



ASX ANNOUNCEMENT

24 April 2020

Fat Prophets Global Contrarian Fund (ASX Code FPC) Estimated Pre-Tax NTA 22nd April 2020

The estimated NTA per share for the Fat Prophets Global Contrarian Fund as at the 22nd April 2020 is as follows:

Month to date NTA

	Amount (\$)
Pre- Tax NTA (as at 22 nd April 2020)	0.8822
Pre- Tax NTA (as at 31 st March 2020)	0.7987
Change in NTA	10.45%

For the period from the 31st March to 22nd of April the fund recorded an increase in NTA from \$0.7987 to \$0.8822, a gain of 10.45%.

Market outlook

Stock markets have had a strong run in recent weeks, but the rally near term looks to be running out of steam, as investors begin to recalibrate the full economic impact of the Covid-19 shutdown across the global economy. Unemployment is rising while consumer spending and confidence has nosedived. We think equity valuations have got ahead of themselves near term, but do not see a pull back in the vicinity of more than 10% to 15%.

Cash and liquidity balances have risen significantly, as cash and bond rates have fallen towards zero. Additionally, the fiscal stimulus packages being launched by collective governments will cushion the recession and lead to a 'V' shape recovery in our view but not before a corrective sell-off after the historic rally of the past several weeks. In short many are waiting to buy, and for this reason, the March lows may prove illusive and as stock markets bottom out sooner and at a shallower depth in the event of a second selloff.

Portfolio Changes

During the past week, the Fund reduced the net long exposure to below 100%, initiating short sales on a few stocks and the e-mini S&P500 futures contract at just below 2800. **Afterpay and Seek, have both recovered significantly since their March lows, but we see both businesses facing challenges in the post-Covid world recession in the months ahead.**

The employment market is going to face some severe dislocation and will take some time to recover. In terms of Afterpay, discretionary spending and consumer confidence are going to take a hit, and this will impact the company's revenues. The S&P500 is now on a trailing PE of 20x, and we think this is overdone near term. **These short positions will allow the Fund to mitigate any further market falls in the event of a second wave correction.**

Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund