



ASX ANNOUNCEMENT

AWN to Launch Funds Management division

30 July, 2014 - Arowana International Limited (Arowana; ASX: AWN) today announced that:

The Board of Arowana International Limited (**AWN** or the **Company**) is pleased to announce that AWN will be creating a new earnings stream by launching a Funds Management division. The rationale for this move is as follows:

- to expand the long term investable universe of AWN beyond the Operating Companies division (which comprises of companies that it controls or has significant influence over) into areas where the AWN team already has skills, experience, contacts and track record;
- to accommodate significant interest from new investors (particularly international family offices) seeking to invest in Arowana, without issuing new capital and diluting shareholders at the AWN level;
- to further enhance the return on invested capital (**ROIC**) profile of AWN through establishing a business that is highly scalable and will deliver incremental EBIT and cashflow from recurring management and performance fees;
- to maximize the productive deployment of the growing skills and experience base of the AWN team and in doing so provide for long term career growth opportunities; and
- enable AWN to participate in and benefit economically from alternative investment opportunities (especially in Asia) in a lower risk and earnings accretive manner.

AWN will be seeking to initially raise \$100m of external capital across 2 different funds which will have investment mandates that differ from AWN's existing Operating Companies division. These funds are:

- the Arowana Special Situations Fund (**SSF**)
- the Arowana Australasian Value Opportunities Fund (**AAVOF**).

Arowana Special Situations Fund (SSF**)**

SSF comprises of a wholesale trusts structure established in Australia and open for investment to local and international institutions and other sophisticated and professional investors. AWN will be a foundation investor and will seed the SSF with \$25m from the Company's cash balance. Going forward, SSF will seek to raise external capital accommodating interest from new investors in the process. In return for seeding the SSF, AWN will own and control the management entity of the SSF. The CEO of AWN, Kevin Chin is personally investing an initial \$2.5m into the SSF also. Management fees will be a minimum of 1.5% per annum with performance fees being a minimum 20% above a hurdle rate of 8%. The minimum life of the SSF will be 10 years.

Key points in relation to the investment mandate of the SSF are as follows:

- it will invest exclusively in entities that provide exposure to the rising middle class in Asia megatrend (with a focus on South East Asia);

AROWANA INTERNATIONAL LIMITED

ABN 83 103 472 751

Level 11, 153 Walker Street
North Sydney NSW 2060

Tel: +61 (0)2 8083 9800 Fax: +61 (0)2 8083 9804

Level 11, 110 Mary Street, Brisbane QLD 4000
PO Box 15575, City East QLD 4002

Tel: +61 (0)7 3182 3200 Fax: +61 (0)7 3182 3299



- its initial focus will be on sectors that are particularly leveraged to this megatrend being the education, power and consumer sectors (although it will have the remit to invest in other opportunities that meet Arowana's minimum investment thresholds); and
- it will have flexibility to invest directly in South East Asian opportunities as well as undertake investments in Australia and/or New Zealand (where there is significant exportability potential).

The Board views the establishment of the SSF as conferring a number of advantages for AWN including as follows:

- it enables the Company to gain exposure to high growth investment opportunities across South East Asia in a lower risk structure;
- facilitates co-investment participation alongside blue chip family offices in South East Asia across investment opportunities that would otherwise be too large for AWN alone;
- deepen strategic relationships with capital providers that invest in the SSF in a manner that will enhance investment origination; and
- secure significant potential upside through the ability to convert its units in the SSF into direct holdings in underlying investments in the SSF (at for example a pre IPO stage and valuation).

AWN is already at an advanced stage of negotiations in relation to the first investments for SSF. These include a co-investment in a power generation and maintenance business and a co-investment in a K-12 education business. In both cases, the SSF is investing in convertible securities that offer some downside protection, some yield as well as capital upside. Neither of these investments involve the SSF taking a position of control, although it will have the capacity to influence strategic decisions. Furthermore, both have the potential to deliver attractive long term high ROIC recurring earnings streams. AWN's seed funding will be provided as and when required by SSF to undertake its investments. AWN is also in the process of securing an Australian financial services licence for the proposed manager of SSF.

The Australasian Value Opportunities Fund Limited (AAVOF)

Arowana Partners Group Pty Ltd, an entity associated with Kevin Chin, currently manages a fund called the Australasian Value Opportunities Fund ("AAVOF") which invests in listed securities across Australia and New Zealand on a long only ungeared basis. In the 5 year period from its inception on 1 July 2009 to 30 June 2014, this portfolio has achieved an annualized return of 17.5% (compared to the ASX200 Accumulation Index which delivered 11.2% per annum over the same timeframe). AWN intends to establish a new investment entity to be called the Arowana AAVOF ("AAVOF") and employ the same value based investment approach. An AWN subsidiary will be the investment manager of AAVOF and will receive management and performance fees in that capacity. More information on the AAVOF can be found at www.arowanapartners.com.

Since 1 January 2012, the portfolio manager of the AVOF has been Kent Kwan, who prior to joining AWN was with J.P. Morgan in Sydney and London. As a portfolio manager with J.P. Morgan Asset Management, he was directly responsible for over \$1bn of funds under management focusing on small and mid caps. Kent's track record during his two and a half year tenure from 2008 to 2011 for the core small cap fund he managed generated a 126% return beating the relevant index by 50%. Kent will be primarily responsible for this investment management function of AAVOF.

AWN intends to open up AAVOF to external investors and raise additional capital. AWN CEO, Kevin Chin will have an initial minimum investment of \$2m in AAVOF while Kent Kwan will have a minimum investment of \$1m. AWN will not itself make an investment in the AAVOF. AWN will not pay any upfront consideration for the acquisition of these management rights.

AROWANA INTERNATIONAL LIMITED

ABN 83 103 472 751

Level 11, 153 Walker Street

North Sydney NSW 2060

Tel: +61 (0)2 8083 9800 Fax: +61 (0)2 8083 9804

Level 11, 110 Mary Street, Brisbane QLD 4000

PO Box 15575, City East QLD 4002

Tel: +61 (0)7 3182 3200 Fax: +61 (0)7 3182 3299



AROWANA INTERNATIONAL

Existing investment strategy

AWN's primary investment strategy of acquiring controlling interests in private companies with a view to sustainably growing them over the long term through continuous operational improvement will remain unchanged. The establishment of the Funds Management division will not affect the modus operandi of the Operating Companies division as the investment universe and parameters of the SSF and the AVOF are different.

The existing investment profile of AWN will remain unchanged with AWN retaining its direct 24.9% investment in Intueri Education Group Limited and its Diagnostic Testing and Events and Training Divisions. AWN presently has cash at bank of approximately \$85 million. Following the commitment of capital towards the SSF, AWN will have approximately \$60 million available for investment in new wholly-owned operating entities. Based on the closing price of Intueri Education Group Limited on 29 July 2014, AWN's investment in Intueri is valued at \$64.7 million.

"The launch of the Funds Management division is an important milestone for AWN and allows the Company to increase its pool of long term investment capital without diluting shareholders and develop a highly scalable business with a strong ROIC profile. This is a demand driven strategy in response to interest from potential investors in both the Special Situations Fund and the Australasian Value Opportunities Fund and we are keen to accommodate that interest but in a manner that is beneficial for AWN shareholders too. Importantly, this move enables the Company to apply the Arowana investment approach beyond its current sphere of controlled business acquisitions, allows for it to fully utilize the skills and experience of Arowana's team members and facilitates investment exposure to high growth Asian opportunities in a lower risk and earnings accretive manner" said AWN Managing Director, Kevin Chin. He added *"The Funds Management division will complement our existing Operating Companies division, where the balance of the Company's cash balance will continue to be deployed. On this front, we are currently in due diligence on a number of acquisition opportunities and will update the market as appropriate."*

For further information please contact Boardroom Limited on 1300 737 760.

On behalf of the Board of AWN.

Tom Bloomfield
Company Secretary

AROWANA INTERNATIONAL LIMITED

ABN 83 103 472 751

Level 11, 153 Walker Street

North Sydney NSW 2060

Tel: +61 (0)2 8083 9800 Fax: +61 (0)2 8083 9804

Level 11, 110 Mary Street, Brisbane QLD 4000

PO Box 15575, City East QLD 4002

Tel: +61 (0)7 3182 3200 Fax: +61 (0)7 3182 3299