



ASX ANNOUNCEMENT

15 May 2021

Fat Prophets Global Contrarian Fund (ASX Code FPC) Estimated Pre-Tax NTA 12th May 2021

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at 12 May 2021 is as follows:

Month to date NTA

	Amount (\$)
Pre-Tax NTA (as at 12 May 2021)	1.4808
Pre-Tax NTA (as at 30 April 2021)	1.4922
Change in NTA (30 April 2021 to 12 May 2021)	-0.76%

For the period from 30 April to 12 May 2021, the Fund recorded a 0.76% decrease in estimated pre-tax NTA from \$1.4922 to \$1.4808.

Portfolio Changes and Market Outlook

Since our last update, the Fund re-established a short bond position via listed US ETFs. **For some time, we have believed that inflationary pressures will lead to higher long dated interest rates.** This came through in April with the **annual inflation rate surging to 4.2% in April from 2.6% in March and well above market expectations of 3.6%.** It was the highest reading since September 2008. Strong demand as the economy reopens, soaring commodity prices, and supply chain issues all created a perfect storm to lift prices.

Given our caution towards inflation and the risk it poses to equity markets we reduced leverage and portfolio risk dramatically in the portfolio. We subsequently implemented a zero-cost put option collar on the portfolio, **significantly reducing beta exposure through a bearish S&P500 option strategy. This strategy involved selling out of the money call and put options and buying near the money puts all on the S&P500.** This position is now in the money with the S&P500 staging a significant decline this week.

Leverage and overall portfolio risk have been reduced significantly through a mix of outright profit taking as well as initiated new option hedging. Holdings in Kraft Heinz and Uber were sold for a good return and overall US equity market exposure has been reduced. We see relatively more risk with US equities near term, than in Asia and Australia which are markets which we view as being more defensive. Net long exposure for the portfolio has subsequently fallen well below 100%.

Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund