AROWANA
CONTRARIAN VALUE FUND

5 June 2020

STRATEGIC REVIEW UPDATE

Contrarian Value Fund Limited (ASX:CVF) (**Company**) previously provided an update on 3 April 2020 informing shareholders that the strategic review was concluded at the end of March 2020 following extensive engagement with independent legal, tax and accounting advisers, as well as consultation with the Australian Stock Exchange (**ASX**) and the Manager (ACVF Management Pty Ltd).

This review was complicated because, amongst other things, it involved legal considerations as to the termination of a Manager that has delivered outperformance since inception (given that termination typically arises due to underperformance) as well as tax constraints in relation to paying out a special fully franked dividend upon a potential wind up of the Company. At that time, the independent members of the Board concluded that proceeding with any of the strategic options given unprecedented market dislocation triggered by COVID-19 would not be in the best interests of all shareholders. However, it was stated that there would be continual monitoring and re-assessment by the Board once market conditions normalised.

This re-assessment was initiated in May 2020. Following further consultation with its legal, tax and accounting advisers, the Board's current position is as follows:

- **Winding up of the Company** – Post the market decline due to COVID-19, the independent Board members received tax advice in relations to the value of the Company's franking credits (currently worth approximately $0.06/share). Because of the decline in valuations, it is unclear if all the franking credits will be available for distribution in the event of a wind-up. To address any uncertainty surrounding the ability to distribute franking credits in a wind up, the Company will require an ATO ruling. In the current environment, the Company has been advised that such a ruling is expected to take materially longer than usual. As a result, it is envisaged that the process for a wind up could take up to 6 months to complete. In addition, legal advice has confirmed that a termination fee would be payable to the Manager. There is also a risk that a winding up may not be approved by shareholders, resulting in significant sunk costs being incurred by the Company. Given these factors, the independent Board members continue to hold the view that a winding up of the Company is not in the best interest of all shareholders at the present time. However, once the Company is in a position of being able to distribute all its

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franking credits, it is intended that the Board will present this option to all shareholders to vote on;

- **Change of mandate to private credit fund** – the independent Board members have determined that this currently is also not an option given the negative performance of and sentiment towards private credit funds listed on the ASX at present; and

- **Off market buyback comprising a special fully franked dividend** – this is not a preferred option given the same constraint in relation to the payout of franking credits and it would also render the Company sub scale, increasing the effective management expense ratio (MER) and prejudicing those shareholders who continue to hold shares in the Company.

Authorised by the Board of Contrarian Value Fund Limited.

About the Contrarian Value Fund

Contrarian Value Fund Limited listed on the ASX on the January 5, 2015. CVF's investment objective is to deliver pre-tax post-fee returns in the form of dividend income and capital gains on the Portfolio that are superior to the return of the S&P/ASX 200 Accumulation Index over the medium to long term. The Company's investment mandate is to invest in listed equities in Australia and in key OECD global markets, with a long only bias.