



ASX ANNOUNCEMENT

Sydney, 15 March 2021: 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 increased in February 2021. **Pre-tax and post-tax NTA closed at \$1.4592 and \$1.3682 for an increase of 1.04% and 0.79% respectively during the month of February 2021.** Shareholders should be mindful that this monthly NTA is below the last update to the ASX on Friday, which had estimated pre-tax NTA of \$1.4697 for the period 28th February to 10th March. At the end of February, the Fund had net leverage of 29.95%

	28-Feb-21	31-Jan-21	Change
Pre-Tax NTA	1.4592	1.4442	1.04%
Post-Tax NTA	1.3682	1.3575	0.79%

Portfolio Performance

Higher US and global long duration interest rates were the catalyst for a broad-based sell off in global stock markets in February. **At the centre of the correction were high valuation technology companies which ran particularly hard last year as “covid beneficiaries”.** These same companies were at the centre of the selloff with the Nasdaq down sharply during the month. Rising long term interest rates directly impact the risk-free rate, creating valuation headwinds for expensively valued companies. While the Fund benefited from a short position on long duration US bonds, some of the gains in February were conceded during the general selloff.

While volatility has increased in recent weeks, it is significantly lower than the selloffs in January and October. The outlook for the general economy is positive with vaccines being rolled out at a rapid pace in the US and Europe (it will take longer in Australia). The good news is that the world economy is reopening for business. Governments and central banks have injected some \$30 trillion of stimulus into the global economy so **growth is set to be turbo charged this year, and possibly exceed consensus forecasts.**

Market Outlook and Portfolio Changes

Given our outlook, the Fund continues to be **short - long duration - US bonds, overweight equities and long commodities and precious metals.** We continue to believe that inflation will inevitably heat up later this year, and the Fund is positioned for this scenario.

During the month the Fund added to positions in **Budweiser APAC, Samsung Electronics, LG Household and Healthcare, and Praemium.** We switched out of **Oceana Gold** into **Whitehaven Coal** holding the view that coal prices have inflected and are likely to move higher as the global economy reopens and as Australia's tense relations with China thaws. Whitehaven Coal is very cheap on current metrics and will likely rerate if coal prices continue to recover.

We sold out of **China Oilfield Services (COSL)** after chalking up gains of nearly 100% after re-establishing a position in November last year. COSL was rerated on the back of an improving oil price, but the stock look fully valued above HK\$10.

Kraft Heinz was added to the portfolio in the US. The stock has underperformed the S&P500 for a number of years, but we believe an inflection point is at hand. Kraft Heinz (**KHC**) has a 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 made two really good divestitures of low growth businesses for high multiples recently (including the Planters transaction). KHC is still half-owned by 3G and Berkshire Hathaway and we believe KHC is materially undervalued and does not yet reflect improving fundamentals.

In terms of performance during the month, the Fund had notable gains from short positions in long duration US bonds, via the **Proshares Ultra Short (TTT)** and the **Proshares Ultra Short ETFs**. The ETF's benefitted from a big jump in long dated US bond yields. We expect long dated US rates to continue rising with inflationary pressures still not adequately priced in. The Fund has solid returns from a physical position in platinum, which soared above US\$1300 an ounce for the first time in many years. The Fund has exposure to underlying platinum via the **Aberdeen Physical Platinum ETF**.

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 bubble in real estate and stocks 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 added **Sumitomo Mitsui Financial Group** (one of the top three in Japan) and regional players **Fukuoka Financial Group** and **Chiba Bank** to the portfolio, which complements an existing position in **Nomura Holdings**, established last year.

Domino's Pizza Enterprises reported very strong earnings and was upgraded by a number of brokers. We see further growth in Domino's both domestically in Australia and offshore. Domino's has been very defensive for the Fund during Covid. **Walt Disney** also reported earnings with a significant jump in streaming platform customers, which went above 100m for the first time, and well ahead of forecasts. Disney's theme parks will benefit as the US and global economy reopens. **QBE Insurance** is at last benefiting from rising interest rates and premium rates. The company appointed a highly regarded new CEO. Detracting on performance was **Powerhouse Energy** which continues to consolidate following a big jump in value late last year and a capital raising.

The Board was pleased to announce an inaugural Shareholder Purchase Plan with documentation mailed late last week.

Positive Attributions

Company	Country	Attribution (bpts)
Proshares Ultra Pro Short 20+ Year	United States	76.4
China Oilfield Services	China	72.0
Walt Disney	United States	46.7
Proshares Ultra Short 20+ Year	United States	46.5
QBE Insurance	Australia	38.5

Negative Attributions

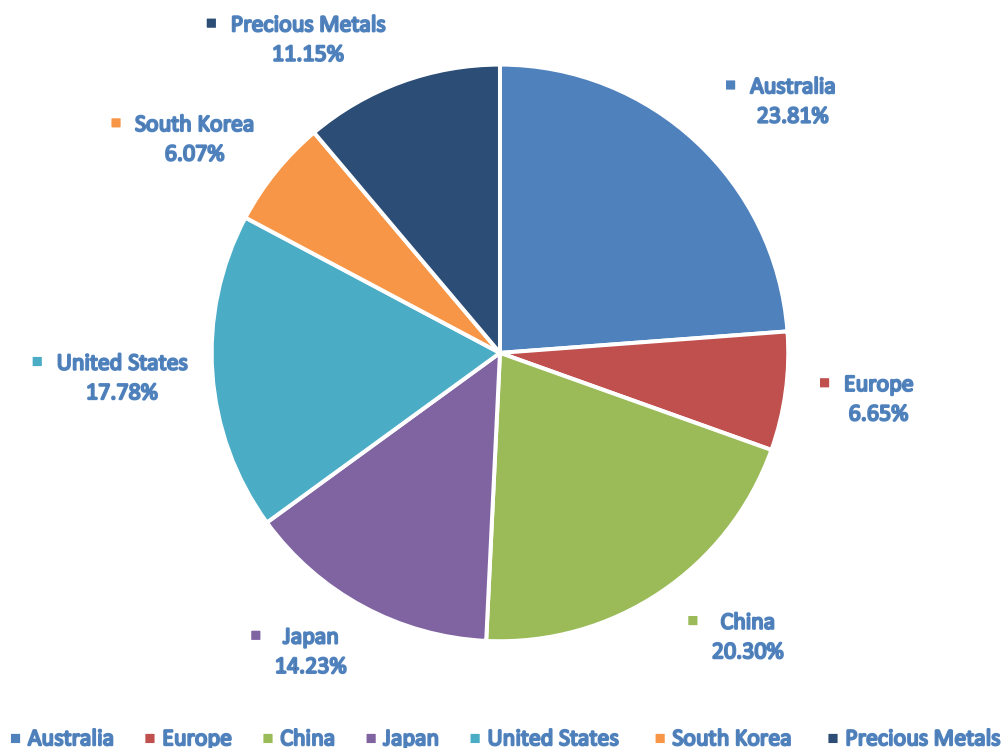
Company	Country	Attribution (bpts)
Powerhouse Energy Group	United Kingdom	107.6
Ajinomoto	Japan	36.8

Oceanagold	Australia	34.9
Praemium	Australia	34.7
Alibaba Group	China	34.3

Top 10 Holdings

Top 10 Holdings	Country	28 February 2021
Collins Foods	Australia	6.72%
Powerhouse Energy Group	United Kingdom	6.65%
Alibaba Group Holding	China	3.78%
Domino's Pizza	Australia	3.54%
Samsung Electronics	South Korea	3.50%
ProShares UltraPro Short 20+ Year Treasury	United States	3.25%
ProShares UltraShort 20+ Y TR ETF	United States	3.12%
Walt Disney	United States	3.01%
Aberdeen Standard Physical	United States	2.65%
Tencent Holdings	China	2.61%

GEOGRAPHIC EXPOSURE AS AT 28 FEBRUARY 2021



Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund