ASX ANNOUNCEMENT

Sydney, 14th November 2018: Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

The month of October proved a tumultuous one for the markets generally with the US **indices staging the largest monthly fall since the GFC in 2009.** Market conditions proved challenging with ongoing uncertainty on trade tensions, a more hawkish Federal Reserve and the associated upward movement of interest rates, concerns over peak growth, along with significant deleveraging and short selling by hedge funds. **The technology sector unsurprisingly was amongst the hardest hit.**

The S&P500 declined 7%, while the Nasdaq Composite lost over 9% during the month. In Asian markets, where the Fund has exposure to Japan and China, the Hang Seng fell 10% while the Nikkei was down 9%. Australia was better insulated, losing 6%. The Fund was positioned more defensively heading into October, but the magnitude of the sell-off was surprising and correspondingly the Fund lost around 8.8% in terms of the pre-tax NTA.

	31-Oct-18	30-Sep-18	Change
Pre-Tax NTA	1.0022	1.0992	(-8.8%)
Post Tax NTA	1.0304	1.0918	(-5.6%)

During the month the Fund took advantage of the volatility and added to core holdings in Sony, Nintendo, Collins Foods and Praemium.

At the end of October, the Fund was positioned for a significant bounce which has since materialised, with most of the major indices rallying significantly off their lows. This is also true of the Fund where to date a significant proportion of October's losses have been reversed.

So, how do we see the markets going forward and what is our playbook for the rest of the year?

With the mid-term elections out of the way in the US, another solid earnings quarter almost concluded, we believe **equity markets are structurally positioned to rally into December and January.** We expect **focus will increasingly return to valuation with the S&P500 priced at around 16X consensus estimates for 2019.**

The investment community is cashed up and deleveraged following Octobers' big fall, with liquidity now built up on the sidelines. There was also significant short positioning instated in October, so we see the sell side as being close to exhausted. The corporate sector is also likely to be very active in terms of initiating or reinstating buybacks. **This sets the market up structurally for a rally from October's low point, which is now underway.**

The focal point in November for global markets, and Asia in particular, is going to be the Summit that takes place later in the month between China and the US, and what or if anything can be agreed between the two Presidents. With the mid-term primaries now behind the markets, **our view is that**

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a compromise or at least a truce will be reached between the two sides, and this could provide further impetus for a sustained rally.

Collateral damage in the wake of the tariffs was initially suffered the heaviest by China, but in October, the US also received a wake-up call with the markets, and the technology sector breaking down badly. This should now provide at least some incentive to the Trump Administration to secure a deal with China and prevent any further damage spilling over into the real economy. We subsequently anticipate a change of sentiment on this issue and a strong finish to the end of the year, especially **with many investors positioned for a 'rolling bear market' that could develop into a 'short squeeze' as we head towards year-end.**

In terms of monthly performance attribution in the portfolio, Evolution was the best performer adding 43 basis points (bpts). The Fund's largest holding Collins Foods also added gains as did our exposure to gold (via the SPDR ETF) and the Junior Gold producer ETF (GDXJ).

Positive attribution

Company	**Country**	**Attribution (bpts)**
Evolution	Australia	43.0
Collins Foods	Australia	21.4
SPDR GOLD ETF	United States	11.1
Sumitomo Mitsui FG	Japan	7.8
QBE Insurance	Australia	7.2

On the negative side, Praemium, the Fund's second largest holding, corrected sharply in October, losing around 30% (and counting for nearly 2% of the Fund's total decline) while Baidu, Wynn Macau, Sony and Nintendo also weighed on performance. We are still comfortable with the long-term prospects of these companies and the Fund added to Nintendo, Sony and Praemium during the month.

Negative attribution

Company	**Country**	**Attribution (bpts)**
Praemium	Australia	190.1
Baidu	China	127.9
Sony	Japan	70.3
Nintendo	Japan	65
Wynn Macau	Hong Kong	43.7

Portfolio Positions

Ten-year US Treasury yields have hit the highest levels in 7 years during October, and it was not surprising that this triggered some angst amongst investors. This was one of the catalysts for the market sell down which occurred in early February. **We have however regularly put forward that a scenario of rising global interest rates is an inevitability**, with inflation potentially on the horizon, and central banks withdrawing stimulus and tightening monetary policy against a backdrop of tightening labour markets.

Higher interest rates in the US and globally are probable in our view and the markets will generally have to acclimatise to these factors – which could in turn instigate further volatility. The Fund is short ten-year US, Japanese and German bond futures, which benefited from rising interest rates during month, and we are aiming to add to these positions.

A steepening yield curve could actually bode well for a number of sectors, and this includes insurance stocks. Rising interest rates bolsters investment income, particularly for those companies with low-duration bond portfolios. **QBE Insurance is in this camp, and has a** close historic correlation with the 10-year US bond rate. Rising interest rates should therefore provide a tailwind to premiums. **We reinstated a top 10 position in QBE Insurance in September.**

The Fund's largest exposure, **Collins Foods** has committed to rolling out Taco Bell in Australia, with 50 new stores planned across three states between January 2019 and December 2021. The company is also looking to apply its proven recipe in the underpenetrated European market, having already launched in Germany and the Netherlands.

In NZ the KFC and Pizza Hut operator Restaurant Brands was subjected to a partial takeover in October, which has pricing implications for Collins Foods, given the similarity of the businesses, and that they both operate in Australia. Restaurant Brands has been one of the best performing shares in the NZ market in the past decade and we see Collins Foods having a similar trajectory. **The takeover of Restaurant Brands was fully priced at around 30X earnings, which will have positive valuation implications for CKF.**

The investment case for Collins is compelling, not just because of the Taco Bell opportunity and KFC rollout in Australia, but also because of the offshore growth angle in Europe following acquisitions in the Netherlands and Germany. **These European markets are where KFC is 'under-represented compared to the likes of Burger King and McDonalds – so significant growth potential exists.**

CEO Graham Maxwell said last month that the first Taco Bell store in Annerley was performing strongly, with three further restaurants planned in Robina, Cleveland and North Lakes before the end of calendar 2018. Collins is planning to fund the Taco Bell rollout from existing cash flows.

Disney held up very well compared to the broader market. The company is close to finalising the acquisition of most of Fox's entertainment assets. **We believe the Fox deal will be a game changer for the entertainment industry and will further cement Disney's position as the content king in the industry**, with the likes of its namesake studios, Pixar, Star Wars and Marvel churning out bundles of content. We can expect the combined Disney/Fox to also chase Netflix with a formidable streaming platform with new content.

Disney also unveiled its film release line-up for the next three years, with a strong line-up of potential blockbusters for both consumers and shareholders to look forward to. This continues a well-established trend, with Disney holding the crown as the world's top studio having dominated the Top 10 grossing global movies of all time (cornering half of the list) and **selling a cumulative $8.4 billion worth in movie tickets**.

Disney is clearly amidst its biggest transformation in decades, preparing for a major attack on the direct-to-consumer streaming space (boosted by the Fox acquisition). While there will be some near-term cost headwinds, **the transition will ultimately allow faster growth and lower associated costs.** The halo effect from its integrated model (the company's global theme parks are the most visited in the world) should see millions quickly sign up to new DTC platforms.

Gold and gold shares performed well last month – despite the US dollar holding up relatively well. **Evolution** added around 12%, while the Funds ETFs GOLD (physical gold) and GDXJ (Van Eck Junior Gold Producers) also performed. We are of the view that gold is in the early stage of cyclical bull phase that should gather momentum **as inflationary pressures ratchet higher next year.**

Globally central banks will be increasingly behind the 8-ball in controlling inflation, and signs of this came through with many developed economies hitting up against their **2% target rate. Japan was the notable exception, but still managed an annualised rate of well over 1%.**

Sony reported a strong result with a 6% year-on-year increase in quarterly sales to ¥2.18 trillion and operating income surging 17% to ¥239.5 billion, underpinned by strong activity from the PlayStation business. The company lifted its annual operating profit target by 30% to ¥870 billion ($7.7 billion), representing a new record if achieved. The new target surpasses the market forecast of ¥796 billion and **Sony expects its video gaming business to be the largest contributor, chipping in ¥310 billion of the total**.

That is impressive, as the PS4 console is nearing the end of its lifecycle. However, Sony is reaping big benefits through the cycle from high margin digital software sales and subscription services. The high growth global gaming market is worth annually $137.9 billion with over 2.3 billion active gamers.

Nintendo also reported strong results in the six months to 30 September along with the success of the hybrid Switch console, that boosted sales by 4% to ¥388.9 billion ($3.4 billion) while **operating profit jumped 32% to ¥91.9 billion.** The popular hybrid Switch consoles have a new online service that charges a subscription fee similar to Sony's and Microsoft. Nintendo's pricing is far lower than peers currently, at just US$20 (for a single subscription) per year. The service has performed strongly since being launched in September.

In Australia, we have an overweight position in **Telstra** which has defensive characteristics and we see improving industry dynamics, and growth angles through new technologies as being the key to the investment case. The market is also starting to focus on the value story, with the shares having endured a significant bear market in recent years.

We also believe that the rollout of 5G will be a big driver for Telstra. The telco announced that it has launched its 50th 5G enabled mobile site in Australia, having flagged plans to have 200 by the end of 2018. Telstra has 3.4GHz spectrum in metro and regional areas, and will be looking to build this in Sydney and Melbourne with the next auction in November.

The Fund's Macau casino operators were caught up in the October deleveraging as liquid Hong Kong names were sold to fund mainland China redemptions and margin calls, despite the fact that visitor arrivals to Macau grew to 2.56 million in September.

Mainland China visitors increased 5.7% to 1.82 million, but visitors from several other markets such as South Korea, Japan, Thailand and India were reportedly lower. Our long-term investment thesis remains intact with the rise of China's middle class and the corresponding growth in the premium and mass gaming segments. The mass-market is a higher margin business and less prone to be worried about Beijing's crackdowns or the volatility of VIP. We reduced our exposure to the Macau sector earlier this year but still hold a reasonable position in **MGM China, Wynn Macau** and **Sands China**.

The sector selloff seems an overreaction to what is a very short-term data point. Mainland China outward bound tourism is a freight train that is only getting started, with just 6% of the population having a passport. Macau is improving its infrastructure to cater to more traffic, the casinos have built world-class non-gaming attractions to supplement gaming and the Special Administrative Region of China is effectively on the doorstep of the mainland. The long-term prognosis is favourable.

We have maintained our holding in **Baidu** which saw some further selling pressure during October. The outlook is however favourable in our view, with the company a leader in Artificial Intelligence, and leveraging the deep pool of data it gathers from its hundreds of millions of users in China. We see the company as well placed to benefit as consumer and advertising spending ticks up in the years ahead, and as one of the biggest players in the evolution of China's broader internet opportunity.

Top 10 Holdings	**31 Oct 2018**	**Country**
Collins Foods	6.82%	Australia
Sony Corp	6.13%	Japan
Baidu	5.95%	China

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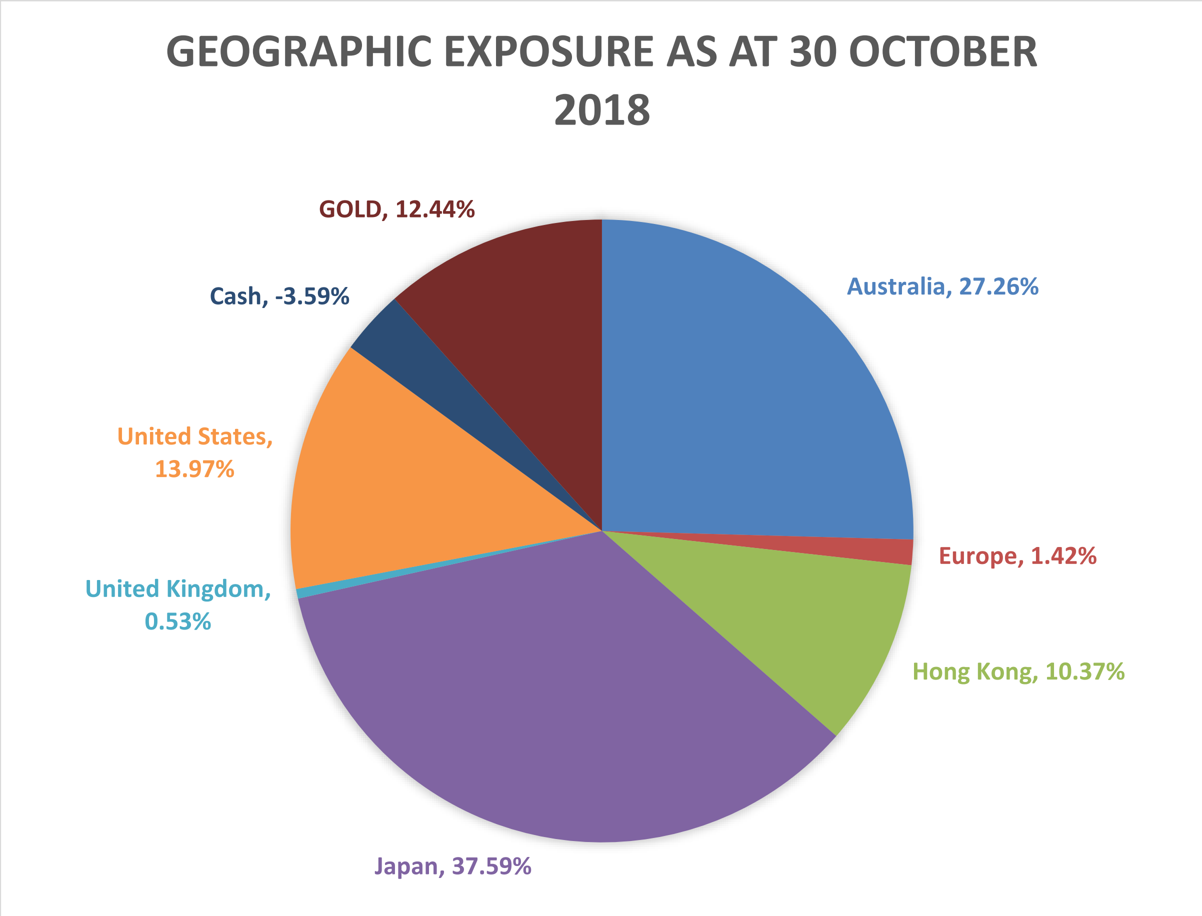
Telstra Corporation	5.81%	Australia
Walt Disney	5.73%	United States
Praemium	5.12%	Australia
SPDR Gold ETF	4.68%	United States
QBE Insurance	4.52%	Australia
Wynn Macau	4.33%	Hong Kong
Evolution Mining	4.30%	Australia



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