



ASX ANNOUNCEMENT

Sydney, 13th July, 2017: Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders

The month of June reflected a mild decline for the Fund, with EOFY selling and two of the Funds' Australian positions, which included Fairfax Media, suffering share price declines that more than offset positive movements elsewhere in the portfolio. This resulted in the post-tax net tangible asset backing per Fat Prophets Global Contrarian Fund Limited share as at 30 June 2017 to be \$1.0917. This represents a 0.46% decrease on last month's NTA of \$1.0968.

A comparison is provided below of our pre-tax and post-tax NTA over the previous two months:

	30 June 17	31 May 17	Change
Pre-Tax NTA	1.0884	1.0955	(0.65%)
Post-Tax NTA	1.0917	1.0968	(0.46%)

On the positive side our Macau gaming exposures have been performing well, with Wynn Macau up 5.43% over the month. In Australia, Mantra also performed well posting a solid gain of 4.45% over the month of June. In Japan the banks had a good month, with regional bank Bank of Kyoto up 13.37%, although this is one of the smaller positions in the Fund.

We continue to favour Japan and increased our exposure to this country markedly during the month, from 16% at the end of May to 28%. While we are predominantly invested in the banks, we have also added selected exposure to quality consumer discretionary companies such as **Sony**, that we expect will benefit from a strengthening Japanese economy and the stimulus measures being implemented by the government under Prime Minister Shinzo Abe.

In the most recent June quarter, confidence among Japan's big manufacturers hit its highest level in more than three years, according to the Bank of Japan's (BoJ) Tankan Survey. A growing economy has seen annualised inflation stay in positive territory for eight consecutive months to the end of May, and the job market is at the tightest it has been for 25 years. We expect this to eventually flow through to wage growth which should provide the country with a platform to break out from the deflationary cycle of the past few decades.

While the BoJ is continuing to pursue its negative interest rate policy, we see pressure building at the long end of the yield curve, which is now sitting at its highest level since February this year. One of the key beneficiaries of a steepening yield curve will be the Japanese banks, which have been trading on an average of 0.7x book value. A return to inflation would also allow the BoJ to reverse its negative interest rate policy which would likely result in a significant positive re-rating of the banking sector.

Another sector that would benefit from rising rates is insurance companies, which receive investment returns from often very sizeable floats. In the short-term however it is news that drives share price direction and the

market was caught by surprise on June 21, when **QBE Insurance** issued an earnings downgrade, pointing to significantly higher than expected claims in emerging markets as the reason.

The shares were sold off heavily, closing 10% lower on the day the announcement was released, and finishing the month down 8.45%. While this was unfortunate it wasn't all bad news, with Premium income remaining stable and the group's interim investment return above expectations. We see the company's underlying investment proposition as remaining solid, with QBE being highly leveraged to an eventual steepening of the yield curve which we continue to see playing out over the medium to longer term.

Another company that experienced a negative month was **Fairfax Media**, which in an unfortunate turn of events saw both potential suitors, TPG and Hellman & Friedman, fail to make a formal takeover bid for the whole company. This spooked investors who feared that the due diligence conducted on Fairfax had uncovered some 'skeletons in the closet'. Without the prospect of a bidding war, Fairfax sold-off, closing the month down 11.65%.

We think a more likely reason was the difficulty both bidders had in appraising the value of and the likely success of the resale of the less desirable components of the business. In the case of TPG in particular, they made it very clear that their intention was to cherry pick the best assets, being Domain Group and Fairfax's three main mastheads being, Australian Metro Media, Events and Digital Ventures. If TPG was to acquire the whole business the company would almost certainly sell-off the assets it didn't want, and this would create considerable administrative headaches along with uncertainty around the price they would receive.

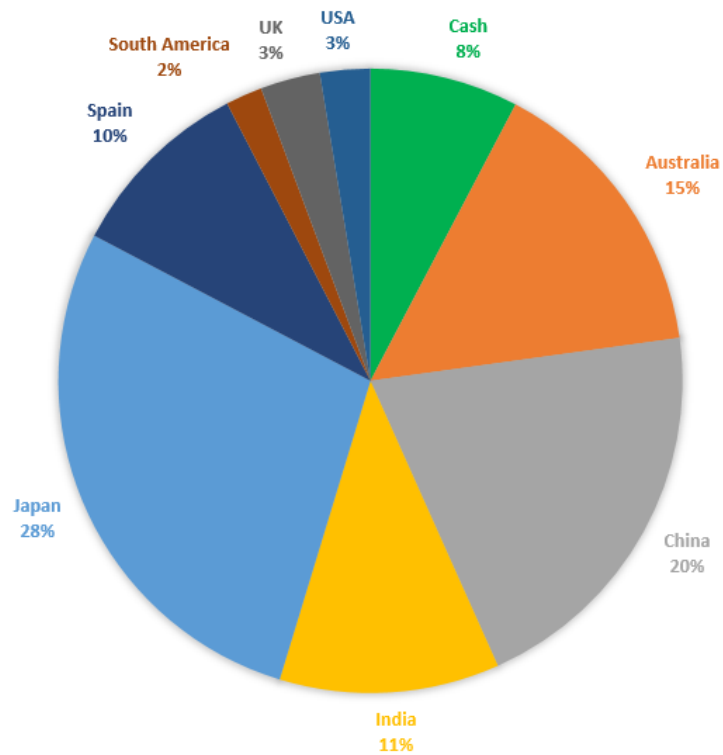
Without the distraction of these unsolicited bids however, it is back to plan A for Fairfax, being the demerger of 35% of the Domain business through an in-specie distribution to existing shareholders. This has the potential to unlock considerable value to shareholders, with investors ascribing a higher value to Domain than the company's legacy publishing assets.

Fairfax currently has a market capitalisation of around \$2.2 billion and we believe that Domain is likely to be worth more than this on its own, with FY17 EBITDA for the digital unit expected to come in at around \$120 million. We maintain a favourable outlook for the company and view the recent share price decline as a buying opportunity.

While the fund is able to utilise borrowings, as at the end of June there was no leverage in the Fund.

Top 10 Holdings	30 June 2017	Country
BAIDU INC	7.2%	China
BOLSAS Y MERCADOS ESPANOL	5.8%	Spain
FAIRFAX MEDIA LTD	5.5%	Australia
MANTRA GROUP LTD	5.4%	Australia
WYNN MACAU LTD	5.1%	China
MGM CHINA HOLDINGS LTD	4.8%	China
RELIANCE INDUSTRIES LTD	4.6%	India
SONY CORP	4.5%	Japan
QBE INSURANCE GROUP LTD	4.3%	Australia
BANKIA SA	4.2%	Spain

GEOGRAPHIC EXPOSURE as at 30 JUNE 2017



Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund Ltd.