



ASX ANNOUNCEMENT

Sydney, 15 February 2021: Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

The estimated net tangible asset backing of the Fat Prophets Global Contrarian Fund decreased in January 2021. **Pre-tax and post-tax NTA closed at \$1.4442 and for a decrease of 2.47% and respectively during the month of January 2021, which was positive given many market indices were down more than this over the same period. During the month, the Fund increased exposure and net leverage was 25.01%**

| | 31-Jan-21 | 31-Dec-20 | Change |
|--------------|-----------|-----------|--------|
| Pre-Tax NTA | 1.4442 | 1.4808 | -2.47% |
| Post-Tax NTA | 1.3575 | 1.3841 | -1.92% |

Portfolio Performance

The portfolio performed well November with solid contributions from **Uber**, after the company announced a further restructuring to its business portfolio, divesting another loss-making division. **Powerhouse Energy** announced a franchise partner in Poland and plans to roll out their waste to hydrogen technology. **Samsung Electronics and Walt Disney** both reported very strong profit results. Walt Disney continues to develop and grow its streaming division much faster than consensus forecasts. Weighing on performance, was **Alibaba** which had their Ant IPO delayed until next year and the Fund's **precious metal holdings** which underperformed as gold corrected sharply during the month.

Positive Attributions

| Company | Country | Attribution (bpts) |
|----------------------------------|-----------|--------------------|
| Tencent Music Entertainment | China | 95.0 |
| China Oilfield Services | China | 82.6 |
| Tencent Holdings | China | 62.8 |
| Praemium | Australia | 58.3 |
| Hong Kong Exchanges And Clearing | China | 38.0 |

Negative Attributions

| Company | Country | Attribution (bpts) |
|-------------------------|----------------|--------------------|
| Powerhouse Energy Group | United Kingdom | 430.6 |
| Walt Disney | United States | 27.2 |
| Nintendo | Japan | 24.7 |
| Sands China | China | 21.6 |
| LG | South Korea | 19.5 |

Market Outlook and Portfolio Changes

While the stalemate in Washington continued over the next **fiscal stimulus package**, **stock markets rallied strongly in November. With sharply higher valuations, we became more cautious towards the markets and significantly reduced leverage last month**, booking profits across the portfolio. We also reduced total exposure to the precious metals sector and sold out of Newcrest. After a strong run in November, **we are of the view that markets have become overheated and frothy near term with stock market indices overextended.**

Gold corrected sharply during November we remain of the view that over the medium to longer term the fundamental drivers are still intact. With long term bond rates now rising in the US, it was no coincidence that higher priced growth super cap technology stocks along with the gold sector succumbed to a correction in recent weeks. **We continue to believe long duration interest rates have further go on the upside. The Fund continues to hold a short duration bond position via ETFs.**

Walt Disney unveiled a jump in subscribers and outlined plans to aggressively expand its content offering on its streaming platforms to drive growth. Disney announced it had hit 86.8 million subscribers for Disney+, up from 73.7 million about a month ago when the media conglomerate reported quarterly numbers and approximately one year after launching the service. **Effectively it has hit a goal of attracting 60-90 million subscribers for Disney+ by 2024, just one year after launch.**

Disney has achieved a subscriber base in less than 12 months which took Netflix seven years to build. The pandemic has turbo charged the business due to the stay at home thematic, but Disney has been able to leverage a treasure trove of content. **Across its streaming range, with Hulu (38.8 million) and ESPN+ (11.5 million), Disney now has more than 137 million subscribers.**

Disney has plans to spend \$14 billion to \$16 billion on new content over the next few years, with a slew of Marvel and Star Wars series to be released on Disney+ over the next few years, along with another 30 or so series and films. As with the **Mulan movie, Disney will release the animated Raya and the Last Dragon simultaneously on Disney+ and in cinemas in March next year.** Disney announced an upcoming further regional expansion of its streaming services in Eastern Europe, South Korea, and Hong Kong.

Disney outlined new subscriber goals of 230 million to 260 million Disney+ global subscribers by the end of 2024 and total subscribers across its streaming services of 300 million to 350 million by the same time.

With the breakout of Japan's Nikkei to 29-year highs, we finally see all the factors converging that could underpin a potential bull market for years to come. In terms of valuation, **on a price to book ratio, Japan's is among the cheapest** equity markets in the world. This combined with a rising return on equity, better governance, and more robust capital management by the corporate sector, **is boosting confidence in the stock market at home and abroad, although the international investment community still remains significantly underweight Japan.**

We added **Nomura Holdings** to the portfolio in November. **Nomura Holdings** is a financial holding company and the largest securities trading firm in Japan. The company operates as a broker-dealer, and in banking and other financial services, along with providing investment, financing and related services to individual, institutional and government customers on a global basis with an emphasis

on the securities businesses. Nomura is potentially a good proxy for what we believe is a coming secular bull market in Japanese equities.

The Fund lightened its gold exposure in November and exited **Newcrest Mining** and the **SPDR Gold exchange** traded fund. The manager has not changed its view or outlook on the gold sector, but rather rebalanced the portfolio. The ETF was a proxy for holding physical gold. The portfolio retains an overweight exposure to precious metals equities.

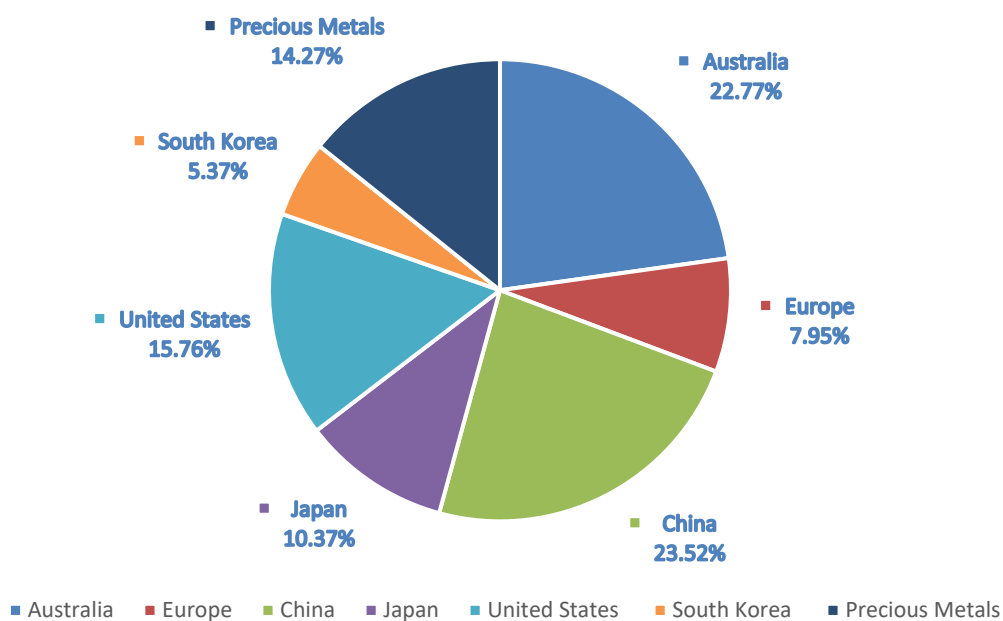
We moderately added to the Fund's position in **Powerhouse Energy**, following some positive announcements concerning a possible rollout of the DMG technology in Poland. The UK Government will potentially phase out diesel and petrol heavy duty vehicles such as buses and trucks by 2030 to reduce emissions. Hydrogen Fuel cells are the logical alternative and Powerhouse is positioned for this, especially if the UK Government follows through with £500 million in grants.

We took advantage of the depressed global energy sector and **added China Oilfield & Services (COSL) to the portfolio at historically low prices**. COSL is an oilfield services company, and earnings are therefore somewhat insulated to the oil price. COSL reported a very solid profit result recently, with their largest client Chinese energy giant CNOOC committed to their offshore drilling programs. COSL is a majority owned subsidiary of CNOOC, and operates in Southeast Asia, the Middle east and Central Asia. With the energy price also depressed, **there is a good probability of recovery over coming months, particularly when the world economy fully begins to reopen next year with the arrival of a vaccine**.

Top 10 Holdings

| Top 10 Holdings | Country | 31 January 2021 |
|--|----------------|-----------------|
| Powerhouse Energy Group | United Kingdom | 8.64% |
| Collins Foods | Australia | 7.95% |
| Alibaba Group Holding | China | 4.78% |
| Domino's Pizza | Australia | 4.26% |
| Samsung Electronics | South Korea | 3.31% |
| ProShares UltraShort 20+ Y TR ETF | United States | 3.31% |
| ProShares UltraPro Short 20+ Year Treasury | United States | 3.27% |
| Tencent Holdings | China | 3.18% |
| Walt Disney | United States | 3.17% |
| China Oilfield Services | China | 3.13% |

GEOGRAPHIC EXPOSURE AS AT 31 JANUARY 2021



Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund