



ASX ANNOUNCEMENT

19 March 2021

Fat Prophets Global Contrarian Fund (ASX Code FPC) Estimated Pre-Tax NTA 17th March 2021

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at 17 March 2021 is as follows:

Month to date NTA

	Amount (\$)
Pre-Tax NTA (as at 17 March 2021)	1.5168
Pre-Tax NTA (as at 28 February 2021)	1.4592
Change in NTA (28 February to 17 March 2021)	3.95%

For the period from 28 February to 17 March 2021, the Fund recorded a 3.95% increase in estimated pre-tax NTA from \$1.4592 to \$1.5168. **Earlier this month the Fund also announced a strong increase in half year profit, a fully franked dividend of 3 cents per share, which represented a 20% increase over the previous dividend and a Shareholder Purchase Plan, which closes at the end of March.**

Portfolio Changes and Market Outlook

Financial markets have continued to display volatility since our last update, **with US bond yields surging higher above 1.7%** after the Biden Administration succeeded in getting its \$1.9 billion fiscal stimulus package through Congress. The fiscal stimulus injection, combined with the rapid vaccination rollout and reopening of the US economy, will turbo charge GDP growth over the next few years. **We believe this will materially eclipse consensus projections and lead to significant inflationary consequences.**

Until this month, the US bond market had not come round to pricing in these risks, but this has changed in recent weeks. The selloff in US and global bonds, one of the more aggressive in recent decades, has placed downward pressure on expensive growth and long duration equities.

The Fund has managed to navigate this rotation well. Since the last ASX update, the main positive contribution during March has derived from **the Fund's short US bond position**. The portfolio has benefited materially from a rise in US interest rates since we first established the position last year when ten-year yields were under 0.8%.

While US bonds look near term oversold with the yield on the ten-year pushing above 1.7% this week, we are of the view that **bond yields have further go on the upside**, until the Federal Reserve potentially intervenes. Our bet on rising bond yields has paid off for the Fund's investment backing of the depressed and out-of-favour **Japanese financial sector** last month.

Our investments in Japanese banks including **Sumitomo Mitsui Financial Group, Chiba Bank, Fukuoka Financial Group and investment bank Nomura Holdings** all rose materially this month alongside global bond yields. We believe there is further upside for the Japanese financial sector,

especially considering valuations are still amongst the cheapest in the world and as Japan's economic growth accelerates.

Collins Foods, the Fund's largest holding rose to record highs despite the absence of a material catalyst, while **Powerhouse Energy** continued to weigh on performance after the big advance last year.

Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund