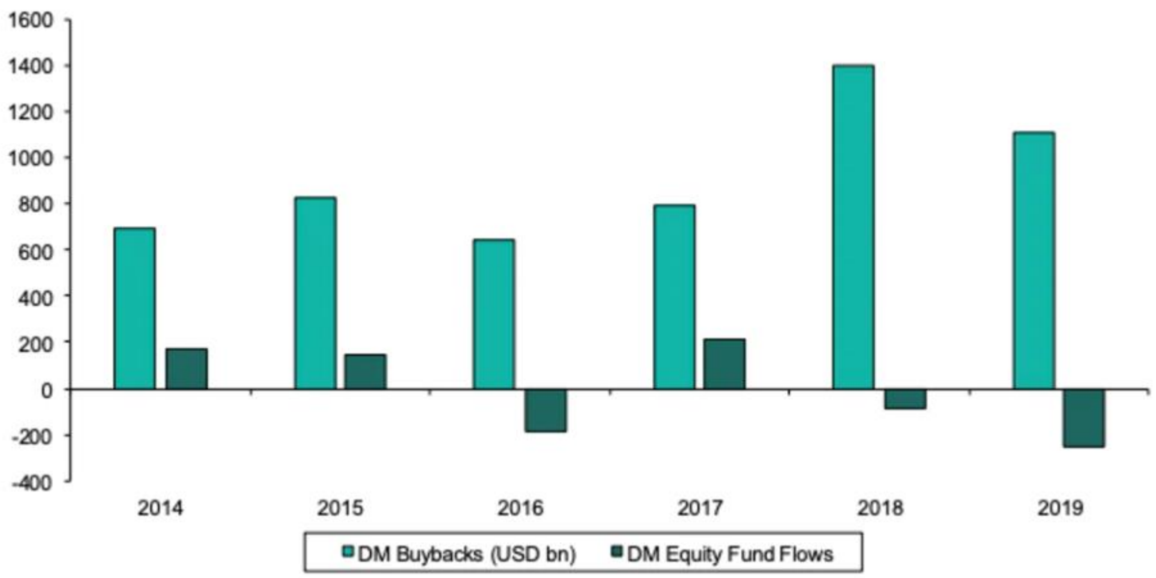


Chart shows the aggregate value of equity buyback announcements in the developed world (USD bn) and the aggregate net flows into developed market equity funds.
Source: Bernstein research, Bloomberg, EPFR global

Bernstein

- We expect that "re-equitization" will be a major theme contributing significant supply to the equity markets. This is already starting to happen in Australia with hugely dilutive equity raisings being conducted;
- We have never seen such a huge disconnect between the equity markets and the real economy. Our friends in YPO (Young Presidents Organisations) and EO (Entrepreneurs Organisation) provide a great barometer on the latter, as their collective GDP would make them the 3rd largest economy in the world. The overwhelming consensus is elevated levels of concern with the predominant focus on liquidity and survival. Whilst there has been a surfeit of government relief and subsidies globally, the concern remains that if lockdowns prevail for more than 4 to 6 months, that would result in irreparable damage to the vast majority of businesses;
- Given that many incumbent governments have never dealt with this type of pandemic before, where they need to juggle the risk of economic implosion, health system constraints, media pressures and societal expectations, there is significant room for policy errors; and
- We are conscious that for the H1N1 (swine flu) pandemic between April 2009 and April 2010, some countries actually experienced more than one peak. This possibility is not currently being discounted by Mr Market.

Having said all this, we believe that the crisis playing out at this time is in a sense not that different from others we have navigated through. From our experience, there are two fundamental maxims in this context:

- Picking bottoms is near impossible – despite the fact the genesis of the Arowana Contrarian Value Fund (ACVF) was indeed the market bottom in March 2009 post GFC; and
- This too shall pass – as it did for all other crises including SARS, 9/11 and the Global Financial Crisis.

What does this mean for our investment strategy? We are looking to upgrade the quality and resilience of companies we hold, such that our portfolio delivers sustainable growth and superior dividend income stream. Hence, since the end of the March quarter, we have been selectively buying stocks that have positive industry tailwinds, market leadership positions, high profitability margins, strong free cashflow conversion ratios, little to no debt, can continue to maintain their dividends and are trading at near 10 year lows or more.

At present, we are seeing opportunities across a diverse mix of industries including transportation, financials, energy and media. One such opportunity that we recently invested in was AENA S.A, the largest airport operator in the world, as its share price fell to an all -time low due to the impact of COVID-19 on Spain. AENA has operations in Spain, the UK, Latin America and the Caribbean and handled 293 million passengers in 2019. They are one of the most efficient operators in the world and have amongst the lowest airport charges in Europe, which has enabled them to attract additional passenger volume via low cost air carriers. Members of the ACVF investment committee have been patrons of the key airports in Madrid, Barcelona, Valencia and Luton over the past decade and experienced the transformation and growth. AENA is also arguably the most conservatively financed listed airport operator and has demonstrated impressive growth in revenues and profits over the last 7 years. In 2012, EBITDA margins stood at 39% and they touched 61% in 2019. Since 2014, revenues have grown at 7.3% per annum whilst expenses have grown at half that rate resulting in EBITDA growth of 8.2% per annum from 2014 to 2019. Their Commercial Operations however have seen even more dramatic growth since 2014, growing revenues at 14% per annum. Even with this impressive growth, there appears to be a considerable runway remaining. AENA is significantly under-earning in its commercial operations compared to its European peers. This is particularly important given AENA's dual till structure: the profitability of AENA's aeronautical operations are regulated by the Spanish government but its commercial operations are unregulated and generated EBITDA margins of 82% last year. AENA's stock has recently been under a great deal of pressure due to recession fears from national lockdowns in Spain and Europe due to the virus. As a result, we were able to buy AENA at a compelling multiple of 10.4x P/E on a trailing basis, while sporting a 7.5% dividend yield that is likely to be sustained. For a world class monopolistic airport business generating 60% EBITDA margins, this is a bargain valuation. It has historically traded closer to an average PE multiple of 19x, while some of its smaller, less profitable European peers have traded at even higher multiples. AENA also owns 2,000 hectares of land around its Spanish airports, some of which it is in the midst of planning for commercial, retail and hotel development over the next several years. Zero value is ascribed to this land bank and development potential. With that said, we believe there is a significant margin of safety and substantial upside from our purchase price even if we do not return to growth for some time and only get back to 2019 levels of passenger volume.

We are fortunate to have a global team that has strong connectivity not just in financial market circles but also across the real economy. This is giving us important on the ground intelligence in key markets that we invest in, being the US, UK, selected markets in the EU and Asia as well as Australia. At present, the team is working with furious intensity given the abundance of "beaten up" stocks around the globe. No doubt there will be further volatility in the near term, but crises present opportunities…as they always have. Whilst erring on the defensive, we also do not want to miss the window especially given we have been true to our contrarianism by being overweight cash for such a long time.

AROWANA
CONTRARIAN VALUE FUND

Fund Information

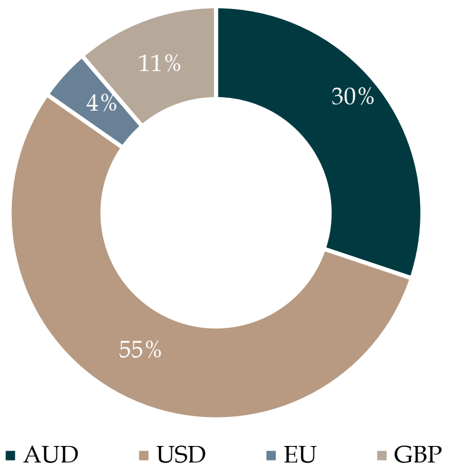
ASX ticker	CVF
Month's net performance	(13.5)%
Last price (at 31 March 2020)	$0.74
Pre-tax NTA	$1.00
Premium/(Discount) to pre-tax NTA	(26.0)%
Fund AUM	$68.8m
Market capitalisation	$50.8m
Shares on issue	68,698,568
Current franked dividend yield	13.2%
Franking account balance	$5.5m
Gross/Net equities exposure	28.6% / 28.6%
Cash weighting	71.4%
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%	(5.2)%
Mar	0.0%	2.9%	(1.0)%	(0.7)%	(0.1)%	(13.5)%
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%**	**(16.2)%**

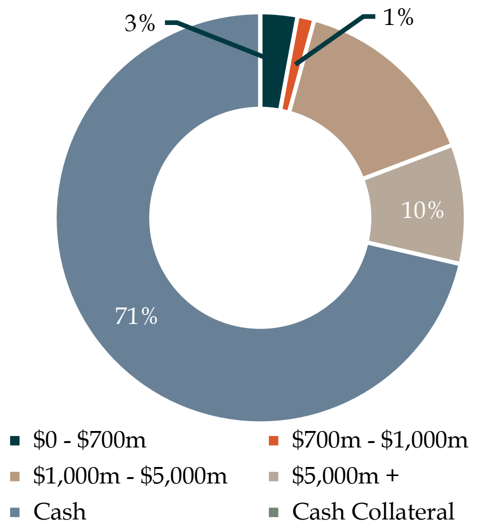
Portfolio Information

Currency Mix*

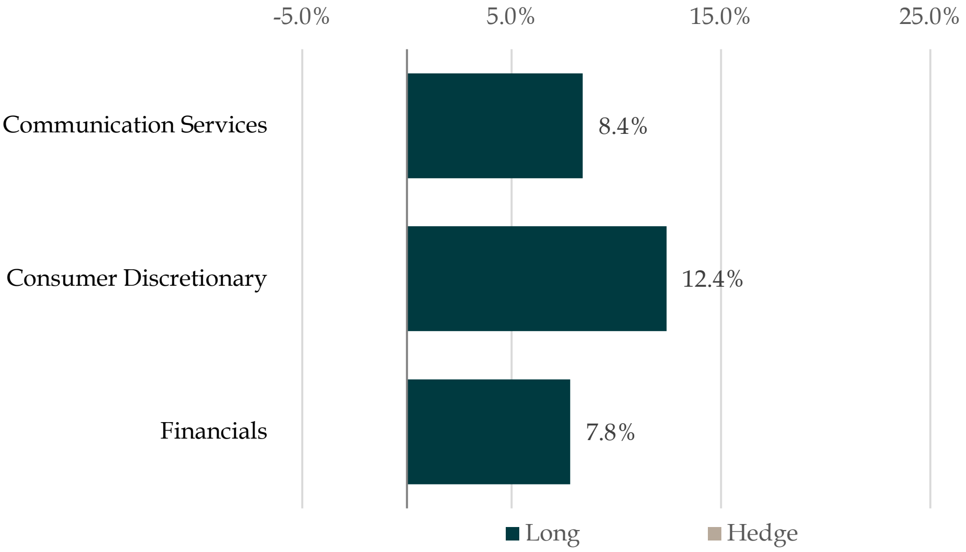


*Currency mix includes cash and equities

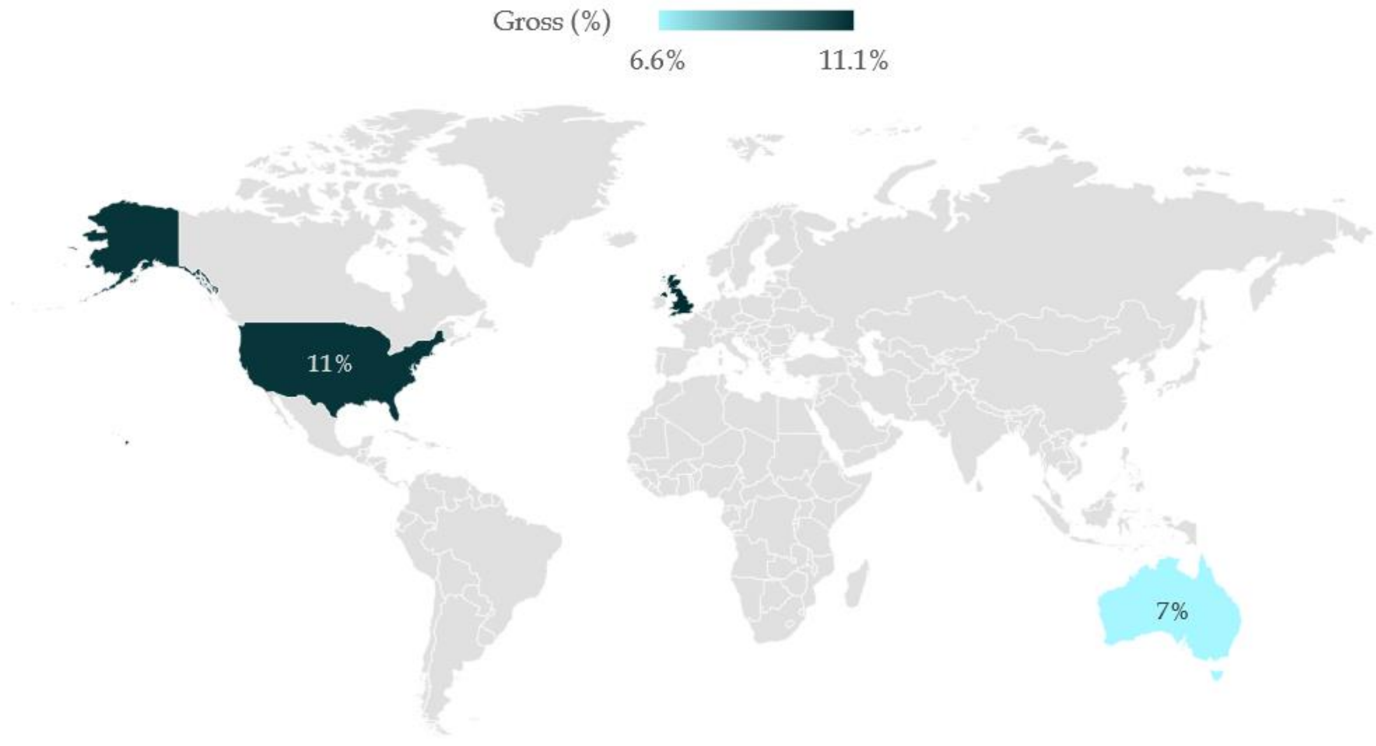
Market Cap Mix



Exposure by Sector

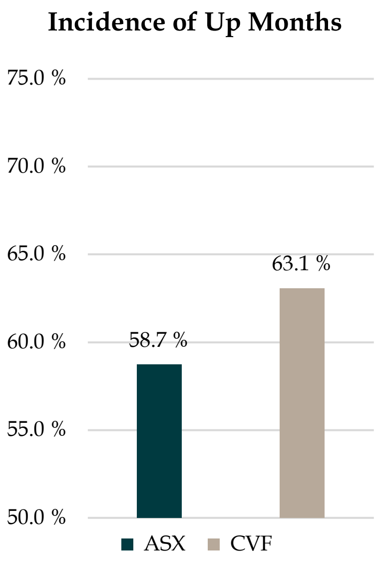


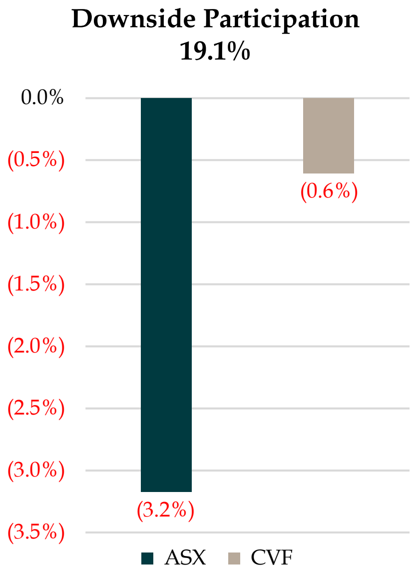
Equities Exposure by Country

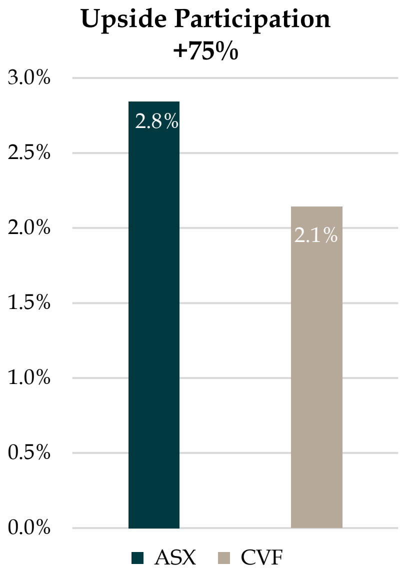


Country	Long	Hedge	Gross	Net
Australia	6.6%	-	6.6%	6.6%
United States of America	10.9%	-	10.9%	10.9%
United Kingdom	11.1%	-	11.1%	11.1%
Total	**28.6%**	**-**	**28.6%**	**28.6%**

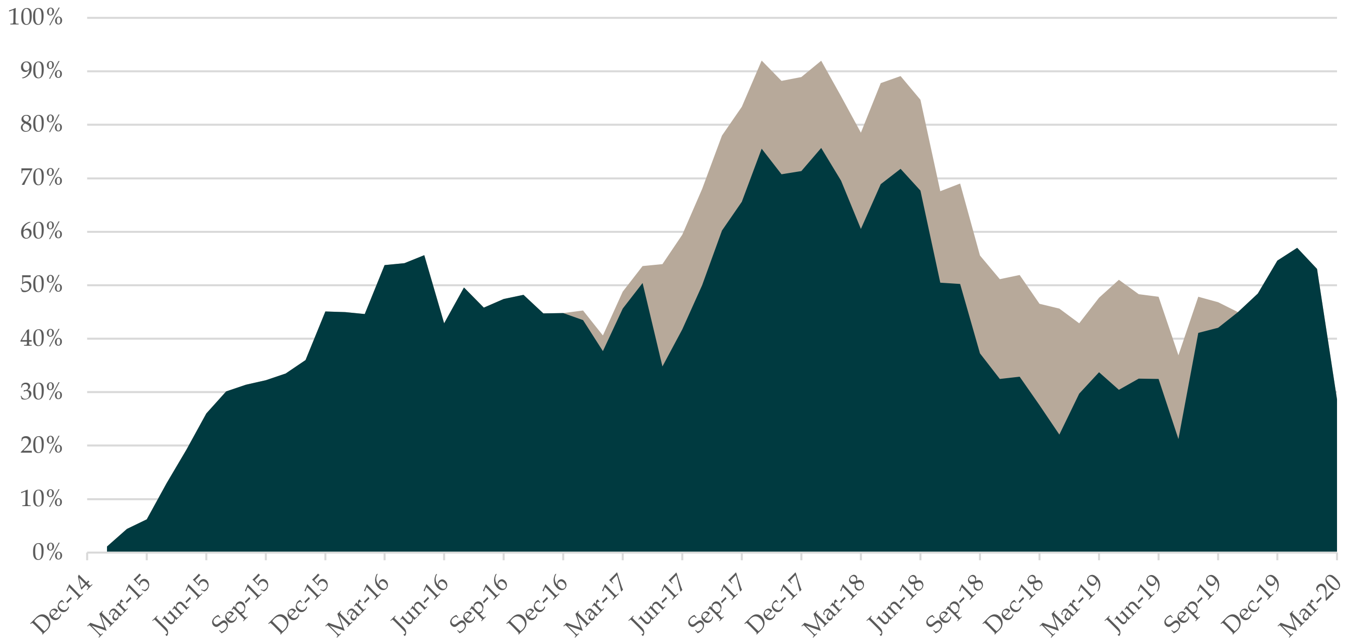
Uncorrelated Returns: More positive months and negative correlation in months when market is down







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

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.