ASX ANNOUNCEMENT

27 August 2021

Fat Prophets Global Contrarian Fund (ASX Code FPC)
Estimated Pre-Tax NTA 25th August 2021

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at 25 August 2021 is as follows:

	Amount ($)
Pre-Tax NTA (as at 25 August 2021)	1.3636
Pre-Tax NTA (as at 31 July 2021)	1.3642
Change in NTA (31 July 2021 to 25 August 2021)	**-0.04%**

For the period from 31 July to 25 August 2021, the Fund recorded an almost flat performance for August month-to-date with a 0.04% decrease in estimated pre-tax NTA from $1.3642 to $1.3636**.**

Portfolio Changes and Market Outlook

The Fund continues to adopt a cautious and more defensive stance as in line with view that markets underestimate risk from the Federal Reserve's need to taper their QE program, perhaps sooner rather than later. The recent elevated PPI data print for July points to inflationary pressures within the system, and this has been accentuated during the latest quarterly reporting season, with many companies complaining about rising costs & wages and supply constraints.

An earlier move by the Fed could cause some jitters in the current "risk on trade" in equities. Equally, there are risks associated with the Fed in the event they decide to delay. We expect treasury bond yields to move higher this year, which will inevitably weigh on growth stocks and the expensive end of the market.

Looking further out, we cannot be too bearish on stock markets given the Fed's propensity to back away in the face of stock market volatility, and that strong economic growth will likely prevail for some time. But there is no denying, inflationary pressures are becoming more entrenched and at some point, the Fed will be forced to act (see overleaf exhibit 6 which highlights rising inflation expectation).

Hong Kong and US listed Chinese equities remain under pressure, although there was some respite this week from some companies soundingly beating expectations. Yet the chorus continues to grow, mainly in the west, that Chinese names remain un-investable. While regulatory uncertainty is likely to remain a risk for some time, arguably, much of this is now priced in. However, many of the regulatory procedures were probably long overdue and are designed to ensure a more level playing field, not to mention the banishment of anticompetitive practises and illegal use of user data. This all makes common sense.

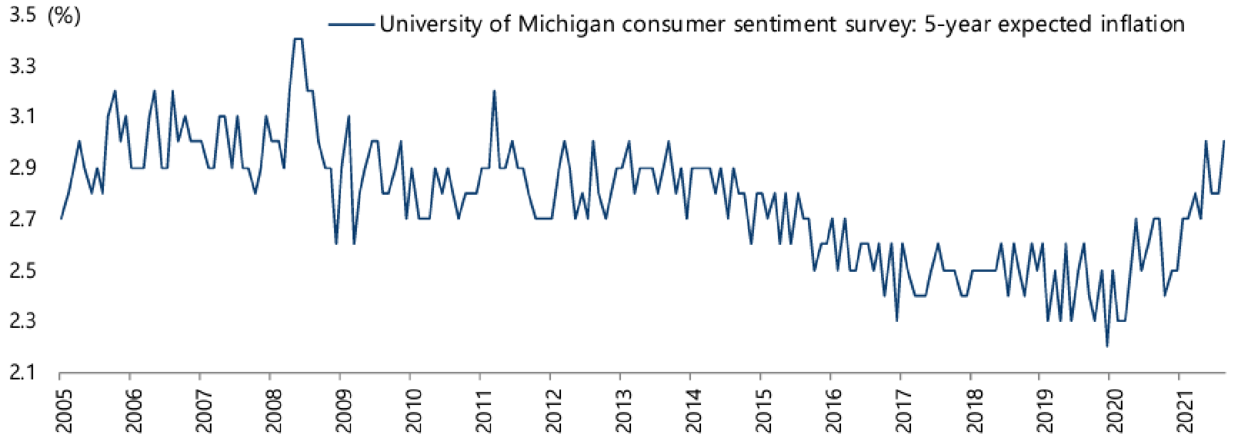
We do not believe that China's leadership has declared outright war on its private sector, given many of the regulatory proposals targeting internet companies is actually entirely appropriate. The selloff in Chinese IT companies has brought the sector down to much more reasonable valuation levels, and for contrarian investors a potential opportunity.

China's e-commerce companies are important drivers of the domestic consumption story which is why the Chinese leadership needs their entrepreneurial innovation and they will always have a role

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD. | ACN 615 414 849 | LEVEL 3, 22 MARKET STREET, SYDNEY NSW 2000 AUSTRALIA | 1300 881 177 | ©2021
WWW.FPCONTRARIAN.COM.AU | INVEST@FATPROPHETS.COM.AU

to play in the broader economy. Although we significantly reduced our exposure to China IT in recent months and hold just three IT names, the time is possibly nearing to re-engage with select names within the sector.

Exhibit 6: University of Michigan Survey of Consumers: 5-year inflation expectations



Source: University of Michigan

Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund