



## ASX ANNOUNCEMENT

23 October 2020

### Fat Prophets Global Contrarian Fund (ASX Code FPC) Estimated Pre-Tax NTA 21 October 2020

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at 21 October 2020 is as follows:

#### Month to date NTA

	Amount (\$)
Pre-Tax NTA (as at 21 October 2020)	1.2995
Pre-Tax NTA (as at 30 September 2020)	1.2397
Change in NTA (30 September to 21 October 2020)	4.82%

For the period from 30 September 2020 to 21 October 2020 the Fund recorded an increase in estimated pre-tax NTA from \$1.2397 to \$1.2995, a **gain of 4.82%**. **The Fund has had a solid month to date for October 2020.**

#### Portfolio Changes and market outlook

**Since the last ASX update, we took advantage of the strong recovery of markets in October, to lock in profits and significantly reduce total leverage by around 50%.** Markets have had a decent bounce in October, and we think given the closeness of the election and the fact that it could potentially be contested, **the bar of uncertainty increases near term.** Fiscal stimulus and election outcome uncertainty could potentially see the US indices lose another 5% to 10% in coming weeks – before the bull market resumes its upward path. The S&P500 has pushed up to within sight of the record highs just above 3500, and in our view, **this increases the probability of a second leg to the correction that began in September.**

In terms of portfolio performance, platform operator **Praemium** had a very strong quarterly and the stock was sharply re-rated by the market. FUA have grown rapidly this year, which significantly beat consensus estimates, while the takeover of competitor Powerwrap will add scale and cost synergies. **Domino's Pizza Enterprises** has been the best performer in the portfolio this month, followed by solid performances from Korean **LG Household & Healthcare** and **Tencent Holdings**. Weighing on performance was **Power House Energy**, which completed a capital raise last month and is now focused on rolling out the first three DMG plants at various municipal councils in the UK. Further news flow on the rollout will most likely be the next catalyst for the stock.

The Fund established earlier last month a short position in long duration US Treasury Bonds via two ETFs. Both ETFs have performed strongly this month. **Ten Year US T Bond yields are pushing to the upside and testing top line resistance. Long duration bond valuations in our opinion are not currently priced for higher inflationary risks.**

We remain confident that another round of fiscal stimulus will be administered either before or directly after the election. The Federal Reserve has been vocal about the Government doing this, and politically, there is not much to be gained for either side in not pushing more stimulus through.

Another dose of fiscal stimulus is however likely to be “**reflationary**” for most asset markets, precious metals and commodities, but could also prove negative for the US dollar and sovereign bonds. The Fund is positioned for this scenario.

This week, the Fund announced an expanded dividend policy and that current retained profits available for payment by way of dividend are approximately \$4.3m, being 10.69 cents per share. **On the current share price, this dividend would represent a yield of around 10% for the FY2021, assuming a share price of \$1.08 and all profits were paid out in accordance with prudent business practice.**

The Board was also pleased to announce its intention to pay a FY2021 interim of 2.5 cents per share, franked to the maximum extent possible (subject to no material adverse change in market conditions). Further it is the Board's intention to declare a final dividend for FY2021 of up to 100% of its after-tax profits for FY2021, franked to the maximum extent possible. This will depend on the company's performance during FY2021. Note the above guidance is not a formal declaration of dividends, the amount of which will be subject sufficient profit reserves. If an interim dividend is declared, the Board expects that it would be declared in February 2021 and payable in May 2021.

Angus Geddes  
Chief Investment Officer  
**Fat Prophets Global Contrarian Fund**