ASX ANNOUNCEMENT

Sydney, 13th February, 2018: Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

Pre-tax and post-tax net tangible asset backing per share in the Global Contrarian Fund as at 31 January 2018 **increased 3.78%** and **2.74%** respectively, net of fees, to **$1.2767** and **$1.2245** on the previous month's net tangible asset backing. Markets got off to a very strong start in 2018 with sentiment buoyed by synchronised global growth and the approval of tax cuts in the US, coupled with many US multi-nationals announcing they would be repatriating billions of dollars in cash.

With most indices overextended however, we had been expecting a correction, albeit not as swift and as sharp as what occurred in the first week of February. We foreshadowed a 5% - 10% correction at the end of last year, and after a rapid downward adjustment, markets are ripe for a bounce this week. However, it maybe some time later this year before the January highs are exceeded. Having said that we are definitively in the camp which sees last week's equity market action as being corrective as investors acclimatise to high levels of volatility and higher interest rates.

	31-Jan-18	31-Dec-17	Change
Pre Tax NTA	1.2767	1.2302	3.78%
Post Tax NTA	1.2245	1.1919	2.74%

In the first week of February the market was rattled by strong US jobs data that showed wage growth accelerating, which could fuel inflationary pressures and see interest rates rise faster than expected. The yield on the 10 Year T Bond has moved decisively above long term historical resistance at 2.6/2.7% and we are of the view that this could be the beginning of a secular bear phase in the fixed income markets. **We subsequently commenced shorting longer dated bonds in a number of markets in January.**

The volatility and ensuing selloff of all three major indices in the US led subsequently to the worst week in two years. February has been characterised by the "baby being thrown out with the bathwater" with panic set in and **volatility spiked 115%** with the VIX hitting 50 at one stage and the US indices sustaining sharp losses. S&P 500 index closing down 4.1% while the Dow Jones fell 4.6% and the Nasdaq was down 3.8%. All the gains accruing in January has subsequently been reversed with the indices now in negative territory for the year.

We see the volatility settling down, particularly with fundamentals still remaining robust with the global economy growing and profit growth ongoing in the corporate sector. However the "goldilocks" with very low volatility accompanied by record low interest rates are over in our view, as the markets begin to prepare for more normalised financial conditions. **But there is opportunity in uncertain times.**

Turning to the portfolio and changes made throughout January include increasing our exposure to gold, reducing our exposure in Australia and introducing several short positions to the Fund. Stand out performers were Australian and UK financial platform business **Praemium (+17.7%)** and the Macau casino stocks, with both **Wynn Macau (+11.5%)** and **Sands China (+15.5%)** having solid performances driven in turn by a sharp

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increase in gross gaming revenues over the month. However running into the end of January, Wynn Macau came under pressure as news emerged of CEO and Chairman Steve Wynn's embroilment in allegations of sexual misconduct. Mr Wynn has denied the allegations, but has since resigned which in turn will mitigate risks associated with any further fallout.

Japanese stocks added significantly to net gains over the month, with **Mitsui Fudosan (+13.2%)** and **SMC Corp (+15.4%)** putting on double digit gains, and **solid performance from Sony as well as the major banks** which the Fund holds. **Nissha Printing (-13.6%)** on the other hand weighed as investors unwound overbought conditions in smart phone component suppliers. The fund maintains its strong weighting in Japan, where around 39% of the portfolio is invested.

We remain bullish on Japan which like other markets has corrected overbought conditions in recent weeks. The recent sharp declines in the Nikkei and TOPIX indices however need to be held in perspective, having only just pushed above major historical resistance levels that has effectively capped the stock market since the early 1990s.

The Fund's two largest positions at the end of January were Wynn Macau and MGM China, which have both experienced impressive share price growth over the past few months. While some concern after news that China is drafting rules to allow gambling on Hainan Island (a southern province) we see no challenge to Macau's dominance as the premier gaming and entertainment precinct

Steve Wynn has now stepped down as CEO of the parent company of Wynn Macau - Wynn Resorts - and the Nasdaq-listed **shares bounced 8% on the news**. We don't believe this development will materially impact the company with leadership passed to Matthew Maddox, who is a veteran who has been with the Wynn Group since inception. Gross gaming revenues in Macau continue to climb and we see the transition away from overly reliance on VIP to mass market gathering momentum. Rising discretionary incomes in China are spreading from the major cities to the still sizeable mid-tier cities and this will underpin a surge in consumer spending on travel, entertainment and recreation.

Praemium had a strong run in January after reporting a 37% year on year gain in Funds under Administration at the end of the December quarter to $7.4 billion. Both the UK and Australian divisions performed well with gross inflows of more than $750 million, the highest on record. Global stock market strength has also played its part in lifting FUA higher with gains of 6.7% for the ASX200 and 4.2% for the FTSE100 over the quarter. Praemium has a very high degree of operating leverage with relatively fixed costs and rapidly growing free cashflow, which the market has recognised. We expect further strong gains in the year ahead with the Separately Managed Account market in Australia and the UK.

As **robotic technology** continues to improve, the industry is transitioning into a high growth sector. Besides the potential of labour cost savings, benefits of automation and robotics include a faster speed to market for products, quality stability, safety (i.e. reducing human exposure to high-risk work) and making things that cannot be processed manually, which is an increasing range of products. **Fanuc and SMC are our favoured plays** in this space. Fanuc recently crossed the 500,000th robot milestone late last year. Industrial robotics demand - the area where Fanuc's excels - is anticipated to grow at a more rapid 13% compound annual growth rate (CAGR) over the next few years.

In January Fanuc reported second quarterly results which saw a change in product mix and higher volumes lead to a rise in gross profit margins. Operating incomes surged 55.8 percent to ¥56.9 billion and was far ahead of management forecasts which prompted a guidance upgrade. Operating margins for the quarter increased to 31.8% from 28.2% last year and have been recovering since hitting a cyclical low of 25.0% back in 3Q16. Fanuc is one of our larger positions in Japan, with the stock up 13.2% over January.

One of our core holdings, Walt Disney reported earnings that beat Wall Street's estimates, although concerns linger around subscriber erosion with ESPN, the sports network. However we remain focused on what the streaming service will offer when it is launched within two years. **Disney** has been busy working on its **own streaming service** to go head to head to with rivals Netflix and Amazon Prime, which should be formidable considering the resources that the combined Disney / Fox can bring to the table.

Exclusive content that holds appeal, and lots of it, is what is needed to entice viewers to the Disney/Fox service come launch in 2019 and they have a good chance of being able to deliver. Disney is looking to rollout the streaming service in North America first, before releasing overseas. However in terms of original content, the most alluring exclusive TV show being developed is a Star Wars branded TV series (made just for streaming).

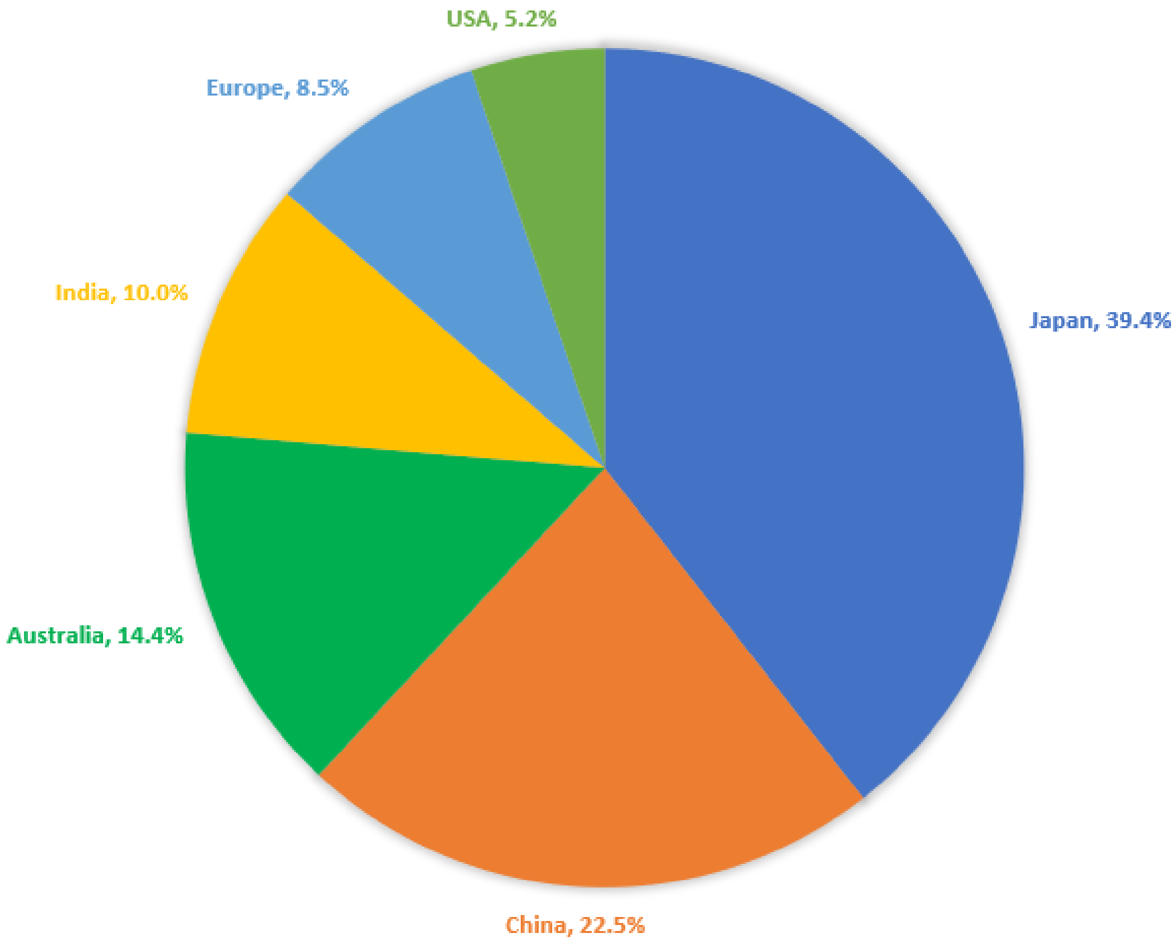
The Game of Thrones production team have been hired to drive that. We can also expect many other TV shows to emerge and whilst some analysts have expressed doubts that Disney will want to move its clean brand away from Children's focused content, Fox will no doubt be used a channel for this.

Disney will also look to extract more from its brands such as Marvel and Monsters Inc. as well with shows and TV serials being under development. There is an animated Monster Inc. TV series under development, along with a Marvel live-action title series, and a High School Musical show. The word on the street is that each one will cost between $25-35 million for 10 episodes, while a particularly ambitious project could be capped at $100 million.

As at the end of January the Fund had **leverage of 42.3%**, with 18% gross geographical exposure in Australia and 14.4% net after adjusting for short sells.

Top 10 Holdings	31 January 2018	Country
WYNN MACAU LTD	7.4%	China
MGM CHINA HOLDINGS LTD	7.4%	China
THE WALT DISNEY COMPANY	5.8%	USA
SONY CORP	5.7%	Japan
SUMITOMO MITSUI FINANCIAL GROUP	5.3%	Japan
BAIDU INC	5.3%	China
RELIANCE INDUSTRIES LTD	5.2%	India
MITSUBISHI UFJ FINANCIAL GROUP	4.8%	Japan
PRAEMIUM LTD	4.3%	Australia
QBE INSURANCE	4.2%	Australia

GEOGRAPHIC EXPOSURE AS AT 31 JANUARY 2018



Chief Investment Officer
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