ASX ANNOUNCEMENT

12 February 2021

Fat Prophets Global Contrarian Fund (ASX Code FPC)
Estimated Pre-Tax NTA 10th February 2021

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at 10 February 2021 is as follows:

Month to date NTA

	Amount ($)
Pre-Tax NTA (as at 10 February 2021)	1.5462
Pre-Tax NTA (as at 31 January 2021)	1.4442
Change in NTA (31 January to 10 February 2021)	**7.06%**

For the period from 31 January to 10 February 2021 the Fund recorded an increase in estimated pre-tax NTA from $1.4442 to $1.5462, **a gain of 7.06%. The Fund has got off to a good start in February.**

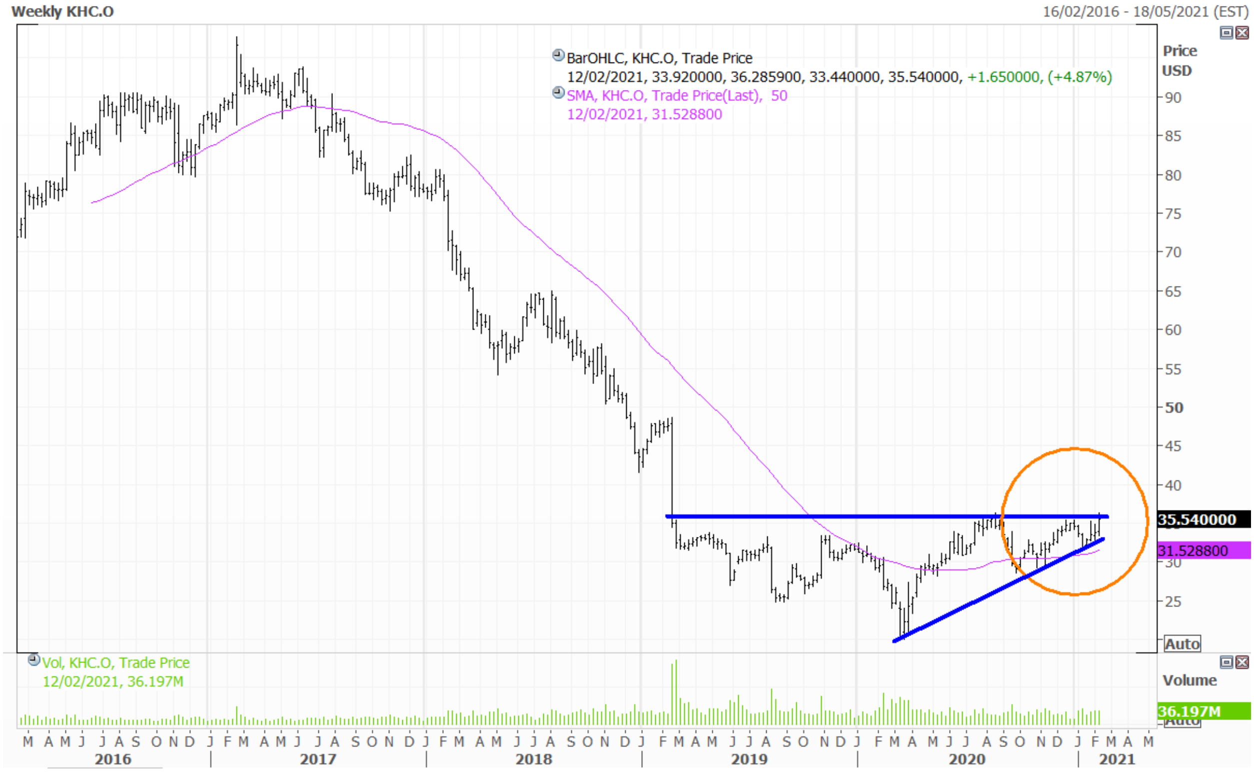
Portfolio Changes and market outlook

The Fund opened February with solid gains, and these have been added to since our last weekly update. The Fund has been active during the past week, exiting one position for a decent profit and adding a number of new positions. The Fund sold out of **China Oilfield Services (COSL)** after chalking up gains of nearly 100% after re-establishing in November last year. COSL was rerated on the back of strong earnings and an improving oil price, but the shares look fully valued at current levels.

The Fund added a number of new positions. Kr**aft Heinz (US:KHC)** has underperformed the S&P500 for a number of years, but we believe an inflection point is at hand. The company has a new and much more focused and professional management team. Heavy reinvestment in marketing is paying off and boosting organic growth, while the balance sheet is in the best shape in years. **KHC has made two really good recent divestitures of low growth businesses for high multiples (including the Planters transaction announced today).** KHC is still half-owned by 3G and Berkshire Hathaway but now the Buffett strategy is in charge. **We believe KHC is materially undervalued and does not yet reflect improving fundamentals.**

Kraft Heinz has materially underperformed for years, but is now at an important inflection point

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD. | ACN 615 414 849 | LEVEL 3, 22 MARKET STREET, SYDNEY NSW 2000 AUSTRALIA | 1300 881 177 | ©2017
WWW.FPCONTRARIAN.COM.AU | INVEST@FATPROPHETS.COM.AU



For some time we have believed that inflationary pressures will lead to higher long dated interest rates, We shorted long duration US bonds last year and that trade is now delivering solid returns for the portfolio. Bank stocks are another way to play a steepening yield curve – and on this front **we believe there is significant value in Japan's banks with the sector having a significant amount of correlation with the 10 year bond rate.**

Japan's bank valuations **on a price to book basis are amongst the cheapest** in the world after being hammered by negative interest rates, deflation, and numerous recessions since the financial markets bubble burst at the end of 1989. **Rising bond rates in the US could well turn out to be a panacea for the Japanese banks.** On that front we recently added **Sumitomo Mitsui Financial Group** (one of the top three in Japan) and regional players **Fukuoka Financial Group** and **Chiba Bank** to the portfolio.

On a twenty-year view, the Refinitev Japanese Bank Index is wallowing at historic lows, but better times could be ahead for the sector.

There have been no material underperformers in the portfolio in February. The best contributions to performance has come from China Oilfield Services (COSL), Uber, Sony, physical platinum, and PowerHouse Energy.

Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund