

fatPROPHETS
GLOBAL CONTRARIAN FUND

ACN 615 414 849



FAT PROPHETS

GLOBAL CONTRARIAN FUND

2017 ANNUAL REPORT



CONTRARIAN *(NOUN)*

A contrarian is a person who deliberately behaves in a way that is different from the people around them.



INFLECTION *(NOUN)*

A time of significant change in a situation; a turning point.

CHAIRMAN'S LETTER

Dear Shareholders,

I am very happy to be able to provide you with our first Annual Report for the Fat Prophets Global Contrarian Fund Ltd (FPC). This report covers the period from listing till June 30th, 2017. It follows on from a successful capital raising and listing on the Australian Stock Exchange on March 22nd, 2017.

The capital raising included the issue of loyalty options which provide the initial shareholders with the opportunity to invest additional capital into the Company at a pre-determined price at a future date so that they can enjoy a greater benefit from increases in the Company's share price.

I look forward to meeting you at our Annual General Meeting and encourage you to read the Annual Report thoroughly.

Capital raising and listing

Prior to the listing on the ASX on March 22nd, 2017, the Company successfully raised a total amount including oversubscriptions of \$48.7 million, well above the \$33 million sought in the prospectus. It should also be recognised that due to a focus on minimising costs, Fat Prophets Pty Ltd. waived the stamping fee on funds raised directly from its subscriber and investor base – which contributed substantially to the raising. As a result, we were pleased to report a post listing Net Tangible Asset (NTA) value of \$1.0811 only slightly below the listing price of \$1.10.

Investment and portfolio performance

The Company was set up with the investment mandate to build and actively manage a portfolio around high conviction ideas and the board is pleased to report that as at June 30th, 2017, 93% of the capital raised had already been carefully invested in 25 stocks, in countries from Australia to China and in stocks and sectors as diverse as the Macau casino sector and Baidu, China's number one internet search engine. Whilst maintaining a keen interest in the portfolio make up, the board has been very active in ensuring its adherence to the investment mandate as spelled out in the prospectus and is very happy with the management company's performance. Angus Geddes, our CEO has detailed the investment and portfolio performance in his letter to shareholders and I would encourage you to read this thoroughly.

Financial Results

For the period to June 30th, 2017, the Company reported a pre-tax profit of \$0.222 million and a net profit after income tax of \$0.150 million.

The FPC portfolio appreciated by 1.06 cents per share since listing to June 30th, 2017, with initial costs of \$0.514 million being partially recouped.

An investor who invested \$1.10 AUD in the Company on listing finished the financial year at an NTA of \$1.0917 plus the value of their loyalty option. These options will vest/begin trading on March 22nd, 2018.

Annual General Meeting

The Company's first Annual General Meeting will be held in the Alkira Room at The Grace Hotel in Sydney at 1:00pm on November 21st, 2017. Angus Geddes and senior portfolio managers will be on hand to provide a detailed look back at the first 3 months' performance as well as give their insights into the year ahead for the portfolio.

My fellow directors and senior staff of the management company hope to meet many of you in person and look forward to an interactive discussion.

A handwritten signature in black ink, appearing to read 'Michael Gallagher', written over a light blue horizontal line.

Michael Gallagher
Chairman

INVESTMENT STRATEGY FROM THE MANAGER

Dear Shareholders,

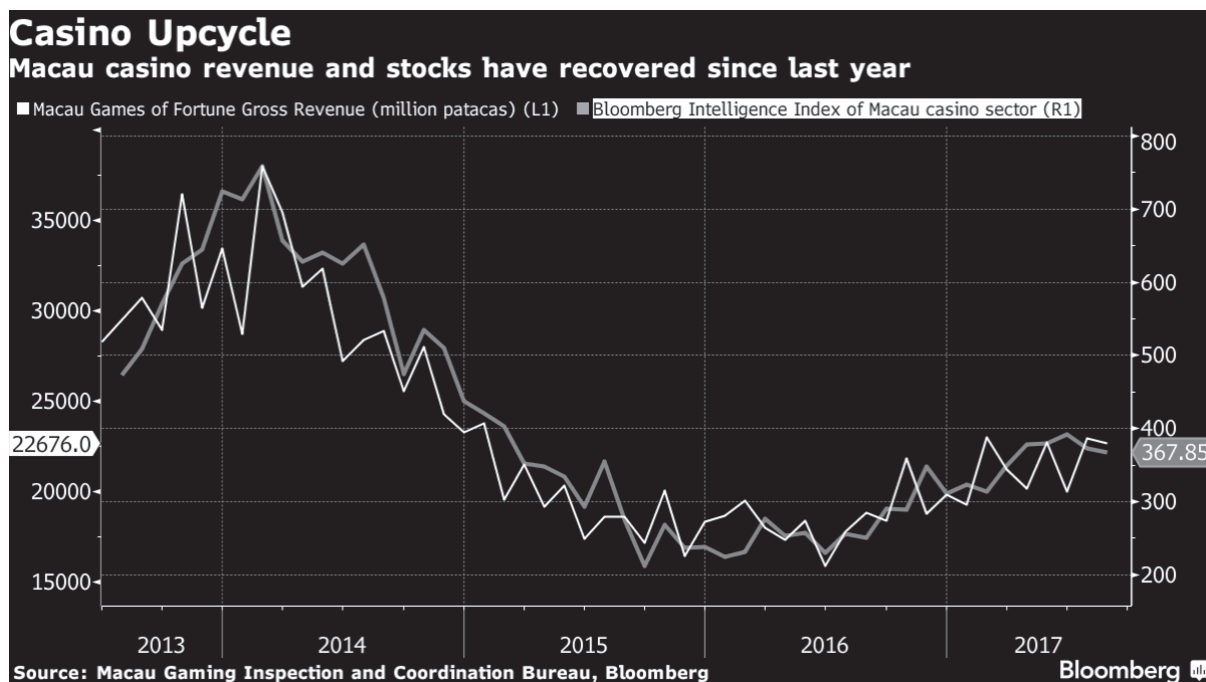
Investment Strategy and Review to 30 June, 2017

The Fat Prophets Global Contrarian Fund was successfully launched on the ASX on 22 March 2017, with the total amount raised including oversubscriptions reaching over \$48 million, well above the \$33 million maximum sought in the prospectus. Due to a sharp focus on minimising costs and Fat Prophets Pty Limited waiving a stamping fee on funds raised directly from our subscriber and investor base – which was around 90% of the total – we were pleased to report a post listing Net Tangible Asset (NTA) value that was only slightly below the listing price of \$1.10. **This was much better than most LIC's which typically list at a larger discount to the NTA.**

Our global mandate enables the manager to cherry pick companies, sectors and countries that we believe are not only well positioned on the value curve, but will benefit from our top down macro view of the world. Often most of these key thematics have surpassed key inflection points, with the prevailing consensus still bearish (or bullish as the case maybe).

We successfully positioned our strategy mandate during the first quarter, constructing the portfolio to include exposure to a recovery in Macau casino sector, Japanese banks, financials and select industrials, along with several growth stocks in India and China. Our largest position at the end of the first quarter was in Baidu, China's number one internet search engine and a leader in AI which up until a few months ago had badly underperformed its peers.

We have covered the investment case for Macau gaming stocks on numerous occasions in our NTA releases. Gaming revenues in the ex-Portuguese colony had been declining for over two years following the Chinese government's crackdown on corruption which instigated a reduction in VIP gaming revenue between 2015 and 2016. We believed an inflection point was reached in the second half of 2016, and with the transition of Macau to becoming a mass market entertainment precinct, revenues would start to climb again.



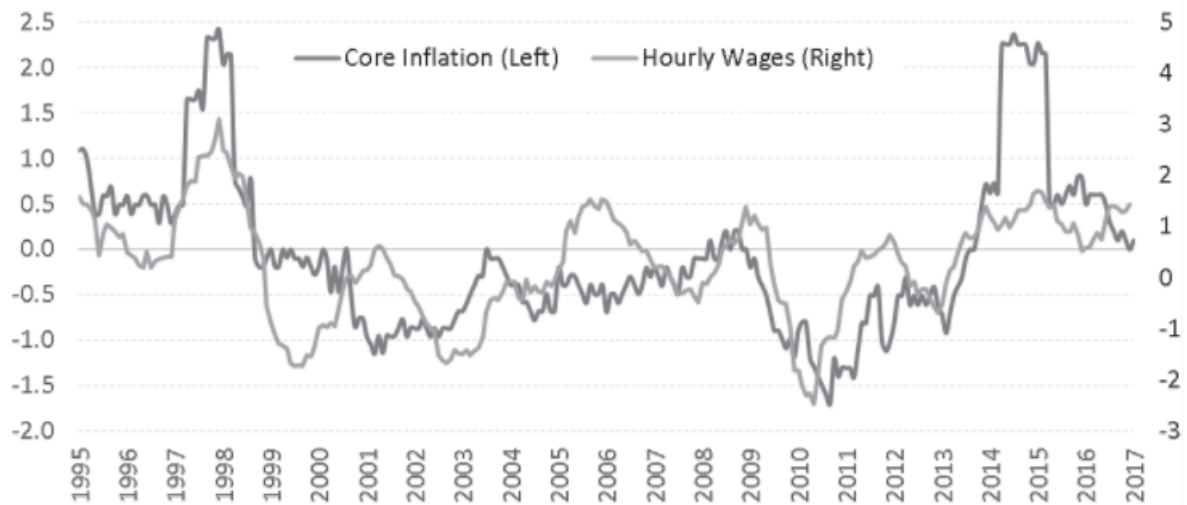
The consensus view remained pessimistic towards the sector however leading to many Macau casino stocks being valued at what we believed to be depressed valuations that largely ignored significant underlying operating leverage. This allowed the Fund to pick up some quality names that included **Wynn Macau** and **MGM China Holdings** at attractive prices, both of which were top 10 holdings in the Fund as at 30 June 2017. While the Macau gaming sector has a high beta, these stocks have continued to perform for the Fund with the latest data from the Macau Gaming and Inspection Coordination Bureau confirming that 2017 is on track to deliver double-digit gains in gaming revenue on the previous year. We continue to believe this thematic has much further to run.

The Fund has been active in Japan and established a sizeable position in Japanese equities with a focus on financials, sophisticated manufacturing & robotics, consumer electronics and software. At the end of the June quarter, our Japanese weighting comprised approximately one third of the portfolio. So this leads to the obvious question of why are we so bullish on Japan?

The fact that the stock market is cheap on a price to book basis (and especially the financials) is only part of the story. We see a significant change coming not only within Japan, but also with global perception of the economy. Japan has changed since the election of Abe, and despite some arguing that quantitative easing has worked, we would argue that Japan's economy would have changed anyway although the monetary stimulus has helped.

Setting precedent in terms of deflationary recession and depressing economic conditions, the beleaguered Japanese economy has had to endure significant pain, not to mention incumbent prognostications of demographic collapse. However nothing lasts forever.

Chart 4: Japan: Core Inflation vs. Wages
As of 1/15/2017



Source: Thomson Datastream (Core Inflation), Bloomberg (Hourly Wages)

The human psyche is made of sterner stuff, and what interests us greatly is that now with Japan's economy marching to a different rhythm, how the Japanese themselves will respond. Long suppressed and dormant animal spirits could have a profound impact on Japan once unleashed and we think this sets the stock market up for a powerful bull market in the years ahead.

Green shoots are sprouting through as Japan's economic recovery gains momentum with the lowest unemployment rate since the early 1990s, much stronger corporate earnings and buoyant business conditions. We believe that not only will wage inflation inevitably break out (the number one concern of Japanese corporates is securing enough labour) but that interest rates are going to rise. If we are right, this could have a powerful impact on Japan's financial sector.

The Japanese labour market is incredibly tight



Prime Minister Shinzo Abe has been on a mission to reinvigorate the economy after two decades of deflation but the government's shift towards a negative interest rate policy in 2016 saw the banking sector fall out of favour with investors, with some banks hitting lows of around 0.4x book value. We took advantage of this opportunity to add amongst other names, **Sumitomo Mitsui Financial Group**, **Mizuho Financial Group**, **Mitsubishi UFJ Financial Group** and **Bank of Kyoto** to the portfolio.

Furthermore, monetary easing and the strong performance of the US economy has underpinned a weakening in the yen which has been a boon for Japanese exporters. The weaker yen has been in no small way, **directly correlated** to what we see as an emerging secular bull market in Japanese equities. Towards the end of the quarter we added industrial companies to the portfolio including **Minebea Mitsui**, **Murata Manufacturing** and **Sony Corp**.

India is also a country we favour, with the world's second most populous nation making up 11% of the portfolio at the end of June. India's development path has been somewhat bumpy under Prime Minister Narendra Modi, with the country hitting speed wobbles over the government's demonetisation program and the implementation of GST. These actions will ultimately improve the government's tax take however, and the overall progress made under Modi's leadership to date has been impressive.

Real growth in the economy slowed to 5.7% in the June quarter but still remains elevated relative to global peers. The Modi government is in the midst of a roll-out of large scale infrastructure investment aimed at providing additional roads, railways, airports and electricity to the 1.3 billion population. We have selected some of the top tier companies in this sector including diversified conglomerate **Reliance Industries**, and **HDFC Bank** and **ICICI Bank** in the financial sector.

With the investment community experiencing FOMO (fear of missing out) in some of the leading stocks in the technology sector, such as the so-called FANG stocks (Facebook, Amazon, Netflix & Google), we have been looking elsewhere for companies that may possess a business model of a similar strength but where this is yet to be reflected in the valuation. One company that stood out to us was the Chinese online search giant **Baidu** whose share price had underperformed relative to its peers.

We highlighted Baidu as the Funds largest holding in the 30 April NTA release, citing a number of catalysts that could see the share price positively re-rated. This eventuated following the release of the company's June quarter result, with net profit surging 82.9% on the previous year, led by growth in mobile. Since then the shares have added around 30 percent and we hold the view that based on the company's solid fundamentals, they should have further to run.

It is impossible to get every call right however, and the decision of two potential suitors to walk away from a takeover of **Fairfax Media** had a negative impact on the portfolio in June. We do still see value in Fairfax which will perhaps become more transparent to the market with the demerger and separate listing of **Domain** later this year, which has the potential to add significant value to shareholders. We took advantage of the pullback in the share price to top up our holding.

This provided a distinct reminder that in the share market ‘a bird in the hand is worth two in the bush’. More recently hotel group **Mantra** has accepted a takeover offer at a circa 24% premium to the previous day’s trading price. It will be interesting to see how the share price action plays’ out but it can be certain that a number of investors will be exiting at levels below the takeover price to lock in the certainty of a smaller gain.

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

A handwritten signature in black ink, appearing to read 'Angus Geddes', with a large, sweeping flourish at the end.

Angus Geddes
Chief Investment Officer

FAT PROPHETS GLOBAL CONTRARIAN FUND LIMITED ACN 615 414 849
Corporate Governance Statement

ASX CG Principles	Compliance by the Company
<p>Principle 1 – Lay solid foundations for management and oversight <i>A listed entity should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated.</i></p>	
<p>Recommendation 1.1 A listed entity should disclose the respective roles and responsibilities of its board and management, and those matters expressly reserved to the board and those delegated to management.</p>	<p>The Company has adopted a formal charter (Board Charter) clearly setting out the respective roles and responsibilities of the Board and management. The key responsibilities of the Board include:</p> <ul style="list-style-type: none"> • setting the long-term strategy and annual business plan including objectives and milestones to be achieved; • monitoring the performance of the Company against the financial objectives and operational goals set by the Board and reviewing the implementation of Board approved strategies; • assessing the appropriateness of the skill sets and the levels of experience of the members of the Board, individually and as a whole and selecting new members to join the Board when a vacancy exists; • appointing, removing and determining the terms of engagement of the Directors, Chief Executive Officer and Company Secretary; • overseeing the delegation of authority for the day to day management of the Company; • ensuring that the risk management systems, financial reporting and information systems, personnel, policies and procedures are all operating efficiently and effectively by establishing a framework of internal controls and compliance; • reviewing major contracts, goods or services on credit terms, acceptance of counter-party risks and issuing guarantees on behalf of the Company; • approving the capital structure and

	<p>major funding requirements of the Company;</p> <ul style="list-style-type: none"> • establishing a Disclosure and Communication Policy to ensure that the Company complies with its disclosure obligations under the ASX listing rules; • approving the Company's half year and full year reports to the shareholders, ASX and ASIC; and • ensuring that recruitment, retention, termination, remuneration, performance review and succession planning policies and procedures are in place and complied with.
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <ol style="list-style-type: none"> a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re- elect a director. 	<p>The Board currently undertakes appropriate checks before appointing or nominating board candidates and has regard to their skills, experience and expertise.</p>
<p>Recommendation 1.3</p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>All directors (and proposed directors) and senior executives have entered into written appointment agreements with the Company.</p> <p>Specifically:</p> <ul style="list-style-type: none"> • the non-executive directors have each executed a letter of appointment setting out the terms and conditions of their appointment; and • the executive director and senior executives of the Company have entered into employment agreements, setting out the terms and conditions of their employment.
<p>Recommendation 1.4</p> <p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>The Company Secretary is accountable directly to the Board, through the chairperson, on all matters to do with the proper functioning of the Board.</p> <p>The Company has adopted a formal board charter (Board Charter) setting out the</p>

	<p>Company Secretary's responsibilities.</p> <ul style="list-style-type: none"> • Under the Board Charter, the Company Secretary is responsible for: • advising the Board and its committees on governance matters; • monitoring the Board and committee policy and procedures are followed; • coordinating the timely completion and dispatch of Board and committee papers; • ensuring the business at Board and committee meetings is accurately captured in the minutes; and • helping to organise and facilitate the induction and professional development of Directors and the Company Secretary.
<p>Recommendation 1.5 A listed entity should:</p> <ul style="list-style-type: none"> (a) have a diversity policy which includes requirements for the board or a relevant committee of the board for achieving gender diversity and (a) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the (d) entity's diversity policy and its progress towards (e) achieving them, and either: <ul style="list-style-type: none"> (i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. 	<p>The Company has a diversity policy in place (Diversity Policy).</p> <p>The Diversity Policy entrusts the Board with the responsibility for designing and overseeing the Diversity Policy.</p> <p>Under the Diversity Policy, the Board is:</p> <ul style="list-style-type: none"> • required to develop initiatives that will promote and achieve diversity goals; • responsible for reviewing this diversity policy and will assess the status of diversity within the Company and the effectiveness of this policy in achieving the measurable objectives which have been set to achieve diversity; and • responsible for assessing the effectiveness of the Company's diversity objectives each year.

<p>Recommendation 1.6 A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Under the Board Charter, each Director's performance is assessed when standing for re-election. Before each annual general meeting, the Chairperson of the Board assesses the performance of any Director standing for re-election and the Board will determine their recommendation to shareholders on the re-election of the Director (in the absence of the Director involved). The Board (excluding the Chairperson), will conduct the review of the Chairperson.</p>
<p>Recommendation 1.7 A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Under the Board Charter, senior executives' performance will be considered by the independent Directors in a meeting separate to the Board meetings. The Chairperson is responsible for ensuring independent Director meetings take place on a regular basis.</p>
<p>Principle 2 – Structure the board to add value <i>A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.</i></p>	
<p>Recommendation 2.1 The board of a listed entity should:</p> <ul style="list-style-type: none"> (a) have a nomination committee which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director; and disclose (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. 	<p>The Board has adopted a remuneration committee charter, which together with any other resolutions of the Board from time to time, sets out the authority and power to exercise the roles and responsibilities of the Nomination and Remuneration Committee (Nomination and Remuneration Committee Charter).</p> <p>Due to the size of the board and the Company's operations at present, a separate Nomination and Remuneration Committee has not been established. Matters and functions normally assigned to the committee will be dealt with and discharged by the Board as whole, pending the establishment of a stand-alone committee.</p> <p>The Nomination and Remuneration Committee Charter is available on the Company's website.</p>

<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The Board has not, at this time, adopted a board skills matrix. However, the Company will seek to have directors with an appropriate range of skills, experience and expertise and an understanding of and competence to deal with current and emerging issues of the business. In addition, the Company's succession plans are designed to maintain an appropriate balance of skills, experience and expertise on the Board.</p>
<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director. 	<p>Out of the proposed Board members, Michael Gallagher and Katrina Vanstone are each considered to be independent Directors.</p> <p>The Board will regularly assess the independence of each Director in light of the interests disclosed by them. That assessment will be made at least annually at, or around the time, that the Board considers candidates for election to the Board, and each independent Director is required to provide the Board with all relevant information for this purpose.</p> <p>If the Board determines that a Director's independent status has changed, that determination will be disclosed to the market in a timely fashion.</p>
<p>Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p>	<p>The Board currently consists of one non-independent executive and two independent, non- executive Directors.</p>
<p>Recommendation 2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>The proposed Chairperson of the Board will be Michael Gallagher, who is an independent, non- executive Director. It is proposed that Angus Geddes will be the executive Director.</p>
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>Under the Board Charter, the Directors are expected to participate in any induction or orientation programs on appointment, and any continuing education or training arranged for them.</p> <p>The Company Secretary will help to organise and facilitate the induction and professional development of Directors.</p>

Principle 3 – Act ethically and responsibly

A listed entity should act ethically and responsibly.

Recommendation 3.1

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

The Board has adopted a code of conduct (**Code of Conduct**) which sets out the values, commitments, ethical standards and policies of the Company and outlines the standards of conduct expected of the Company's business and people, taking into account the Company's legal and other obligations to its stakeholders.

The Code of Conduct will apply to all Directors, as well as all officers, employees, contractors, consultants, other persons that act on behalf of the Company, and associates of the Company.

The Code of Conduct is available on the Company's website.

Principle 4 – Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1

The board of a listed entity should:

- (a) have an audit committee which:
 - (i) has at least three members, all of whom are non- executive directors and a majority of whom are independent directors; and
 - (ii) is chaired by an independent director, who is not the chair of the board,

And disclose:

- (iii) the charter of the committee;
- (iv) the relevant qualifications and experience of the members of the committee; and
- (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board has adopted an audit and risk committee charter, which together with any other resolutions of the Board from time to time, sets out the authority and power to exercise the roles and responsibilities of the Audit and Risk Committee (**Audit and Risk Committee Charter**).

Due to the size of the board and the Company's operations at present, a separate Audit and Risk Committee has not been established. Matters and functions normally assigned to the committee will be dealt with and discharged by the Board as whole, pending the establishment of a stand-alone committee.

The Audit and Risk Committee Charter is available on the Company's website.

<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The Board will implement a process to receive written assurances from its CEO and Chief Financial Officer that the declarations that will be provided under section 295A of the Corporations Act 2001 (Cth) are founded on a system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks.</p> <p>The Board will seek these assurances prior to approving the annual financial statements for all half year and full year results that follow.</p>
<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>The Company has adopted a formal Disclosure and Communication Policy, where there is an express requirement that the external auditor will attend the AGM and be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.</p>
<p>Principle 5 – make timely and balanced disclosure</p> <p><i>A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.</i></p>	
<p>Recommendation 5.1</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it. 	<p>Consistent with the Board's commitment to improving its disclosure policy, the Board has adopted a Disclosure and Communication Policy, which sets out the Company's commitment to the objective of promoting investor confidence and the rights of shareholders by:</p> <ul style="list-style-type: none"> • complying with the continuous disclosure obligations imposed by law; • ensuring that company announcements are presented in a factual, clear and balanced way; • ensuring that all shareholders have equal and timely access to material information concerning the Company; and • communicating effectively with shareholders and making it easy for them to participate in general meetings. <p>The Disclosure and Communication Policy is available on the Company's website.</p>

Principle 6 – Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

The Company recognises the rights of its shareholders and other interested stakeholders to have easy access to balanced, understandable and timely information concerning the operations of the Group. The Chief Executive Officer and the Company Secretary will be primarily responsible for ensuring communications with shareholders are delivered in accordance with this strategy and with its current market disclosure policy.

The Company strives to communicate with shareholders and other stakeholders in a regular manner as outlined in Principle 5 of this statement. However as stated above, for a period, the Company did not communicate with shareholders and other stakeholders in a timely manner.

Information concerning the Company and its governance practices will be made available on its website in due course.

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

As mentioned above under Recommendation 5.1, the Board has adopted a Disclosure and Communication Policy which supports its commitment to effective communication with its shareholders. In addition, the Company intends to communicate with its shareholders:

- by making timely market announcements;
- by posting relevant information on to its website;
- by inviting shareholders to make direct inquiries to the Company; and
- through the use of general meetings.

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Board encourages participation of shareholders at the Annual General Meeting or any other shareholder meetings to ensure a high level of accountability and identification with the Company's strategy and goals.

	Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, issue of shares and changes to the constitution.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company's Shareholders may elect to receive information from the Company and its registry electronically. Otherwise, the Company and its registry will communicate by post with shareholders who have not elected to receive information electronically.
Principle 7 – Recognise and manage risk <i>A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</i>	
Recommendation 7.1 The board of a listed entity should: <ul style="list-style-type: none"> (a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. 	The Board has adopted an Audit and Risk Committee Charter, which together with any other resolutions of the Board from time to time, sets out the authority and power to exercise the roles and responsibilities of the Audit and Risk Committee which, amongst other things, is designed to ensure the Company has an effective risk management system in place and to manage key risk areas. Due to the size of the board and the Company's operations at present, a separate Audit and Risk Committee has not been established. Matters and functions normally assigned to the committee will be dealt with and discharged by the Board as whole, pending the establishment of a stand-alone committee. The Audit and Risk Committee Charter is available on the Company's website.
Recommendation 7.2 The board or a committee of the board should: <ul style="list-style-type: none"> (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place. 	Under the Board Charter, the Board will ensure that the Company has in place an appropriate risk management framework and will set the appetite within which the Board expects management to operate. The Board will regularly review and update the risk profile and ensure that the Company has an effective risk management system.

	As part of this process, the Board will review, at least annually, the Company's risk management framework in order to satisfy itself that it continues to be sound.
Recommendation 7.3 A listed entity should disclose: <ul style="list-style-type: none"> (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) (if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	<p>The Board is responsible for ensuring that the Company has appropriate internal audit systems and controls in place, and for overseeing the effectiveness of these internal controls. The Board will also be responsible for conducting investigations of breaches or potential breaches of these internal controls.</p> <p>In addition, the Board will be responsible for preparing a risk profile which describes the material risks facing the Company, regularly reviewing and updating this risk profile, and assessing and ensuring that there are internal controls in place for determining and managing key risks.</p>
Principle 8 – Remunerate fairly and responsibly <i>A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives to align their interests with the creation of value for security holders.</i>	
Recommendation 8.1 The board of a listed entity should: <ul style="list-style-type: none"> (a) have a remuneration committee which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met (vi) throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. 	<p>The Board has adopted a remuneration committee charter, which together with any other resolutions of the Board from time to time, sets out the authority and power to exercise the roles and responsibilities of the Nomination and Remuneration Committee (Nomination and Remuneration Committee Charter).</p> <p>Due to the size of the board and the Company's operations at present, a separate Nomination and Remuneration Committee has not been established. Matters and functions normally assigned to the committee will be dealt with and discharged by the Board as whole, pending the establishment of a stand-alone committee.</p>

	<p>Under the Nomination and Remuneration Committee Charter, the Board will develop, review and consider:</p> <ul style="list-style-type: none"> • the remuneration framework for directors, including the process by which any pool of directors fees approved by security holders is allocated to directors; • the remuneration packages to be awarded to senior executives; • equity based remuneration plans for senior executives and other employees; and • superannuation arrangements for directors, senior executives and other employees. <p>The Nomination and Remuneration Committee Charter is on the Company's website.</p>
<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors.</p>	<p>The Company's remuneration policy will be disclosed in the Directors' Report which forms part of the Annual Report. The policy has been set out to ensure that the performance of Directors, key executives and staff reflect each person's accountabilities, duties and their level of performance, and to ensure that remuneration is competitive in attracting, motivating and retaining staff of the highest quality. A program of regular performance appraisals and objective setting for key executives and staff is in place. These annual reviews take into account individual and company performance, market movements and expert advice.</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it. 	<p>The constitution permits directors, senior executives and other officers of the Company to trade in Company shares as long as they comply with the Company's Share Trading Policy. The Share Trading Policy is a code that is designed to minimise the potential for insider trading.</p>

	<p>Directors must notify the Chairman of the Board, before they buy or sell shares in the Company. If the Chairman of the Board intends to trade in the Company shares, the Chairman of the Board must give prior notice to the whole Board. The details of the share trading must be given to the Company Secretary who must lodge such details of such changes in with the ASX.</p> <p>Senior executives must give prior notice to the Chief Executive Officer, while other officers must notify the Company Secretary, before trading in the Company shares and details of all such transactions must be given, in writing, to the Company Secretary within 7 business days.</p> <p>Any changes in substantial shareholding of the Directors, senior executives or other officers must be reported to the ASX within 2 business days of such trading.</p>
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FAT PROPHETS GLOBAL CONTRARIAN FUND LTD

ACN 615 414 849

Financial Report

For the Period Ended 30 June 2017

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
FINANCIAL REPORT
For the Period Ended 30 June 2017

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**FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
CORPORATE DIRECTORY**

Directors:	Michael Gallagher Katrina Vanstone Angus Geddes
Company Secretary:	Brett Crowley
Investment Manager:	Fat Prophets Funds Management Pty Limited
Auditor:	PKF(NS) Audit & Assurance Limited Partnership Level 8, 1 O'Connell Street SYDNEY NSW 2000
Country of Incorporation:	Australia
Registered Office:	Level 3 22 Market Street SYDNEY NSW 2000
Share Registry:	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street ABBOTSFORD VIC 3067
ASX Code :	FPC
ACN:	615 414 849
Website:	www.fpcontrarian.com.au
Corporate Governance Statement:	http://fpcontrarian.com.au/wp-content/uploads/2017/08/Corporate-Governance-Statement.pdf

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 JUNE 2017

The directors present their report on Fat Prophets Global Contrarian Fund Limited ("the Company") for the period ended 30 June 2017.

Directors' Experience and Other Directorships

The following persons were directors of the Company during the whole of the financial period, and up to the date of this report (unless otherwise stated):

Michael Gallagher (appointed 19 October 2016)

Chairman and Non-executive director
Director - Alternative Investment Management Association
Director - Spinnaker Investment Management

Mr Gallagher has over 25 years financial markets experience. In 2009 Michael co-founded Kima Capital, an Australian based funds management business, which he later moved to Hong Kong before it was acquired. Prior to Kima, Michael headed Australasian Equities for Rand Merchant Bank, overseeing the Equity Trading, Derivative and Equity Funds Management businesses from 2005-2009. In the 10 years prior to this Michael was a director at Macquarie Bank heading up the structured retail equity derivative businesses in Australia, South Africa and also spent time with Macquarie in the UK. Whilst at Macquarie, Michael also was seconded to start up and run Equity Derivative Businesses at Standard Bank & Nedbank in South Africa.

Katrina Vanstone (appointed 19 October 2016)

Non-executive director

Katrina has worked in financial markets for 30 years, both in Australia and offshore, including such leading organisations as HSBC and Deutsche Bank. Katrina has extensive experience in foreign exchange, interest rates and credit markets across asset and liability portfolios. She has held roles in trading, sales and syndication. She has extensive experience in the wholesale debt and derivative markets with strong product knowledge across capital structures and debt raisings, risk management and hedging, and cash and currency management. Katrina is a serving Director on the Board of the Eastern Suburbs District Rugby Union Football Club.

Angus Geddes (appointed 19 October 2016)

Executive director

Angus is the portfolio manager of the Manager with primary responsibility for the investment decisions and strategy of the Company. Angus is currently the CEO of Fat Prophets, overseeing the domestic and offshore businesses and taking an active involvement in the management of investment portfolios, as well as overseeing the publication of the daily newsletter. During his career, Angus has worked as a money market dealer in New Zealand, and a financial consultant in the United Kingdom and the United States. Moving to Australia in 1996, Angus worked for five years as a stockbroker at Bankers Trust and JB Were before co-founding Fat Prophets in June 2000.

Attendance at Meetings

Board of Directors Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
Michael Gallagher	4	4
Katrina Vanstone	4	4
Angus Geddes	4	4

Audit Committee Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
Michael Gallagher	1	1
Katrina Vanstone	1	1

Directors' Interests in Shares and Options

The relevant interests of the directors and their related entities in the securities of the Company as at 30 June 2017 were:

Director	Number of Shares	Number of Options
Michael Gallagher	0	0
Katrina Vanstone	0	0
Angus Geddes	281,918	281,918
Angus Geddes <Fat Prophets A/c>	650,000	650,000

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 JUNE 2017

Principal Activities of the Company

The Company's principal activity is to invest predominantly in a concentrated portfolio of listed securities from global equity markets, with the objective of providing long-term capital growth.

Review of Operations

The performance of the Company, as represented by the results of its operations, was as follows:

	For the period 19 October 2016 to 30 June 2017 \$'000
Profit/(loss) before income tax	222
Income tax (expense)/benefit	(72)
Profit/(loss) for the period attributable to shareholders	<u>150</u>

Please refer to the Statement of Profit or Loss and Other Comprehensive Income for further details.

The invested position of the Company as at 30 June 2017 is held as to 93% in equity securities and 7% in cash and cash equivalent assets. The invested position is recognised on the balance sheet in cash and cash equivalents, financial assets held at fair value through profit or loss, and interest bearing liabilities.

Dividends

No dividends will be made in respect of the period ending 30 June 2017.

Details of the Plan can be found on the Company's website (under ASX announcements):

Net Assets

As at 30 June 2017 the net assets of the Company were \$48,383,000. Please refer to the Statement of Financial Position for further details.

State of Affairs

During the financial period there were no significant changes in the state of affairs of the Company.

Events Subsequent to Balance Date

No matter or circumstance has arisen since the end of the financial period that has significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial periods.

Indemnification of Officers

The Company has indemnified directors and officers for any actions that may arise as a result of acting in their capacity as directors and officers of the Company in respect of:

- a) Liability to third parties when acting in good faith; and
- b) Costs and expenses of defending legal proceedings and ancillary matters.

The terms of the policy preclude disclosure of the premium.

Environmental Regulations

The Company's operations are not subject to any significant environmental regulations.

Remuneration Report

This remuneration report sets out information about the remuneration of the Company's directors for the period ended 30 June 2017, under the requirements of Section 300A(1) of the Corporations Act 2001.

Key management personnel

The directors and other key management personnel of the Company during the whole of the period, and up to the date of this report are (unless otherwise indicated):

Michael Gallagher	Chairman	(appointed 19 October 2016)
Katrina Vanstone		(appointed 19 October 2016)
Angus Geddes		(appointed 19 October 2016)

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 JUNE 2017

Remuneration Report (continued)

Directors' Remuneration

The Company has a Nomination and Corporate Governance Committee which reviews and advises the Board on the composition of the Board and its committees.

Directors' base fees are set out in the Constitution at a maximum of \$125,000 combined per annum.

Directors' remuneration received or receivable for the period ended 30 June 2017 was:

Director	Directors' fees \$	Superannuation \$	Total \$
Michael Gallagher	10,233	-	10,233
Katrina Vanstone	7,674	-	7,674
Angus Geddes	-	-	-
	17,907	-	17,907

Proceedings on behalf of the Company

There are no proceedings that the directors have brought, or intervened in, on behalf of the Company.

Non-Audit Services

Details of amount paid or payable to the auditor for non-audit services provided during the period by the auditor are outlined in Note 9(b) to the financial statements. The directors are satisfied that the provision of non-audit services during the period by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Comparative information

The Fund was constituted on 19 October 2016 and commenced its operations on 21 March 2017. The reporting period covers the period from 21 March 2017 to 30 June 2017 hence there is no comparative information.

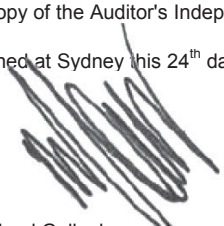
Rounding of amounts

Amounts in the Directors' report have been rounded to the nearest thousand, or in certain cases to the nearest dollar in accordance with ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, unless otherwise indicated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

Signed at Sydney this 24th day of August 2017, in accordance with a resolution of the Board of Directors by:



Michael Gallagher
Chairman

Auditors' Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Fat Prophets Global Contrarian Fund Ltd

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2017, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF
Chartered Accountants

Sydney

Dated: 24 August 2017



SCOTT TOBUTT
Partner

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2017

	Note	For the period from 19 October 2016 to 30 June 2017 \$'000
Investment income		
Interest		49
Dividends		227
Gains/(losses) on investments held at fair value through profit or loss		131
Gains on foreign exchange		407
Total revenue/(loss)		814
Expenses		
Management fees	9 (a)	178
Performance fees	9 (a)	82
Directors' fees		18
ASX fees		112
Insurance		12
Audit fees	9 (b)	21
Transaction costs	12	136
Legal and tax advice		14
Share registry fees		6
Other operating expenses		13
Total expenses		592
Profit/(loss) before income tax		222
Income tax (expense)/benefit	7 (a)	(72)
Profit/(loss) after income tax		150
Other comprehensive income		-
Total comprehensive income/(loss) attributable to shareholders		150
Basic earnings/(loss) per share	10	0.34 cents
Diluted earnings/(loss) per share	10	0.34 cents

This Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements which follow.

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 \$'000
Assets		
Cash and cash equivalents	4	40,357
Receivables	5	108
Prepayments		31
Financial assets held at fair value through profit or loss	2(e)	45,017
Deferred tax assets	7(c)	282
TOTAL ASSETS		85,795
Liabilities		
Payables	6	181
Interest bearing liabilities	4	37,098
Deferred tax liabilities	7 (c)	133
TOTAL LIABILITIES		37,412
NET ASSETS		48,383
SHAREHOLDERS' EQUITY		
Share capital	8	48,233
Retained profits		150
TOTAL SHAREHOLDERS' EQUITY		48,383

*This Statement of Financial Position should be read in conjunction with
the Notes to the Financial Statements which follow.*

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017

	Note	Share Capital \$'000	Retained Profits/ (Losses) \$'000	Total Equity \$'000
Balance on date of incorporation		-	-	-
Total comprehensive income for the period		-	150	150
Subtotal		-	150	150
Transactions with owners in their capacity as owners				
Shares issued	8	48,747	-	48,747
Costs of share issue net of deferred tax impact	8	(514)	-	(514)
Subtotal		48,233	-	48,233
Balance at 30 June 2017		48,233	150	48,383

*This Statement of Changes in Equity should be read in conjunction with
the Notes to the Financial Statements which follow.*

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017

	Note	For the period from 19 October 2016 to 30 June 2017 \$'000
Cash flows from operating activities		
Purchase of investments		(45,852)
Proceeds from sale of investments		964
Dividends received		202
Interest received		44
Realised FX gains/losses		(210)
Management fees paid		(127)
Other operating expenses		(392)
Net cash outflow from operating activities	11	(45,371)
Cash flows from financing activities		
Net proceeds from the issue of shares in relation to the IPO		47,798
Proceeds from the issue of shares associated with the exercise of options		215
Net cash inflow from financing activities		48,013
Effects of exchange rate changes on cash and cash equivalents		617
Net increase/(decrease) in cash and cash equivalents		3,259
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period	4	3,259

*This Statement of Cash Flows should be read in conjunction with
the Notes to the Financial Statements which follow.*

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD

ACN 615 414 849

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2017

1. General information and summary of significant accounting policies

Fat Prophets Global Contrarian Fund Limited ("the Company") is a listed investment company incorporated in Australia. The Company was incorporated on 19 October 2016. The registered office and principal place of business of the Company is Level 3, 22 Market Street, Sydney NSW 2000.

These general purpose financial statements are for the period ended 30 June 2017. This is the first reporting period for the Company as the Company commenced trading operations on 21 March 2017. The financial statements were authorised for issue by the directors on 24 August 2017.

The Company will be managed in accordance with the Constitution and investment objectives as detailed in the Replacement Prospectus dated 16 January 2017. The Manager is Fat Prophets Funds Management Pty Ltd, ACN 615 545 537, an Authorised Representative of Fat Prophets Pty Ltd (AFSL 229183).

A summary of the material accounting policies adopted by the Company in the preparation of the financial statements is set out as below:

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. For the purposes of preparing financial statements, the Company is a for-profit entity.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The financial report has been prepared on a going concern basis in accordance with the historical cost convention except where otherwise identified in Note 2.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities.

The Company manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

(b) Financial instruments

(i) Classification

The Company's investments are classified as held at fair value through profit or loss. They comprise:

- Financial instruments held for trading

Derivative financial instruments such as futures, foreign exchange forward contracts, options and interest rates swaps are included under this classification. The Company does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in listed equity securities. The fair value through profit or loss classification is available for the majority of financial assets held by the Company and the financial liabilities arising from the units must be fair valued.

Financial assets and liabilities designated at fair value through profit or loss at inception are those managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy as outlined in the Prospectus. The Company's policy is for the Investment Manager to evaluate information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition and derecognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets and financial liabilities from this date. Other financial assets and liabilities are recognised on the date they originated.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

1. General information and summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement

- Financial instruments held at fair value through profit or loss

At initial recognition, the Company measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of profit or loss and other comprehensive income in the period in which they arise.

- Loans and other receivables

Loans and receivables are measured initially at fair value plus transaction costs, which are subsequently amortised as per the effective interest rate method, less impairment losses, if applicable. Such assets are reviewed at each reporting date to determine whether there is any indication of impairment.

- Other financial assets and liabilities

Management considers that the carrying amount of cash and cash equivalents, other receivables and amounts due from, brokers approximate fair value.

(c) Investments

Fair value in an active market

The Company values listed investments at last quoted sale price. However, at balance date it assesses the difference between that price and the last bid/(ask) price for each long/(short) quoted investment, to determine whether another price within the bid/(ask) price spread is more representative of fair value.

Fair value in an inactive or unquoted market

The fair value of investments that are not traded in an active market are determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Company competes for funds and is regulated. The Australian dollar is also the Company's presentation currency.

(ii) Transactions and balances

Transactions during the period denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, are translated at the exchange rate prevailing at the balance date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss. Net exchange gains and losses arising on the revaluation of investments are included in gains on investments.

Hedging may be undertaken in order to minimise possible adverse financial effects of movements in exchange rates. Hedging gains or losses are included as part of gains/(losses) on foreign exchange.

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

1. General information and summary of significant accounting policies (continued)

(e) Revenue/income recognition

Interest income and expenses, including interest income and expenses from non-derivative financial assets, are recognised through profit or loss as they accrue, as per the effective interest rate method of the instrument calculated at the acquisition date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity on an effective interest rate basis. Interest income is recognised on a gross basis, including any withholding tax, if applicable.

Dividend income relating to exchange traded equity is to be recognised through profit or loss on the ex-dividend date with any related foreign withholding tax recognised as an expense.

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlement basis through profit or loss on the day distributions are announced.

(f) Expenses

All expenses, including performance fees and investment management fees, are recognised through profit or loss on an accruals basis.

(g) Dividend policy

The Company may pay dividends to Shareholders from earnings generated from its operating activities to the extent permitted by law and in accordance with prudent business practices. Such dividends will be franked to the extent that available imputation credits permit. It is anticipated the Company will not pay dividends for the first 18 months post listing and the board will then review the dividend policy with a preference to paying annual dividends.

(h) Income tax

Under current legislation, the Company is subject to income tax at 30% on taxable income. A capital gains tax concession may be available to investors where certain requirements are met.

The Company may incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in profit or loss.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on the corporate tax rate. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

(i) Goods and services tax ("GST")

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australia Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of the amount of GST receivables or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as a liability in the Statement of Financial Position.

(k) Receivables

Receivables may include amounts for dividends, interest and securities sold. Dividends are receivable when they have been declared and are legally payable. Interest is accrued at the balance date from the time of last payment. Amounts receivable for securities sold are recorded when a sale has occurred.

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

1. General information and summary of significant accounting policies (continued)

(l) Payables

These amounts represent liabilities for amounts owing by the Company at period end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Derivative financial instruments

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to financial derivatives are included in profit or loss as part of gains/(losses) on investments.

(n) Amounts due/to from brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by period end. Trades are recorded on trade date, and normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Company will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, and the probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

(o) Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(p) Share option reserve

The share option reserve includes the amount received on issue of options, net of option issue costs. This reserve is adjusted, with a corresponding entry to share capital, on exercise of options. At the expiration of the option period, the portion of the reserve relating to unexercised options is transferred to share capital.

(q) Earnings per share

Undiluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding for the period from the date of listing to balance date.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares and potential ordinary shares (options) outstanding during the period.

(r) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of some assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant, and reasonable under the circumstance. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The methods used in the valuation of investments are set out in Note 1(c) to these financial statements.

(r) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting period and have not been early adopted by the Company. The directors' assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations is set out below:

- AASB 9 *Financial Instruments* (and applicable amendments) (effective for financial periods beginning on or after 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The Standard is available for early adoption. The directors do not expect this Standard to have a significant impact on the recognition and measurement of the Company's financial instruments as they are carried at fair value through profit or loss, and will remain so under the new Standard.

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

1. General information and summary of significant accounting policies (continued)

(r) New standards and interpretations not yet adopted (continued)

- AASB 15 *Revenue from Contracts with Customers* (effective for financial periods beginning on or after 1 January 2018)

AASB 15 will replace AASB 118 Revenue which covers contracts for goods and services and AASB 111 Construction Contracts which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Company's main sources of income are interest, dividends and distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

- AASB 16 *Leases* (effective from 1 January 2019)

The standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset. The income statement will also be affected because the total expense is typically higher in the earlier periods of a lease and lower in later periods. Additionally, operating expense will be replaced with the interest and depreciation, so key metrics like EBITDA will change. The accounting by lessors will not significantly change. Management is currently assessing the impact and the implication of the new standard to its operational and financial results and has not yet decided when to adopt AASB 16.

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(s) Rounding of amounts to the nearest thousand dollars

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollar, unless otherwise indicated.

(t) Comparative period

The Company was constituted on 19 October 2016 and commenced its operations on 21 March 2017. The reporting period covers the period from 21 March 2017 to 30 June 2017 hence there is no comparative information.

2. Financial risk management

(a) Objectives, strategies, policies and processes

The Company's Investment Strategy is to construct a leveraged portfolio made up of a concentrated number of positions across a range of asset classes using the most appropriate investment instrument. The Company should not be seen as a predictable, low risk investment. The Company's investments will be concentrated across a small number of positions, the value of which will fluctuate on a daily basis and the Company is therefore considered to have a higher risk profile than cash assets.

The Company's activities are exposed to different types of financial risks. These risks include market risk (including currency risk, and price risk) and credit risk. The Company may employ derivative financial instruments to hedge these risk exposures in order to minimise the effects of these risks. The use of derivatives is an essential part of proper portfolio management and is not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset of the Company against a fluctuation in market values or foreign exchange rates or to reduce volatility;
- as a substitute for physical securities;
- adjusting asset exposures within the parameters set in the investment strategy;
- adjusting the duration or the weighted average maturity of fixed interest portfolios.

The use of short selling and derivatives may indirectly leverage the Portfolio on a gross basis.

(b) Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate. These fluctuations can be caused by market volatility, interest rates, economic cycles, political events and levels of economic growth, both global and domestic. The Company is materially exposed to two different types of market risks, namely foreign currency risk and price risk. Market risk exposures are assessed and minimised through employing established investment strategies.

The Company has a focused portfolio and, due to the concentrated nature of the Company's investments, considerable short term volatility may be experienced. The Company may also short specific securities that, in the opinion of the Investment Manager, are overvalued. All of the portfolio positions are subject to research and peer group review and if appropriate opportunities cannot be found the Company will hold cash until new opportunities arise.

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ACN 615 414 849
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

2. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign currency risk

Foreign currency risk is the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Company holds assets denominated in currencies other than the Australian dollar (the functional currency) and is therefore exposed to foreign currency risk when the value of assets denominated in other currencies fluctuates due to movements in exchange rates.

The Company may enter into foreign exchange forward contracts both to hedge the foreign exchange risk implicit in the value of portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities. The terms and conditions of these contracts rarely exceed one period and the level of hedging will depend on the Investment Manager's expectation of future currency exchange rate movements.

The terms and conditions of these contracts rarely exceed one period and the level of hedging will depend on the Investment Manager's expectation of future currency exchange rate movements.

As the nature of these contracts is to hedge the international investment activities of the Company, they are accounted for by marking to market at balance date in a manner consistent with the valuation of the underlying securities. The currency position of the Company is monitored on an ongoing basis by the Investment Manager.

The Company's portfolio in different currencies at balance date is summarised below:

\$'000	Australian Dollars A\$'000	US Dollars A\$'000	Euro Dollars A\$'000	Great Britain Pounds A\$'000	Japanese Yen A\$'000	Hong Kong Dollars A\$'000	Total A\$'000
2017							
Assets							
Cash and cash equivalents	40,357	-	-	-	-	-	40,357
Financial assets at fair value through profit or loss:							
Listed securities	7,299	11,321	4,866	1,332	13,691	6,508	45,017
Receivables	111	9	(2)	(1)	(9)	-	108
Prepayments	31	-	-	-	-	-	31
Deferred tax assets	282	-	-	-	-	-	282
Total assets	48,080	11,330	4,864	1,331	13,682	6,508	85,795
Liabilities							
Interest bearing liabilities	-	11,452	4,829	1,507	13,241	6,069	37,098
Payables	181	-	-	-	-	-	181
Deferred Income tax payable	133	-	-	-	-	-	133
Total liabilities	314	11,452	4,829	1,507	13,241	6,069	37,412
Net assets	47,766	(122)	35	(176)	441	439	48,383

Foreign currency sensitivity

A sensitivity of 10 per cent has been selected to account for the current level of exchange rate volatility observed in the market. As at reporting date, the Australian dollar to United States dollar (AUD/USD) exchange rate was 0.7671 and the Australian dollar to Hong Kong dollar (AUD/HKD) exchange rate was 5.9879. As the Hong Kong dollar is pegged to the US dollar, any movement in the US dollar is likely to result in a movement of a similar proportion in the Hong Kong dollar. As at reporting date, had the Australian dollar weakened/(strengthened) by 10% against the US dollar with all other variables held constant, assuming that the Hong Kong dollar follows the US dollar, the net assets attributable to shareholders would have been \$283,157 higher/(\$346,154) lower.

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NOTES TO THE FINANCIAL STATEMENTS
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2. Financial risk management (continued)

(b) Market risk (continued)

(ii) Price risk

Price risk is the risk that the fair value of financial instruments will fluctuate, whether those changes are specifically related to an individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is primarily exposed to price risk for its investments in listed securities. The price risk of securities is dependent upon the financial circumstances of the companies in which the securities are purchased, including their profits, earnings and cash flows. The return on a security's investment may also be affected by the quality of company management, the general health of the sector in which it operates and government policy.

In cases where financial instruments are denominated in currencies other than the Australian dollar, future prices will also fluctuate because of changes in foreign exchange rates. Refer to Note 2(b)(i) for the management of foreign currency risk. Some securities present a risk of loss of capital and, except where equities are sold short, the maximum exposure resulting from financial instruments is determined by the fair value of those instruments. Potential losses from equities sold short can be unlimited.

The Investment Manager's security selection process is fundamental to the management of price risk. When considering taking a position, whether long or short, the price at which it is established is a critical element within the overall process and includes the use of technical, peer group and market analysis together with adequate diversification to reduce the impact of a negative return on any one position.

The Company's overall market positions are monitored on an ongoing basis by the Investment Manager.

The Company's net equity exposure as at 30 June 2017 is set out below:

Industry Groups	2017
Consumer services	25%
Banks	16%
Software and services	14%
Energy	6%
Media	6%
Materials	9%
Insurance	5%
Diversified Financials	15%
Capital Goods	4%
Total	100%

Price sensitivity

The directors of the Company believe that it is difficult to accurately estimate future returns. Equity market returns can be volatile and returns from period to period often have a wide variance. As such, the Company uses a long term performance average, rather than a short term performance number, when estimating sensitivity to price risk. The longer return average takes into consideration the full market cycle, whereas an estimate based solely on last period's performance is likely to be misleading when the market cycle shifts.

As at reporting date, if the listed security prices in the portfolio had increased/(decreased) by 1% with all other variables being constant, this would have increased/(decreased) the net assets attributable to shareholders by approximately +/- \$450,017. The impact of price movements in currency contracts is unlikely to have a significant impact on the Company.

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2. Financial risk management (continued)

(c) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations (i.e. default in either whole or part) under a contract causing the Company to make a financial loss.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of assets and liabilities as they are marked to market at balance date.

The Investment Manager minimises the Company's concentrations of credit risk by adopting a number of procedures, including the following:

- Undertaking transactions with a large number of counterparties on recognised and reputable exchanges;
- Ensuring that these counterparties together with the respective credit limits are approved.

The contractual credit risk of assets is represented by the net payments or receipts that remain outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The Company does not hold any collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired as at balance date.

The Company has appointed Deutsche Bank as Prime Broker to the Company. Deutsche Bank is subject to regulatory oversight and capital requirements imposed by the Australian Securities and Investments Commission. As at the date of this report, Deutsche Bank has a credit rating of A+ (S&P) for long term and a rating of A-1 for short term debt.

The terms of the Prime Broker Agreement provide that the Fat Prophets Global Contrarian Fund utilise custodial assets for its own lending and financing purposes (including to borrow, lend, charge, re-hypothecate, and dispose of) up to, but not exceeding, 180% of the value of the Company's outstanding liabilities with Deutsche Bank. These assets are owned by Deutsche Bank in its Prime Broker capacity. Under the terms of the Prime Broker Agreement, Deutsche Bank is obliged to return to the Company the equivalent custodial assets irrespective of what transpires between it and any third party with whom the Fat Prophets Global Contrarian Fund has transacted.

Cash holdings with Deutsche Bank are not subject to this arrangement and are always considered to be held by Deutsche Bank in its Prime Broker capacity.

As at balance date, the maximum value of the Company's gross assets available to the Fat Prophets Global Contrarian Fund for its lending and financing activities is \$48,383,000. Under the Prime Broker arrangements in place, the amount does not require disclosure by the Fat Prophets Global Contrarian Fund. The maximum net exposure to the Prime Broking activities of Deutsche Bank, after offsetting the Company's outstanding liabilities with \$48,383,000 approximates \$3,366,000 as at balance date. The credit position of the Company is monitored on an ongoing basis by the Investment Manager.

The credit position of the Company is monitored on an ongoing basis by the Investment Manager.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Company's investment in financial instruments, which under market conditions are readily convertible to cash. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements. Accordingly, the entity is not considered to be exposed to material liquidity risks in relation to its financial instruments.

Maturity analysis for financial liabilities

Financial liabilities of the Company comprise trade and other payables which have no contractual maturities but are typically settled within 30 days.

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2017

2. Financial risk management (continued)

(e) Fair value measurements

The Company measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis.

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

(i) Fair value in an active market (Level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) Recognised fair value measurements

The table below presents the Company's financial assets and liabilities measured and recognised at fair value as at 30 June 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2017				
Financial assets at fair value through profit or loss:				
Listed securities	45,017	-	-	45,017
	45,017	-	-	45,017

3 Segment information

Identification of reportable operating segments

The Company is organised into one main operating segment with the key function of the investment of funds internationally. AASB 8: *Operating Segments* requires disclosure of revenue by investment type and geographical location, which is outlined below:

	2017 \$'000
(a) Investment Income by investment type	
Equity securities - dividends	227
Total	227
(b) Investment Income by geographical area	
Europe - Euro	49
Europe - Other	3
Hong Kong	131
Asia ex Hong Kong	19
North America	25
Total	227

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FOR THE PERIOD ENDED 30 JUNE 2017

4. Cash and cash equivalents and interest bearing liabilities

	2017 \$'000
<i>Cash and cash equivalents</i>	
Cash at bank (custodian) - AUD	40,357
	40,357
<i>Interest bearing liabilities</i>	
Overdraft at custodian	(37,098)
	<u>3,259</u>

Overdraft at Custodian is a cash facility offered by the Custodian.

5. Receivables

	2017 \$'000
Interest receivable	5
Dividends receivable	25
GST receivable	78
	<u>108</u>

6. Payables

	2017 \$'000
Management fees payable	51
Performance fees payable	81
Recoverable fees payable	49
	<u>181</u>

7. Income tax

(a) Income tax expense

The aggregate amount of income tax attributable to the financial period differs from the amount of income tax that would be payable by the Company if its taxable income for the period were equal to the amount of the profit before income tax. The difference between these amounts is explained as follows:

	2017 \$'000
Profit/(loss) for the period before income tax expense	222
Prima facie income tax expense calculated at 30%	68
Tax impact of withholding tax paid that cannot be claimed as a credit	4
Income tax expense/(benefit)	<u>72</u>

Income tax expense/(benefit) comprised of:

Current tax liability	-
Deferred tax liability	72

(b) Tax effects of items credited to equity

Amounts credited to equity in relation to the income tax effect of amounts recognised in equity:

	2017 \$'000
Share capital	-
Initial public offering listing fee	220
	<u>220</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2017

7. Income tax (continued)

(c) Deferred tax

Deferred tax asset on current period realised/(taxable) loss	282
Deferred tax asset on costs associated with the IPO	184
Deferred tax liability on investments	(115)
Deferred tax liability on unrealised foreign exchange gain	(185)
Deferred tax liability on dividends	(7)
Deferred tax liability on interests	(10)
Total deferred tax asset /(liability)	149

8. Share capital and share option reserve

Shares

There is a single class of ordinary shares on issue. For all shares issued in accordance with the Prospectus dated 16 January 2017 an option was also issued. The amount paid by each shareholder was allocated between the share and the option based on relative market prices on the first day of trading. Costs of fundraising were allocated between shares and options on the same basis.

Each Share confers on its holder equal voting rights and to share equally in dividends and any surplus on winding up.

Subject to the *Corporations Act 2001* and the Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

Movements in share capital during the period are set out below:

	2017 Shares	2017 \$'000
Ordinary shares - fully paid, net of IPO costs, net of tax	44,315,377	48,233

Movement in ordinary share capital

	Date/Month	2017 Shares	2017 \$'000
Balance on incorporation date	19 October 2016	100	-
Shares issued under the IPO	March 2017	44,315,277	48,747
Options exercised - issue of shares			
Sub-total		44,315,377	48,747
Less costs of shares issued in relation to the IPO, net of tax (see breakdown below)		-	(514)
		44,315,377	48,233

Costs of shares issued in relation to the IPO, net of tax, transferred to equity

At 30 June 2017, the Company incurred the following fees in relation to the IPO that were transferred to equity:

	2017 \$'000
Listing Cost	734
Sub-total	734
Less current and future period tax deductions	(220)
Total costs of shares	514

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NOTES TO THE FINANCIAL STATEMENTS
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8. Share capital and share option reserve (continued)

Substantial share holders

The top twenty shareholders as at 30 June 2017 were:

Shareholder	Unitholding
Mr David Allen Parker & Mrs Helen Thirza Jane Parker <Parker Super Fund A/c>	1,000,000
Fat Prophets Pty Ltd	650,000
Citicorp Nominees Pty Ltd <DPSL A/c>	525,454
Miei Ragazzi Pty Ltd <Uguccione S/F A/c>	450,000
J P Morgan Nominees Australia Limited	381,900
Danielle Gibson	363,600
Douglas Bruce MacDonald	360,000
Bernard Jackson Super Co Pty Ltd < B Jackson Super Co A/c>	300,000
Mr Eugene James Uguccione	300,000
Lindsay Investments Pty Ltd	250,000
Claydon Super Pty Ltd <Claydon Super Fund A/c>	227,000
Dillmar Pty Ltd <Petmar Family Pen Plan	200,000
Mrs Margaret Helen Howard & Mr William John Howard <WJ & MH Howard SF A/c>	200,000
Mr Gerald Maurice Sachse & Mr Peter Brian Sachse <Gerald Super Fund A/c>	200,000
KME & CHTK Fong Pty Ltd <KME and CHTK Fong SF A/c>	187,800
David & Anita Catalini <Catalini Family A/c>	182,000
M&L McCauley Investments Pty Ltd	182,000
Mr Abraham Lester & Mrs Dorothy Lester <A and D Lester SF A/c>	181,800
Nicholas James Galante & Kerry Maria Galante	180,000
Narecol Pty Ltd <Super Fund A/c>	180,000

Options

Under the Offer outlined in the Replacement Prospectus dated 16 January 2017, the Company offered one option for every one Share subscribed for, exercisable on any business date after granting of the options on 17 March 2017.

The terms and conditions of the options were as follows:

- An option may be transferred or transmitted in any manner approved by ASX;
- An option may be exercised by the registered holder of the option, and a share in the Company issued, with payment to the Company of \$1.10 per option being exercised;
- An option may be exercised on any business day from the date of grant provided the option holder buys back in by 17 March 2018

Movement in options that are still outstanding was as follows:

Details	Options	2017 \$'000
Options issued under the IPO	44,315,277	-
Options issued during the period	-	-
Options exercised, and related transfer to share capital	-	-
Reclassification to issued capital on expiration of options	-	-
Costs of share issue net of deferred tax impact	-	-
Options on issue at end of the period	44,315,277	-

Capital Management

The Company's objectives for managing capital are to invest the capital in investments meeting the description, risk exposure and expected return as indicated in the Company's Replacement Prospectus dated 16 January 2017.

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NOTES TO THE FINANCIAL STATEMENTS
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8. Share capital and share option reserve (continued)

Substantial option holders

The top twenty option holders as at 17 March 2017 were:

Mr David Allen Parker & Mrs Helen Thirza Jane Parker <Parker Super Fund A/c>	1,000,000
Fat Prophets Pty Ltd	650,000
Citicorp Nominees Pty Ltd <DPSL A/c>	520,454
Mr Eugene Uguccione & Mr Grant Crooks <Uguccione S/F A/c>	450,000
Danielle Gibson	363,600
Douglas Bruce MacDonald	360,000
Pershing Australia Nominees Pty Ltd <Accum A/c>	318,218
Bernard Jackson Super Co Pty Ltd < B Jackson Super Co A/c>	300,000
Mr Eugene James Uguccione	300,000
Lindsay Investments Pty Ltd	250,000
Claydon Super Pty Ltd <Claydon Super Fund A/c>	227,000
Bex Investments Limited	200,000
Mr Gerald Maurice Sachse & Mr Peter Brian Sachse <Gerald Super Fund A/c>	200,000
Mrs Margaret Helen Howard & Mr William John Howard <WJ & MH Howard S/F A/c>	200,000
KME & CHTK Fong Pty Ltd <KME and CHTK Fong S/F A/c>	187,800
David & Anita Catalini <Catalini Family A/c>	182,000
M&L McCauley Investments Pty Ltd	182,000
Davies Family Superannuation <Davies Family S/F A/c>	181,900
Mr Abraham Lester & Mrs Dorothy Lester <A and D Lester S/F A/c>	181,800
Narecol Pty Ltd <Super Fund A/c>	180,000

9. Expenses

(a) Fees paid to the Investment Manager

The Company has appointed Fat Prophets Funds Management Pty Limited as the Investment Manager. A summary of the fees (GST exclusive) charged by the Investment Manager is set out below.

(i) Management fee

The Investment Manager is entitled to be paid a management fee equal to 1.25% p.a. of the Portfolio Net Asset Value. The management fee is calculated and accrued on the last day of each month and paid within 20 days of the end of the month.

(ii) Performance fee

At the end of each quarter, the Investment Manager is entitled to receive a performance fee of 20% (plus GST) of the difference between the Net Portfolio Value at the end of the relevant period and highest Net Portfolio Value of any preceding period.

The formula for the Performance Fee is outlined below:

$$PF = 0.20 \times (CNPV - PNPV + D - NC)$$

Where:

PF = the amount of the Performance Fee;

CNPV is the Net Portfolio Value on the last business day of the relevant quarter;

PNPV is the higher of:

(i) the Net Portfolio Value on the last business day of the immediately preceding quarter; and

(ii) the previous highest Net Portfolio Value calculated under this formula;

D is the aggregate of all dividends or other distributions in respect of all Shares paid or payable to Shareholders, or the value of entitlements other than cash dividends or distributions where those other entitlements are given or due to Shareholders, on a pre-tax basis, where the Shares were quoted 'ex' dividend, distribution or other entitlement on the ASX in respect of such dividend, distribution or other entitlement at any time during the quarter;

NC is the aggregate dollar value of any new capital subscribed for Shares during the quarter (including dividend reinvestments and exercise of options), calculated at the subscription price for that new capital less the costs incurred in raising that new capital less the aggregate dollar value of any buy-back of Shares or capital reduction or capital return during the quarter

If PF is a negative number, no Performance Fee is payable in respect of that quarter.

The Performance Fee shall be paid to the Manager within twenty (20) days of the end of each quarter.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

9. Expenses (continued)

(b) Auditor's remuneration

During the year the following fees were paid or payable for services provided by PKF, the auditor of the company:

	2017 \$
Audit and review of the financial statements	20,500
Tax compliance services	2,500
IPO Due Diligence	
Independent accountant report and tax services	27,000
	50,000

10. Earnings per share

Weighted average number of ordinary shares used in the calculation of basic earnings per share 44,315,377

Basic earnings/(loss) per share (cents) 0.34

Weighted average number of shares used in the calculation of diluted earnings per share 44,315,377

Diluted earnings/(loss) per share (cents) 0.34

In the calculation of diluted earnings per share, options are not considered to have a dilutive effect, as the average market price of ordinary shares of the Company during the period did not exceed the exercise price of the options.

11. Reconciliation of Net profit/(loss) after income tax to Cash Flow from Operating Activities:

	For the period ended 30 June 2017 \$'000
Net profit/(loss) after income tax	150
Purchase of investments	(45,852)
Proceeds from sale of investments	964
Net gains/(losses) on investment	(131)
Net gains/(losses) on foreign exchange	(617)
Changes in assets and liabilities:	
Decrease/(increase) in prepayments	(31)
Decrease/(increase) in receivables	(108)
(Decrease)/increase in tax benefits to equity	220
Increase in deferred tax assets	(282)
Decrease in deferred tax liabilities	133
(Decrease)/increase in payables	183
Net cash outflow from operating activities	(45,371)

12. Investment transactions

The total number of securities transactions entered into the during the reporting period, together with total brokerage paid during the reporting period was:

Number of transactions - 99

Total brokerage paid - \$134,077 (\$120,270 on purchases and \$13,807 on sales).

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2017

13. Investment Portfolio

All investments below are ordinary shares, unless stated otherwise:

	Unit holding	Fair Value A\$'000
Australia		
Fairfax Media Limited	2,400,000	2,640
QBE Insurance Group Limited	175,000	2,067
Mantra Group Ltd	850,000	2,593
Total Australia		7,299
Europe - Euro		
Bolsas Y Mercados Espanoles SHMSF SA	60,000	2,821
Bankia SA	325,000	2,045
Total Europe - Euro		4,866
Europe - Other		
Fresnillo PLC	12,000	302
Auto Trader Group Plc	160,000	1,030
Total Europe - Other		1,332
Hong Kong		
Wynn Macau	809,600	2,466
MGM China Holdings Ltd	797,600	2,312
Sands China	289,600	1,729
Total Hong Kong		6,508
Japan		
BANK OF KYOTO LTD/THE	100,000	1,230
Mitsubishi UFJ Financial Group	201,500	1,765
Fanuc Limited	6,400	1,608
Sumitomo Mitsui Financial Group	34,000	1,728
Mizuho Financial Group	682,000	1,625
Murata Manufacturing	9,400	1,862
Minebea Co Ltd	80,000	1,675
Sony Corp	44,200	2,198
Total - Japan		13,691
North America		
Coeur D'alene Mines Corp	60,000	671
Helca Mining Co	90,000	598
ICICI Bank Ltd - Spon ADR	154,000	1,801
HDFC Bank LTD - ADR	16,000	1,814
Baidu.com Sponsored ADR's	15,000	3,498
Reliance Inds - Spons GDR 144A	40,000	2,211
Arcos Dorados Holdings Inc	75,000	728
Total North America		11,322
Total		45,017

14. Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions, and are as follows:

- The compensation arrangements with the Directors and Executive Directors (refer to Directors' Remuneration below);
- The interests in the Company held directly or indirectly by the Directors and Executive Directors (refer to remuneration report included in the directors' report); and
- The Management Agreement between the Company and the Investment Manager (refer to Note 9 for details of fees paid to the Investment Manager). Angus Geddes is Director of the Investment Manager.

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

14. Related party transactions (continued)

Directors Remuneration

Directors' remuneration received or receivable for the period ended 30 June 2017 was:

Director	Directors' fees \$	Superannuation \$	Total \$
Michael Gallagher	10,233	-	10,233
Katrina Vanstone	7,674	-	7,674
Angus Geddes	-	-	-
	17,907	-	17,907

15. Contingencies

As at 30 June 2017, the Manager was not aware of any liabilities or gain or loss contingencies considered material, individually or in aggregate, that were required to be accrued or disclosed.

16. Commitments

As at 30 June 2017, the Manager was not aware of any commitments considered material, individually or in aggregate, that were required to be accrued or disclosed.

17. Events subsequent to reporting date

No significant events have occurred since the reporting period which would impact on the financial position of the Company disclosed in the consolidated statement of financial position as at 30 June 2017 or on the results and cash flows of the Company for the period ended on that date.

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
DIRECTORS' DECLARATION
FOR THE PERIOD ENDED 30 JUNE 2017

- 1 In the directors' opinion:
 - (a) the financial statements and notes set out on pages 9 to 25 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the period ended on that date; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.
- 3 The directors have been given by the Executive Director and Chief Financial Officer the declarations for the period ended 30 June 2017 required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Michael Gallagher
Chairman

Sydney, NSW
24 August 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FAT PROPHETS GLOBAL CONTRARIAN FUND LTD

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Fat Prophets Global Contrarian Fund Ltd (the company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

In our opinion, the financial report of Fat Prophets Global Contrarian Fund Ltd is in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Valuation and existence of investments

Why significant

As at 30 June 2017, the carrying value of financial assets was \$45,016,597 which represented 93% of the company's Net Assets, as disclosed in Note 2(e) and Note 13 of the financial report.

The financial assets consist of Australian and International equities held at fair value through profit and loss. Accordingly, the fluctuations in investment valuation are recognised in the statement of profit or loss and other comprehensive income.

Given the nature and principal activity of the company being to invest in listed securities, combined with the quantum of investments held, we have identified that the valuation and existence of these investments to be a key audit matter.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Performing a reconciliation of the investments balance from inception, additions and subtractions of purchases, sales and other relevant transactions and agreed to the 30 June 2017 balance.
- Agreeing investment quantity holdings at 30 June 2017 to independent third party sources.
- Agreeing all the listed equities investment prices to independent market pricing sources.
- Obtaining a report on whether the control over investment purchases and sales transactions were suitably designed and operated effectively for the period and assessed the report.

2. Accuracy and completeness of management and performance fees

Why significant

For the period ended 30 June 2017 the company has recognised management fees of \$177,978 and performance fees \$81,961 as disclosed in Note 9(a) of the financial report.

The management and performance fee calculations are based on the portfolio Net Asset Value and made with related parties therefore heightening the inherent risk associated with these balances.

Given the nature of the various inputs and complexity of the management and performance fee calculations, we have determined that the accuracy and completeness of these balances to be a key audit matter.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Recalculating management fees recognised in accordance with the terms outlined in the prospectus.
- Recalculating performance fees recognised in accordance with the terms outlined in the prospectus.
- Tested key inputs used in the calculation of the management and performance fees and performed a reasonableness assessment.
- Assessed the adequacy of the disclosure of the management and performance fees in the financial report.

Other Information

Other information is financial and non-financial information in the annual report of the Company which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the period ended 30 June 2017.

In our opinion, the Remuneration Report of Fat Prophets Global Contrarian Fund Ltd for the period ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



PKF



SCOTT TOBUTT
PARTNER

24 AUGUST 2017
SYDNEY

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