Address Line 1
Address Line 2
Address Line 3
Address Line 4
Address Line 5

You have the opportunity to VOTE AGAINST egregious management termination fees, and VOTE FOR the removal of an underperforming board of directors at the Contrarian Value Fund Limited (CVF) Annual General Meeting (AGM).

Given CVF shareholders' experience over the past two years, our view is it is unconscionable that the current CVF board believes a $1.34M termination fee should be payable to Arowana, the manager of the Company. We believe the CVF board lacks the independence and experience to negotiate a fair outcome on your behalf.

The pending CVF AGM vote provides <u>all</u> investors with a wonderful opportunity to stand up to egregious management fee practices. **We expect that a new and independent board will secure a far better liquidation outcome for all shareholders while still returning capital quickly.**

We urge all CVF shareholders to VOTE 'AGAINST' resolutions 2, 4, 5, 6
We urge all CVF shareholders to VOTE 'FOR' resolutions 1, 3, 7, 8, 9, 10

<u>Your vote is important</u>. Shareholder's not attending the meeting must have their vote recorded before 4pm AEDT on Sunday 13 December 2020. Alternatively, you can vote at the meeting on 15 December at 4pm AEDT.
Please find an example voting form with our recommendation as to how to vote marked. Please also see overleaf the detailed letter to all CVF shareholders outlining the background to our recommendations.

STEP 2	VOTING DIRECTIONS * If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.			
		For	Against	Abstain*
Resolution 1	Adoption of the Remuneration Report	☒	☐	☐
Resolution 2	Re-election of Director – Mr Michael Barker	☐	☒	☐
Resolution 3	Re-election of Director – Ms Victoria Guy	☒	☐	☐
Resolution 4	Disposal of Main Undertaking	☐	☒	☐
Resolution 5	Capital Reductions	☐	☒	☐
Resolution 6	Termination of the Management Agreement	☐	☒	☐
Resolution 7	Removal of Mr Kien Khan Kwan as a Director	☒	☐	☐
Resolution 8	Removal of Mr Kevin Tser Fah Chin as a Director	☒	☐	☐
Resolution 9	Removal of Mr Michael Barker as a Director	☒	☐	☐
Resolution 10	Removal of additional Directors	☒	☐	☐

STAUDE CAPITAL

GLOBAL VALUE FUND

26 November 2020

Dear fellow Contrarian Value Fund Limited shareholder,

Global Value Fund Limited (GVF) is the largest investor in Contrarian Value Fund Limited (CVF) and as of the date of this letter owns 15.1% of the company.

For the benefit of all CVF shareholders, we have attempted to engage constructively with the CVF board, behind the scenes, over a period of many months. Sadly, we have formed the view that the board is insufficiently independent of CVF's manager[1], and as a result, the liquidation proposal it has brought forward is grossly unfair to CVF shareholders.

Since the departure of Gary Hui, CVF shareholders have had a raw deal

Since the unexplained departure of CVF's portfolio manager, Gary Hui, in September 2018, CVF shareholders have been left with an underperforming fund, which has traded at a deep discount to its asset backing. CVF's manager and board have sought to portray this discount as just an 'LIC industry issue'. Our own view is that the poor market rating of CVF shares has had more to do with poor investment performance, and a lack of clarity on what happened to Gary - the portfolio manager that investors backed at IPO.

It is our understanding that, despite collecting $5M in performance fees for the terrific investment returns Gary Hui delivered for shareholders in FY 2018 (+41.7%), the investment manager has not installed a full-time portfolio manager to replace Gary[2].

Finding a solution has taken far too long

Throughout this year, we have had many conversations with CVF shareholders, both large and small. One constant complaint we heard was shareholders being fed up with how long it was taking to find a solution for CVF following the departure of Gary Hui.

It took nearly a year from the time of Gary's departure for the CVF board to announce that it would begin a strategic review of CVF. It then took more than another year for the CVF board to announce its current plan to liquidate CVF. Over this time, CVF's investment portfolio has fallen by 18%[3], while the ASX[4] and global[5] stock markets have gained 4% and 13% respectively.

In the 26 months it has taken for the CVF board to bring forward an alternative for CVF shareholders following the departure of Gary Hui — a period where shareholders have suffered chronic underperformance — CVF's investment manager has collected approximately $1.8M in management fees, in addition to the $5M they collected in performance fees from Gary's FY2018 investment performance. Meanwhile, the CVF board has earned total directors' fees of almost $200,000.

Our engagement

Our engagement with the CVF board this year has been twofold:

i. We have sought to relay the shareholder feedback we have gathered across the CVF register, and set out to the CVF board clearly that, of the options it had discussed publicly, a timely and well-managed liquidation of CVF was now the only viable option shareholders would accept.

[1] CVF is managed by ACVF Management Pty Ltd, a wholly owned subsidiary of AWN Holdings Limited, which refers to itself as Arowana. For simplicity, we have used Arowana throughout this letter.

[2] We have stated to the board several times now that we do not believe the manger has installed a full-time portfolio manager to replace Gary Hui, this has never been disputed. If our understanding of this point is incorrect; we would welcome the board or the manager clarifying this issue for the benefit of all shareholders.

[3] CVF returns are net investment returns, pre-tax, from 30 September 2018 to 31 October 2020. Source: CVF company reports

[4] S&P ASX 200 Accumulation index. Source: CVF company reports.

[5] MSCI All Country net total return index in AUD. Source: Bloomberg.

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ii. In addition to our engagement above — and using a well-managed liquidation of CVF as a benchmark — GVF attempted to engage with the board of CVF since 6 August 2020 in relation to a potential merger of the two companies. From the outset, our intentions in pursuing a merger were clear. We wanted to provide all CVF shareholders with a compelling alternative to liquidation — one that they did not currently enjoy. Details of our merger proposal are set out in Appendix 2. In summary, our offer aimed to provide all CVF shareholders a full cash exit at the net tangible asset backing per share (NTA) of their company, with this exit being available to them faster than would have been the case under a liquidation, and at lower cost. Alternatively, CVF shareholders could have chosen to maintain their investment through GVF, an LIC which was trading on a premium to NTA, while also enjoying substantial additional tax benefits.

After months of trying to engage with the CVF board in a positive manner, we sadly formed a view that CVF's directors were not sufficiently independent, and that the manager's 'termination fee' was going to be a stumbling block in any attempt to progress a merger. On 12 November 2020, GVF decided it was no longer in its interests to pursue a merger.

Our only aim now is to secure a fair outcome for all CVF shareholders under an orderly winding down of the company.

1. **<u>We believe the $1,340,000 exit fee scheduled to be paid to the manager is egregious and unfair to shareholders.</u>**

The CVF board's reasons for a 'termination fee' do not stand up to scrutiny.
Since it began its strategic review, the CVF board has constantly sought to justify why it should pay a 'termination fee' to the manager under a winding up of the company. These reasons have included:

- Historical performance

Any historical outperformance relates to the returns generated under the previous portfolio manager, Gary Hui. As stated earlier, since Gary's departure, investment returns have been poor, at -18%. Moreover, neither the board nor the manager has ever provided a satisfactory explanation to shareholders as to why Gary is no longer managing their money. **Most importantly, the investment manager has already been handsomely paid for historical performance. In total, CVF shareholder have already paid Arowana $5.8M in performance fees since inception**. Is the CVF board's logic that it believes the manager should be paid twice for this outcome?

- Damages

The CVF board has stated that the manager may be awarded 'damages' if the management arrangements were ended early. **This argument assumes the preposterous case that Arowana would *sue its own investors* for having failed to make CVF a success.**

There is no legal requirement to pay a 'termination fee'. Not once has the CVF board pointed to a clause in the investment management agreement with Arowana that states a 'termination fee' is payable in the event of a liquidation of CVF. We do not believe such a clause exists.

- Comparable transactions

We challenge the CVF board to provide the evidence that supports the claim that the fee is comparable with recent transactions of a similar nature. The only recently completed comparable transaction that we are aware of is the restructuring of Ellerston Global Investments Limited (EGI) - an Australian LIC which converted into an open-ended investment scheme in August 2020. In that instance, the manager also had four years left on the term of its management agreement with the company. However, in the case of EGI:

- there was a specific manager termination clause in the management agreement with the company, which would have seen the manager paid 2% of NTA.
- regardless of the termination fee clause, the board negotiated a lower fee for its investors, being 1.5% of NTA.
- **further, the manager allowed investors to earn back this termination fee by managing their money for free for the next two years.**

As the largest investor in EGI, we commended both the EGI board and the manager for reaching a reasonable and fair outcome for EGI shareholders.

From the outset of our engagement with the CVF board, and regardless of our indicative merger proposal, we have repeatedly objected to the CVF board's position that the investment manager, Arowana, was entitled to a substantial termination fee under any restructuring or liquidation. A company liquidation should not be a 'payday' for the manager.

2. Outstanding loan to Arowana

To the extent our merger proposal tolerated the payment of a modest termination fee to the manager - offset by the substantial benefits of our proposal - it was contingent on Arowana first repaying **a $500,000 unsecured five-year loan which the CVF board has advanced to the manager out of CVF shareholders' capital.** As a long-term investor in LICs, we take the dimmest of views of directors who use shareholders' capital to provide loans to related parties. We also note that the liquidation proposals recently put forward by the board make no reference to this loan, and when or how it will be repaid.

3. CVF's Board lacks independence

We note that Kent Kwan, the current chairman of CVF, has historical ties to the company's investment manager, Arowana. He previously worked at Arowana between 2012 and 2014 and at the time of CVF's IPO, was deemed to be a non-independent director. His designation has since changed to 'independent' but we have found no explanation as to what had changed, such that he should now be thought of as an independent director.

We understand that Michael Barker has not served as a director of a listed public company before and that none of his stated experience appears to relate to LICs. **More concerning to us, our understanding is that Mr Barker was introduced to the CVF board by Arowana, the investment manager, and joined as a director in September 2020.** Given the imminent liquidation of CVF, arguably the most important decision Mr Barker has been tasked with making in his two months on the board is whether a termination fee should be payable to the manager — and if so, how big should this be. Given the circumstances, to us this seems to fail the most basic of corporate governance principles. Surely, at this time, any new nominee to the CVF board needed to come through a rigorous, independent selection process — one that excluded the investment manager.

We have not moved to remove Victoria Guy from the CVF board. Of all the CVF directors we have engaged with, Ms Guy has demonstrated the most sensitivity to the manager termination fee issue. She has also impressed us with a strong grasp of the important issues facing CVF shareholders. We note, however, that an entity connected to Ms Guy's father, Contemplator Pty Ltd, is listed as the largest shareholder in Arowana as of 30 June 2020[6].

[6] AWN Holdings FY2020 Annual Report

4. <u>**CVF's board has a track record of destroying shareholder value**</u>

In July 2016, the CVF board undertook a deeply dilutive capital raising by placing unexercised CVF options to new investors. Worse, the CVF board signed off on a 2.5% underwriting fee when CVF placed these unexercised options. Thus, not only were existing CVF shareholders being diluted by an action that increased the manager's fee income, their own capital was used to pay for this.

In addition to this, the CVF board has operated a dividend re-investment program that issued new shares, regardless of the fact that its shares were trading at a significant discount to asset backing in the market. The total result of all these dilutive raisings is that $1.9M of value has been transferred away from CVF shareholders that did not participate in them.

Our solution

Before CVF released its first 2020 AGM notice and liquidation proposal, we began proceedings to remove three of the four CVF directors, with the intention of nominating three indisputably independent and robust replacement directors for shareholders to vote on. GVF delivered a notice of request to remove these directors to the company on the afternoon of 12 November 2020. Late in the evening that same day, CVF released a notice of meeting on the ASX. This notice did not contain our resolutions to remove directors.

On 20 November 2020, GVF delivered 'consents to act' for three highly qualified, independent new directors. Again, late in the evening that same day, CVF released to the ASX a supplementary notice of AGM. This included the removal resolutions for the three directors GVF validly put forward. It did not, however, include resolutions for shareholders to vote on the proposed new directors.

There was no requirement for the CVF board to rush out a supplementary notice that included our notice of request to remove directors, without also including our replacement directors. The CVF board currently holds three valid consents to act, from three highly capable individuals willing to act as company directors. **The CVF constitution allows the current CVF board to put these directors forward for shareholders to vote on at the pending AGM**.

We believe that the CVF board instead is seeking to waste <u>your</u> time and money and frustrate legitimate shareholder democracy. We call on the CVF board to stop playing games with its shareholders, and to put forward a new supplementary notice of meeting — one that allows shareholders to decide for themselves who they wish to represent them on the board**.**

Regardless of the whether the CVF board allows shareholders to vote on the proposed new directors at this meeting, we believe shareholders should vote to remove all CVF directors at the AGM, with the exception of Victoria Guy. Under the circumstances, it seems inconceivable to us that, if Victoria Guy were to be the sole remaining director on the board following the AGM, she would move to nominate anybody other than the three validly nominated directors.

We expect that a new independent and robust board will secure a far better outcome for shareholders, while still returning capital quickly. This should result in significant cost savings and substantially more value being ultimately returned to investors.

The proposed new Directors

Since deciding it was necessary to remove CVF board members, we have searched for three new directors that would be willing to serve in their place. Our criteria for these directors was simple. We wanted robust shareholder advocates with considerable directorship and industry experience. Most importantly, we wanted to find strongly independent individuals whose only motivation was to facilitate a fair outcome for CVF shareholders.

We are delighted to have identified three such candidates: Mr Kym Evans, Mr Paul Rayson and Mr Geoff Gander. Details of each of the proposed new directors can be seen in Appendix 1.

<u>Your</u> vote is important. The CVF board is handing away <u>your</u> capital.

Our strong belief is that a differently constituted board will negotiate a far better liquidation outcome for CVF shareholders. The fees that the current CVF board wants to hand over to the investment manager are being paid out of your capital. This money represents your hard-earned savings. We believe CVF shareholders can secure a far fairer deal.

Importantly, given the recent rally in share markets, **we expect the new board should be able to quickly declare a larger final dividend** than the 9-cent franked dividend envisaged under the current proposals. In addition, we expect that a new board of directors would seek to pay out a larger initial capital return to shareholders than what has currently been proposed.

GVF is a relatively recent investor in CVF. Under a liquidation, we have the considerable advantage of having invested into CVF at a deep discount to asset backing. In our view, the burden of what we believe is as an egregious manager 'termination fee' is going to fall hardest on the many long-term retail investors in CVF. **We note that E&P (formerly Evans Dixon) clients make up a substantial portion of the CVF shareholder register. The pending CVF AGM vote provides these investors with a wonderful opportunity to stand up to egregious management fee practices.**

We urge all CVF shareholders to VOTE 'AGAINST' resolutions 2, 4, 5, and 6, so that a new board can secure a better outcome for you.

We urge all shareholders to VOTE 'FOR' resolutions 1, 3, 7, 8, 9 and 10 at the company's AGM on 15 December 2020.

We encourage all CVF shareholders who would like to discuss these matters to contact GVF Portfolio Manager and Director, Miles Staude, at miles.staude@globalvaluefund.com.au or 0423 428 972, or GVF Head of Corporate Affairs, Emma Davidson, at emma.davidson@globalvaluefund.com.au or 0401 299 885.

Yours sincerely,
Miles Staude, Director
Global Value Fund Limited

Disclaimer
The views and opinions contained in this letter are those of Global Value Fund Limited only. All data, estimates and Company statements referred to have been sourced by Staude Capital Limited and are accurate to the best of our knowledge. GVF is under no obligation to update the information contained in this letter.

The letter does not constitute financial, legal or tax advice and does not take into account the individual investment objectives or circumstances of CVF shareholders. Recipients should seek professional advice before making any investment decisions.

Staude Capital Limited is an appointed representative of Mirabella Advisers LLP, which is authorised and regulated by the Financial Conduct Authority. Mirabella Financial Services LLP is the Investment Manager of the Global Value Fund and has seconded the investment team at Staude Capital to manage the Global Value Fund.

Appendix 1: Biographies of GVF’s proposed directors

Kym Evans

Mr Evans has over 30 years’ experience in legal, risk, general management and board roles. As a non-executive independent director of WAM Alternate Assets Limited, Kym acts as chairman of its audit and risk committee. Kym was a private practice lawyer for 10 years. He had a further 10 years’ experience as in-house counsel with Nortel Networks, Arnott's Biscuits, Flexirent Capital and HBOS Australia. Kym also performed management roles at BankWest (Head of Customer Projects Commercial and Business Division), Nortel Networks Australia (General Manager Business Operations) and Flexirent Capital (General Manager Corporate Services). More recently he held a role as a senior consultant at Control Risk looking after account management and business development for Control Risks’ risk consulting services and has recently completed a Masters of Cyber Security Operations at UNSW.

Paul Rayson

Paul Rayson has worked in the financial services industry for over 20 years and has extensive experience in investment markets, banking, technology, risk management and insurance. Paul is currently the CEO and Investment Committee member of Hearts and Minds Investments Ltd, an ASX listed investment company.

Paul is the former Managing Director of CommSec, Australia’s leading online broker, and former Managing Director of Australian Investment Exchange Ltd and Colonial Mutual Life Assurance Society Ltd. Paul has also held a number of CFO and governance positions across large financial services businesses spanning retail banking, wealth management and banking operations. Prior to financial services, Paul held senior roles in Chartered Accounting and Consulting firms specialising in corporate finance and strategy.

Paul holds a commerce degree and is a fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.

Geoff Gander

Geoff Gander has a corporate background across a range of industry sectors, including Technology and Oil & Gas. He has held a number of Executive and Non-Executive Director roles with ASX listed companies over the past 15 years and these entities have covered a range of industry verticals including technology, mining, mining services, retail and oil & gas.

He currently serves as CEO of a listed oil & gas exploration/production company with assets in Kazakhstan and is also a Director of a listed company that invests in ground-breaking intellectual property generated through scientific and technological research carried out by universities and scientific research organisations, based in both Australia and New Zealand.

Appendix 2: Our indicative merger proposal

Using as a benchmark what a well-managed liquidation of CVF should look like, since 6 August 2020 GVF has attempted to engage with the board of CVF in relation to a potential merger of the two companies. From the outset, our intentions in pursuing a merger were clear. We wanted to provide CVF shareholders with a compelling alternative to liquidation, one that they did not currently enjoy. Under the terms of our indicative offer:

- CVF shareholders would have been able to exit their investment in full at the net tangible asset backing per share (NTA) of their company;
- our aim was to provide exiting shareholders a full cash exit faster than would have been achieved under a liquidation of their company;
- GVF would have borne the majority of the legal costs associated with the transaction. For CVF shareholders, this would have resulted in substantially lower costs than what they will now incur under a liquidation of their company; and
- CVF shareholders could have elected to remain invested in the newly merged vehicle.

CVF shareholders who elected to continue an investment in the newly merged entity would have had the opportunity to:

- merge into an LIC that was trading at a premium to NTA, thus providing CVF shareholders the potential to realise greater than the asset backing of their own company;
- maintain an investment in a similar value-based investment strategy, but within a larger, more liquid vehicle that has historically traded in-line with its NTA;
- have the potential to receive capital gains tax roll-over relief on their CVF investment[7]; and
- have the ability to gain a potential future benefit from their company's current deferred tax assets, noting that these deferred tax assets are entirely forgone under a liquidation of the company.

Our proposal tolerated the payment of a modest termination fee to the manager. While philosophically opposed to the payment of any fee, we believed a modest figure would have been tolerable in the context of the substantial cost savings that accrued to CVF shareholders under our proposal, and the fact that GVF shares were trading at a premium to asset backing.

From the outset, GVF attempted to engage with the CVF board in good faith and solely with the interests of CVF and GVF shareholders in mind. Sadly, in our view, the CVF board failed to reciprocate in kind. On 12 November, GVF decided it was no longer in its interest to pursue a merger between the two companies. Objectively, we do not think we could have offered a fairer set of proposals to CVF shareholders, and we believe that CVF shareholders will miss out on many benefits that a merger could have delivered.

[7] Dependant on their individual tax position