



ASX ANNOUNCEMENT

14 August 2020

Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

The estimated net tangible asset backing of the Fat Prophets Global Contrarian Fund improved in July. **Pre-tax and post-tax NTA closed at \$1.2440 and \$1.2087 for an increase of 9.97% and 7.34% respectively during the month of July.**

	31-July-20	30-June-20	Change
Pre-Tax NTA	1.2440	1.1312	9.97%
Post-Tax NTA	1.2087	1.1261	7.34%

Portfolio Performance

The outperformance was driven across the breadth of the portfolio which was unusual. Standout contributors to the Fund's performance was the precious metals exposure, of which **Harmony Gold and the Global Silver Miners ETF** added the most value.

Tencent and Tencent Music also contributed significantly after China's CSI300 broke out to the upside on signs the economy is recovering faster than expected. Tencent reported a strong profit result, while Tencent Music has been rerated by the market. **PowerHouse Energy** updated investors on its prototype waste to hydrogen plant, which was received well. The UK-listed stock continues to be re-rated by the market as the company moves closer to commercialisation of its technology.

The biggest contribution to performance came from the **Global X Silver Miners ETF**, which benefitted from silver prices reaching 10-year highs around \$29. **Harmony Gold** also rallied on the back of a firmer gold price. Alibaba was rerated after announcing plans to spin off its fintech division Ant Financial. **Praemium launched a friendly takeover for competitor Powerwrap.**

Positive Attributions

Company	Country	Attribution (bpts)
Global X Silver Miners ETF	United States	169.9
Harmony Gold Mining Company Ltd	United States	139.1
Alibaba Group Holding Ltd	China	107.3
Tencent Music Entertainment Group	China	65.1
Praemium Ltd	Australia	56.8

Negative Attributions

Detracting from performance, **China Oilfield Services** corrected in the face of weaker oil prices. The company is relatively insulated from oil, focusing on servicing major energy companies such as **Petrochina**. Elsewhere, **Vodafone Group** and **Coca Cola Amatil** reported disappointing earnings.

Company	Country	Attribution (bpts)
China Oilfield Services Ltd	China	36.2
Vodafone Group PLC	United Kingdom	27.4
Western Areas Ltd	Australia	23.3
Coca-Cola Amatil Ltd	Australia	20.3
Nintendo Co Ltd	Japan	12.9

Portfolio Changes and Market Outlook

Global stock markets continued to improve in July, with the S&P500 pushing up to within record highs, and the Nasdaq making new record highs, despite an ongoing resurgence of Covid19 infections. However, economic data continues to improve at a rapid rate, and share market valuations have been underpinned by a much better than expected reporting season, the bar for which was set quite low.

The global economy continues to be the recipient of government fiscal response measures. **These stimulus measures will continue to underpin the primary uptrend in stock markets in our view.** Liquidity and cash balances still remain high, and with zero to very low interest rates, equities stand out next to bonds and cash. **We note the yield on the US 10-year bond declined to just 50 basis points recently. With the recent explosion in M2 Money Supply,** our view is that the risk of an inflationary breakout is increasingly skewed to the upside. **Unlike 2008, the money printing measures implemented by central banks and governments are this time seeing the liquidity injected directly into the real economy and not stored on bank balance sheets which occurred ten years ago.**

Commodity and precious prices in particular, performed strongly in July, perhaps in anticipation of inflation emerging at some point in the future. **The other notable impact on the markets during July, was the decline in the US dollar,** which had direct positive bearing on both commodities and precious metals, but also emerging markets. Gold has been a significant driver of performance for the Fund, with gold and silver prices surging during the week. **Gold has pushed above US\$2000 an ounce for the first time in history, which has coincided with a record amount of fiscal and monetary stimulus from governments.**

We established a moderate position in UK listed **silver producer Fresnillo,** which operates a number of mines in Mexico and is that country's largest producer of gold and silver. Whilst the company has had some operational challenges in recent years that has led to underperformance relative to peers, **we believe that gap can now close. Fresnillo has made a number of operational improvements, and this is now coming through in recent earnings updates.**

Additionally, **silver has significantly lagged the gold price up until recent months, but this underperformance should now close as the bull market in precious metals broadens. Fresnillo should benefit from higher silver prices.**

We continue to hold a bullish outlook on precious metals, and gold and silver producers. While near term, gold and precious metals are possibly overbought, the growing number of

tailwinds will likely see gold and silver prices continue to rise further out in our view, particularly as governments continue to resort to money printing measures to offset the recession and a return to full employment. **Unlike 2008, the quantitative easing measures in this cycle are likely to manifest in the real economy, and ultimately create inflation.** The Fund has around 18% exposure to precious metals.

The Fund added to holdings in **Budweiser APAC**, at prices well down on last year's IPO. **Budweiser was impacted by the Covid lockdowns, which hurt sales in mainland China, but as the economy has reopened, sales revenues have rebounded strongly.** The company reported sharply improved revenues for the June quarter.

The Fund's holding in music streamer Spotify has performed strongly this year, with record subscribers being attracted during the lockdown period. **The Fund recently disposed of half its shareholding in Spotify at a good profit, and reinvested the proceeds in Time Warner Music, with the view that the music IP itself is undervalued and under-monetised.** The rise of the music streaming industry and reduction in piracy should see music intellectual property revalued in time. Time Warner, with around 80,000 artists on its label, should be a prime beneficiary.

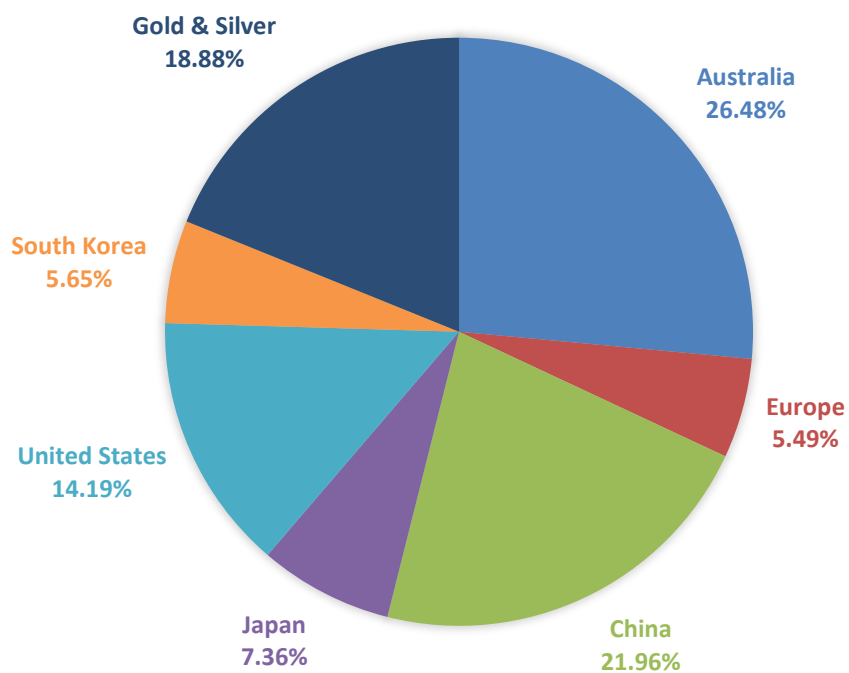
Some business are taking Covid in their stride more than others, and amongst these is KFC and Taco Bell operator Collins Foods. We met with management this week, and came away still impressed by the story. KFC sales in Australia are clearly going gangbusters, with strong reported same-store sales, and as the stay at home thematic turbo-charged take-away and delivery demand.

The company is taking a more cautious approach to expansion offshore in Europe, which is prudent, given the pandemic, but also as KFC is less represented in the QSR market versus the likes of McDonalds and Burger King. Rome wasn't built in a day as they say, but I do see some tailwinds (falling retail rents) for the company's expansion there. Collins Foods has been a strong performer for the Fund, and remains the top holding.

Top 10 Holdings

Top 10 Holdings	31 July 2020	Country
Collins Foods	8.43%	Australia
Alibaba	5.00%	China
Domino's Pizza	4.97%	Australia
Global X Silver Miners ETF	4.81%	United States
Powerhouse Energy	3.87%	United Kingdom
Tencent Holdings	3.29%	China
Walt Disney	3.26%	United States
Activision Blizzard	3.09%	United States
QBE Insurance	3.03%	Australia
Yum China	2.96%	United States

GEOGRAPHIC EXPOSURE AS AT 31 JULY 2020



Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund