



## ASX ANNOUNCEMENT

2 July 2021

### Fat Prophets Global Contrarian Fund (ASX Code FPC) Estimated Pre-Tax NTA 30<sup>th</sup> June 2021

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at 30 June 2021 is as follows:

	Amount (\$)
Pre-Tax NTA (as at 30 June 2021)	1.4450
Pre-Tax NTA (as at 31 May 2021)	1.5445
Change in NTA (31 May 2021 to 30 June 2021)	-6.44

For the period from 31 May to 30 June 2021, the Fund recorded a 6.44% decrease in estimated pre-tax NTA from \$1.5445 to \$1.4450. **Part of the fall in pre-tax NTA was attributable to the dividend of 3c per share being paid on 16 June.** Furthermore, the number of shares on issue also increased due to the dividend reinvestment plan, which also had a dilutionary impact on pre-tax NTA.

#### Portfolio Changes and Market Outlook

The Fund was also affected by the falls in PowerHouse Energy and Collins Foods. Despite reporting a strong annual result, Collins had run up ahead of its results announcement and fell on profit taking. PowerHouse Energy also declined despite no obvious catalyst. Firming US bond yields and a rising US dollar also weighed on performance. Domino's Pizza, Praemium and Beston Foods were the best performers during the period.

Since our last update, the Fund has covered most of its short US dollar position ahead of anticipated greenback near term outperformance. As well as trimming the long portfolio across the board, the option hedging initiated the prior month also has expired. Subsequently, the Fund remains conservatively leveraged at this time.

In the near term, our outlook for global equity market favours extending the recent rally ahead of the upcoming US reporting season. However, the rally that began in April last year is becoming "long in the tooth", and given the subdued selloff in May, we are of the view that downside risks of a decent correction will grow in coming months.

Consequently, we will potentially look to use market strength over the coming months to reinstate another second zero cost collar hedge. The prior option hedge mitigated the Fund's volatility over May and June although in the end it expired flat. Timing is everything, and the risk reward opportunity to hedge further is likely to improve in July. Inflation remains the hot topic and slowly the Fed seems to be pivoting to a more hawkish stance. This will continue to focus attention on the potential for future tapering of the Fed's government bond buying program, which is now around US\$120 billion a month. We are also cognisant of the VIX, which is now at the lowest level since before the pandemic began.

A decent correction would be stabilising and clear out some of the over-exuberance that has crept into stocks markets this year. This scenario also fits with our view of eliminating leverage via a portfolio selldown a few weeks ago and potentially reinstating an option hedge in coming months. We continue to be of the view that the outlook for stock markets over the coming year is broadly favourable, but a correction should it arise, would better position the Fund.



Despite falls in some of our larger holdings this week, we remain broadly comfortable with the composition of the portfolio. However further insulation of the Fund (via a hedge) would potentially provide opportunities later in the year if a general stock market drawdown were to occur.

Angus Geddes  
Chief Investment Officer  
**Fat Prophets Global Contrarian Fund**