



ASX ANNOUNCEMENT

27 November 2020

Fat Prophets Global Contrarian Fund (ASX Code FPC) Estimated Pre-Tax NTA 25th November 2020

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at 25 November 2020 as is as follows:

Month to date NTA

	Amount (\$)
Pre-Tax NTA (as at 25 November 2020)	1.3266
Pre-Tax NTA (as at 31 October 2020)	1.2592
Change in NTA (31 October to 25 November 2020)	5.35%

For the period from 31 October to 25 November 2020, the Fund recorded an increase in estimated pre-tax NTA from \$1.2592 to \$1.3266, **a gain of 5.35%. The portfolio underwent some significant changes since the last ASX update.**

Portfolio Changes and market outlook

Since last Friday there have been some significant changes made to the portfolio. The Fund reduced leverage, selling down a significant percentage across the broader portfolio. We also reduced total exposure to the precious metals sector and sold out of Newcrest. After a strong run in November, **we are of the view that markets have become overheated and frothy near term with stock market indices overextended.**

While global economic growth is likely to accelerate next year and provide a further decent lift to stock markets, we are of the view that rising Covid infection and fatality rates in the Northern Hemisphere along with the reimposition of shutdown measures **could potentially be the catalyst for the stock market near term.** While the potential arrival of vaccines has boosted sentiment and confidence, they won't be widely disseminated to the broader population until next year.

This is the third occasion since August we have extensively traded a substantial proportion of the portfolio to realise gains as global markets have provided the opportunities moving up and down within an extensive range.

Gold corrected sharply during the week but we remain of the view that over the medium to longer term the fundamental drivers are still intact. With long term bond rates now rising in the US, it is no coincidence that higher priced growth super cap tech stocks along with the gold sector have all succumbed to a correction in recent weeks. **We think long end rates have further go on the upside, and we have made no adjustment to the Fund's short/long duration bond position.**

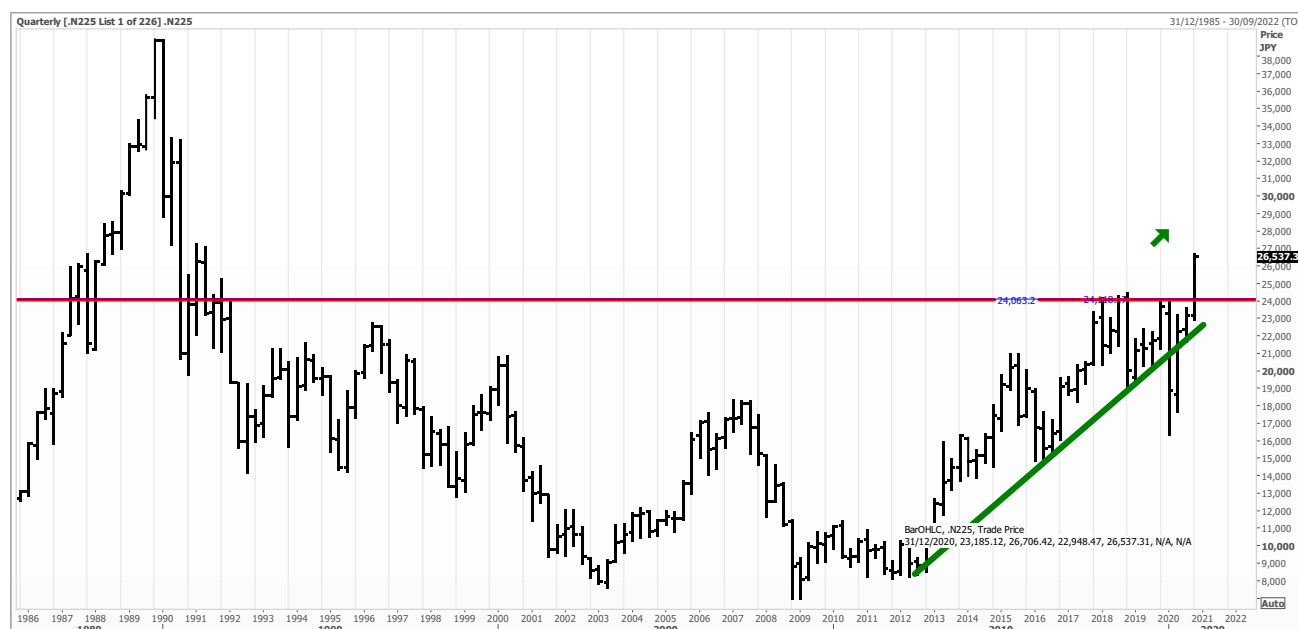
It is probable that another fiscal stimulus package will arrive in the new year as political gridlock is overcome and as the Biden Administration prepares to assume office. **But between now and then, we see the global stock markets as being vulnerable to another "risk off" correction.**

Finally, with the breakout of the Nikkei to 29 year highs, we finally see all the factors converging that could underpin a potential bull market in Japan for years to come. In terms of valuation, on a price to book ratio, Japan's is among the cheapest equity markets in the world. This combined with a rising return on equity, better governance and more robust capital management by the corporate sector, is boosting confidence in the stock market at home and abroad, although the international investment community still remains significantly underweight Japan.

We sold down holdings in **Sony, Nintendo, Ajinomoto and Daikin Industries** booking profits across the board, we added a new holding to the portfolio – **Nomura Holdings**. We will look to add back Japanese exposure if markets correct in the weeks ahead.

Nomura Holdings is a financial holding company and the largest securities trading firm in Japan. The company operates as a broker-dealer, and in banking and other financial services, along with providing investment, financing and related services to individual, institutional and government customers on a global basis with an emphasis on the securities businesses. In many ways Nomura is a very good proxy for what we believe is a coming secular bull market in Japanese equities.

Japan's Nikkei 225 from 1985 to 2020



FPC Share Price and Discount to NTA

It has been encouraging this week to see the share price rise to \$1.20, reflecting initiatives by the **Manager and Board to substantially narrow the discount to NTA**. Progress continues to be made on this front, whereby a parallel exchange traded fund will be established that will facilitate and allow shareholders to convert across at very close to NTA. The Manager and Board remains fervently committed to narrowing the discount to NTA as well as paying a consistent and steady stream of dividends.

Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund