ASX ANNOUNCEMENT

Sydney, 10th May, 2018: Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

The month of April was a very positive one for the fund. Pre-tax and post-tax net tangible asset backing per share in the Global Contrarian Fund as at 30 April 2018 **increased 6.04%** and **4.25%** respectively, net of fees, on the previous month, to **$1.1937** and **$1.1669**.

	30-Apr-18	31-Mar-18	Change
Pre Tax NTA	1.1937	1.1257	+6.04%
Post Tax NTA	1.1669	1.1193	+4.25%

A strong performance in April saw a significant portion of the downside in February and March reversed. One of the best quarters for corporate earnings in the US helped boost the S&P500 and global indices from oversold levels. **With the US economy providing a robust framework for the corporate profits we held the view that the indices would rally from oversold levels. The solid reporting season proved to be the catalyst that shifted investor focus back onto fundamentals and valuation** with the S&P500 now priced on a prospective 2019 multiple of less than 16X.

Worries over inflation, interest rates, trade & tariffs and geopolitical tensions were pushed aside and sentiment recovered following the corrective selloff that began back in February. The solid reporting season lays the foundation for an extension of the rally into May.

Nearly 80% of the 417 S&P 500 companies which have reported so far have beaten profit estimates which is well above the long-term average of 64% and the average of 75% over the past four quarters. **And 75% of companies reported revenue above expectations, compared to 60% in a typical quarter.** Aside from Caterpillar (whose management believe the earnings cycle has peaked) CEOs were generally very upbeat about the outlook - the best in decades - which may see growth momentum maintained well into the June quarter.

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While caution has been back on the table following the volatility 'shock' and sharp correction in February and March which fractured confidence, value has emerged, and is being identified. Indeed, this is personified by contrarian investor Warren Buffett who has stepped up and acquired more Apple despite concerns over slowing iPhone sales.

Technically, the S&P500 is converging within a triangle trading range. **These patterns are typically resolved definitively to the upside or the downside**. With a strong quarterly reporting season largely out of the way now - we are adhering to the scenario that the S&P500 will not only hold up with valuation support but resolve itself with a topside break some time over the next few weeks or months.

Valuation is not the issue, with the S&P500 priced on a forward multiple of less than 16X. Earnings momentum is going to be important and that is what the market will focus on as we move towards the end of the second quarter. **One argument can be made that the peak in the earnings cycle has been seen and that the current bull market is overextended. However, we would argue and contend that this cycle is somewhat different – in that it follows the aftermath of the GFC - which was the deepest global recession since the Great Depression.**

The economic recovery is different in this cycle and will possibly extend for at least another year or so. What we saw in February was really a game of "musical chairs" – with no-one wanting to be left standing when the music stops. **This positions the markets at a 'crossroads' waiting for the next significant catalyst, but with "risk" now repriced back into global equities along with a possible growth slowdown, we think the next move is going to be up.**

We believe that the strong sequence of earnings releases confirms the underlying strength of the economy (US and global) and will help "trump" recent fears over trade wars, rising bond yields, and geopolitical tensions.

The US Dollar Index rallied during the month and is pushing above resistance at 92 for the first time since January and we think this confirms a near term reversal pattern. **Rising interest rate differentials between the US and the rest of the world are finally playing catch up in the markets as global capital flows change direction.** Near term, this will weigh on commodity markets and precious metals but over the longer run, the Fund is positioned for a bull market in gold and silver.

Any corrective selloff in precious metals could blow over quickly as **"inflation emerges from the shadows" as the 'other story' that markets may focus on in the second half of the year.** We therefore <u>see any correction in the precious metals as a buying opportunity to add to existing positions.</u>

The good news for the stock market is **that equities are a generally a "safer harbour" when inflation begins to rise -** and bank stocks in particular are a principal beneficiary of a steeper yield curve and higher long-term interest rates. <u>We are positioned in the banking sector globally but with an emphasis on Japanese and Spanish banks</u> which are amongst the cheapest on a price to book basis.

<u>Both the US and the Global economy</u> continue to enjoy some of the best synchronized growth conditions in decades. The underlying composition of equity portfolios needs to be addressed now however. **Some sectors are simply going to do much better than others in a higher inflationary/interest rate environment.**

<u>The transition for the stock market to a higher interest rate and inflationary environment</u> **is not going to be ''all beer and skittles".** We think the transition will lead to not only higher "normalized" levels of volatility, but by definition, a time of "opportunity" as the craze for index hugging ETFs give way to "old fashioned" sector and stock picking. Accordingly, we have been working hard to put together a framework to shape our portfolio for what we think is about to come down the line.

Gold and gold equities should do well, and we have increased our exposure in Coeur Mining and we added recently the Van Eck Junior gold miners ETF (GDXJ) in the US. <u>2018 could be shaping up to as a **"golden year"** for the precious metals.</u> With **inflationary pressures beginning to pick up with the tightest employment conditions in years**, not to mention surging producer price inflation as commodities rise (particularly oil), the stage is set for gold to make a big "comeback" this year.

Gold priced in US$

Gold is perched just below key historical resistance at $1350/$1375 (see above) and seems to be poised waiting for a certain catalyst. **Recently the greenback has recovered in line with rising US interest rate differentials with the rest of the world and this has held the gold price back.** This relationship could prove to be ephemeral and we may well find that even a stronger US dollar will not stop gold and other precious metals from rising. In Australian dollars, the A$ gold price is well above A$1700 and is also poised to challenge the record high of around A$1800. **We own a number of Australian precious metal producers including Evolution Mining.**

Gold priced in A$

Turning to the portfolio and **changes made** in the month of **April** included selling **Reliance Industries**, **State Bank of India** and Spanish bank, **Bankia** to reallocate capital to US listed **Coeur Mining** and the **Van Eck Junior gold miners ETF** (GDXJ) as discussed earlier.

Standout performers for the Fund during the month came from **Praemium** (+19.6%), **Baidu Inc** (+12.4%) and our Macau Casino stocks **Sands China** (+8.4%), **MGM China** (+7.1%), and **Wynn Macau** (+6%). Stocks that weighed on the portfolio included robotics maker **Fanuc**, lens producer **Sunny Optical** and **Nissha Printing**.

Praemium has continued to perform operationally the March quarterly update confirmed that **inflows were up 39% on the previous quarter to $671 million**, the third highest on record. Funds under administration (FUA) have now reached a record $7.8 billion. This is impressive, particularly given the inflows held up even as the markets corrected during the quarter.

We remain very positive about the company's prospects with the domestic and international business units performing very well. Praemium has maintained a competitive advantage through a commitment to innovation and product development. The newly launched International SMA should underpin further gains in Australia, while the company's UK business has also made strategic progress and is on the cusp of profitability.

Baidu performed well following the release of quarterly numbers that exceeded analyst expectations. The core advertising business is performing after plateauing a few years ago while heavy investment in artificial intelligence (AI) and autonomous driving will establish new revenue streams in the future.

Baidu's video streaming business, **iQiyi**, recently undertook an IPO on the New York Stock Exchange, raising almost $2.3 billion. **Baidu has retained a majority stake in iQiyi**, a business that has been referred to as the Netflix of China. iQiyi revenues surged more than 50% year-on-year in the first quarter of 2018. The company's total revenues hit RMB 20.9 billion ($3.33 billion) in 1Q18 representing a 31% year-on-year increase.

The Funds two largest positions at the end of April were **Wynn Macau** and **MGM China**. April was another strong month for the **Macau casinos** according to numbers released from Macau's Gaming Inspection and Coordination bureau. Gambling revenue surged 27.6% year-on-year to approximately 25.7 billion patacas (US$3.18b) in April, marking the 21st consecutive month of year-on-year increases in the world's biggest gaming precinct. Wynn Macau, MGM China and Sands China had excellent first quarter results which boosted share prices.

Year-to-date gaming revenue of 102.24 billion patacas represents a 22.2% increase on the comparable period of 2017. Macau is enjoying a strong recovery in business from the VIP high roller segment, but is also benefitting from a growing mass-market opportunity. Under authorities' direction, concession holders have built new casinos and resorts that are more family oriented. **The future looks bright given Macau's proximity to the fast-growing outward-bound tourism market from Mainland China, combined with a continued infrastructure buildout in Macau.**

Disney did not perform during March despite the recent quarterly profit result which significantly exceeded Wall Street's estimates. The market appears concerned about the company overpaying for Fox or losing out to Comcast. Despite these short term concerns, we believe the longer term outlook for Disney is robust as the company adapts to the new technology landscape, exploits it cast back catalogue and stable of brands and competes with the likes of Netflix in streaming content.

Netflix has a similar market capitalisation (but considerably less in the way of revenues and earnings) and yet Disney continues to sell for a significant discount to the S&P500. **We think this gap will begin to close this year.**

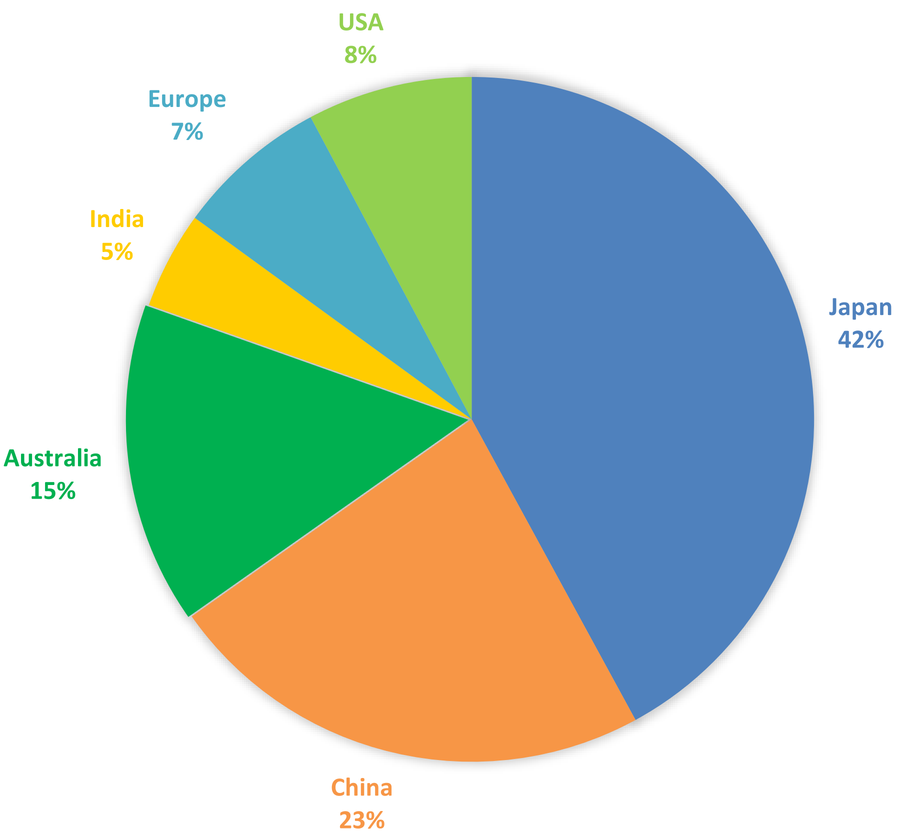
Despite the changing landscape for cable TV, content is king, and **Disney is a business with arguably the best portfolio of entertainment brands on the planet**, which seems to be getting stronger by the day. Two of the highest grossing blockbusters have been released in just the past 6 weeks with another potential one due in two weeks' time. Disney has an impressive track record in the monetisation of their content, and it is only a matter of time before the company delivers and distributes via a global streaming platform. We believe the company will continue generating significant returns from that ever-expanding portfolio for shareholders in the years ahead, and **that the new approach in going direct to the consumer will pay off in the future.**

The Fox acquisition will be a transformative one and a successful completion would cement Disney's position as the entertainment business with the best portfolio of in-house content in the world. Disney's Studio Entertainment division is in better shape than it has ever been. In fiscal 2017, it was up against a tough comparative period from the prior year but should return to growth in fiscal 2018, with a strong line-up coming to cinemas. **Disney makes for a compelling investment opportunity in our view.**

As at the end of April the Fund had **leverage of 55%.**

Top 10 Holdings	30 April 2018	Country
WYNN MACAU LTD	9.08%	China
MGM CHINA HOLDINGS LTD	7.66%	China
SONY CORP	6.84%	Japan
BAIDU INC	6.19%	China
THE WALT DISNEY COMPANY	6.19%	USA
SUMITOMO MITSUI FINANCIAL GROUP	5.74%	Japan
PRAEMIUM LTD	5.01%	Australia
MITSUBISHI UFJ FINANCIAL GROUP	4.98%	Japan
SANDS CHINA LTD	4.16%	China
MINEBEA CO LTD	3.96%	Japan

GEOGRAPHIC EXPOSURE AS AT 30 APRIL 2018



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