



ASX ANNOUNCEMENT

Sydney, 12th December 2019: Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

The Fat Prophets Global Contrarian Fund had a reasonable performance in November versus generally flat to weaker global stock markets. The Fund's **net tangible asset backing was relatively constant at month end with pre-tax and post-tax NTA closing at \$1.2004 and 1.1822 respectively.**

The Fund held approximately AUD\$73.8 million of stocks and equities at the end of November. The largest holding continues to be **Collins Foods at 8.61%**, while internationally the largest holding was **Meituan Dianping at 5.90%**.

Overall the Fund, excluding futures positions, utilised leverage of 30.2% against the value of the share portfolio. The domestic split of the overall portfolio was A\$25.1 million with the balance of A\$48.7 million being comprised of international stocks. The largest concentration was in the United States with A\$16.5 million of listed stocks.

	30-Nov-19	31-Oct-19	Change
Pre-Tax NTA	1.2004	1.2010	-0.05%
Post-Tax NTA	1.1822	1.1822	0.00%

Portfolio performance

Attribution

Positive contributions came from China based food delivery company **Meituan Dianping**, which reported a much better than expected profit result. **Alibaba** successfully raised more than \$11 billion to anchor a secondary listing on the Hong Kong Stock Exchange. Japanese gaming company **Nintendo** reported higher than expected sales of the Switch Lite console. **Walt Disney** provided a positive update on the launch its new streaming service, comfortably exceeding forecasts of subscriber signups. On the **negative side**, **Harmony Gold**, **Western Areas** and **Nine Entertainment** weighed on the Fund's performance during November.

Positive attributions

Company	Country	Attribution (bpts)
Meituan Dianping	China	73.1
Alibaba	China	66.5
Telstra	Australia	61.1
Nintendo	Japan	55.2
Walt Disney	United States	54.4

Negative attributions

Company	Country	Attribution (bpts)
Harmony Gold	United States	74.3
Western Areas	Australia	67.7
Zozo	Japan	55.5
Nine Entertainment	Australia	46.2
Praemium	Australia	42.3

Portfolio changes

The Fund exited positions in **Harmony Gold** and **Nine Entertainment**. Whilst we are still confident longer term on both companies, we see the opportunity to potentially buy back in at more advantageous levels. **Harmony** was sold for a good profit, whilst we recouped our investment in **Nine**. The free to air television advertising market is showing signs of further deterioration. We also took profits in nickel producer **Western Areas**, disposing of half the Fund's holding. We still believe in the longer term outlook for nickel and Western Areas generally, but potentially see a better opportunity to buy back at lower prices following a correction in the base metal.

We added South Korean cosmetic company **LG Household & Health Care** to the portfolio. The company recently reported very strong earnings growth thanks to solid performances from its luxury brand portfolio. LH Household is valued at a discount to other Asian cosmetic companies and has underperformed in recent years, but we think this is close to inflecting. In China, sales of the company's Whoo cosmetic brand grew by 40% and this looks set to continue.

We have a generally favourable view on emerging markets in 2020, and on South Korea in particular where the stock market has underperformed generally in recent years. The Fund invested in the **iShares South Korea ETF**, which comprises a basket of companies that make up the MSCI South Korean Index.

We also added the **iShares India Small Cap ETF**, which will provide the Fund with direct exposure to India's fast-growing economy. Like South Korea, India has underperformed in recent years but a combination of easier central bank monetary policy, extensive corporate tax cuts and fiscal spending on infrastructure, **should see India's stock market outperform, and we anticipate a significant re-rating of small and mid-cap companies in the months ahead.**

Gold equities underperformed in November with the spot gold price continuing to correct from the August highs, which weighed on the Fund. We lightened our exposures to gold miner ETFs **GDX and GDXJ** during the month and booked a good profit on **Harmony**. We are still bullish in our outlook for precious metals and have a relatively bearish view on the US dollar, because other beaten down currencies such as the euro, pound and A\$ and NZ\$, along with the yen, have the potential to recover.

During the period we added to the Fund's existing position in **Disney**, prior to the launch of the streaming service Disney+, which so far has exceeded expectations and instigated a round of fresh broker upgrades.

Top 10 Holdings	30 November 2019	Country
Collins Foods	8.61%	Australia
Meituan Dianping	5.90%	China
Sony	4.83%	Japan
Telstra	4.73%	Australia
Nintendo	4.69%	Japan
Domino's Pizza Enterprises	4.69%	Australia
Alibaba	4.28%	China
QBE Insurance	3.84%	Australia
Evolution Mining	3.66%	Australia
Wynn Macau	3.63%	China

We also established beach head positions in swiss banks **UBS** and **Credit Suisse** with the view that European banks could be approaching a significant inflection point after years of poor performance. German manufacturing data has been resilient of late and expectations towards the eurozone economy generally are pessimistic with valuations at their cheapest relative to the US market in years.

We hold a generally bullish outlook for European equities that have underperformed generally in recent years and established a long position in Euro Stoxx futures. The Euro Stoxx index is in the process of breaking out on the upside, which dovetails with our view that the broader eurozone economy is set to improve. We initiated a small long position in **Euro Stoxx futures** to take advantage of this, holding the view that the Euro Stoxx index will soon shortly push to new highs in the months ahead, accompanied by steepening in the yield curve.

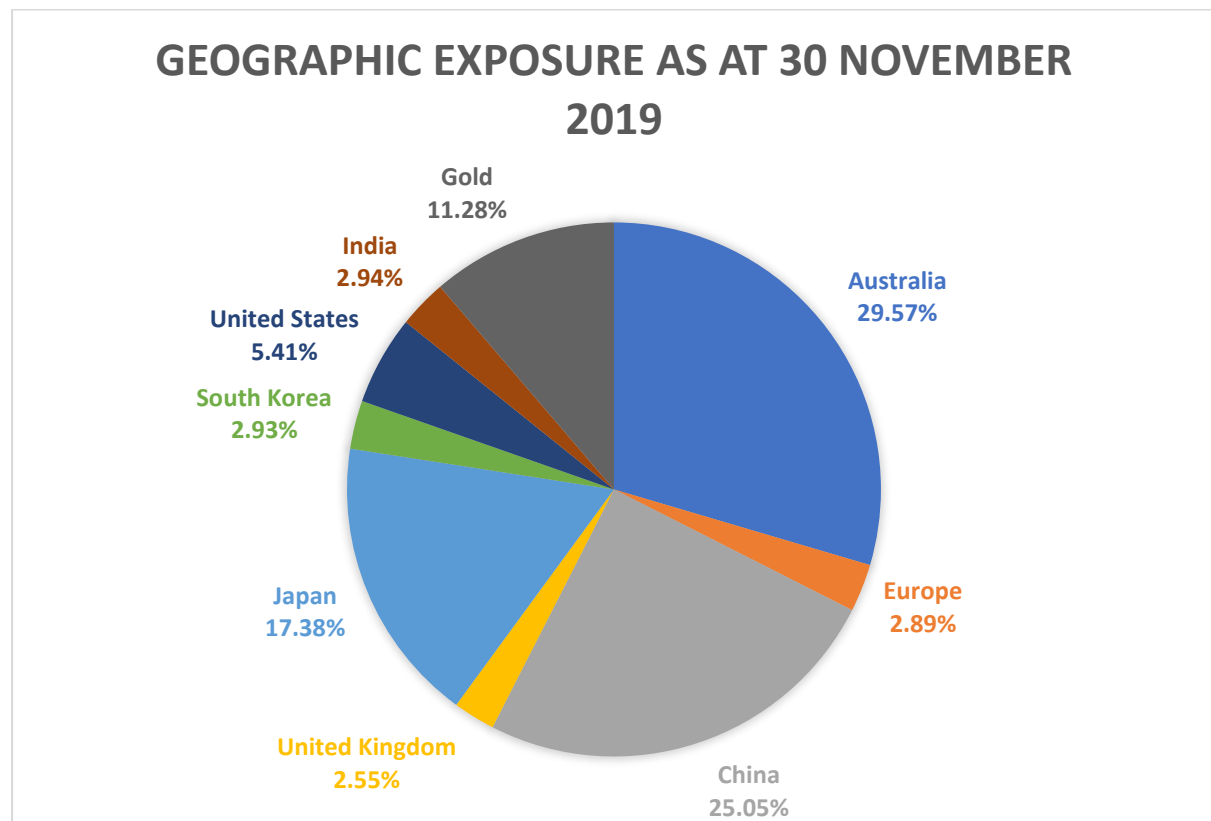
The chart below shows the relative performance of the S&P500 and Euro Stoxx 600 on a common based chart. As can be clearly seen below, **the S&P500 has significantly outperformed its European counterpart, but we see this gap narrowing in 2020.**



We initiated three short futures positions in **10-year German, US and Australian bond futures**, albeit these are quite small at this stage. Interest rates generally seem to be rising

once again at the long end of the curve after reaching the lowest levels in history. German rates in particular, got down to as low as negative 0.7%.

Lastly, in the US the Fund established medium sized position in **Activision Blizzard**, a games software maker. Games software companies in the US have underperformed the broader market for some time now after valuations became extreme in 2018. This underperformance, coupled with attractive growth prospects, has probably seen the worst of the correction behind the sector. Activision Blizzard seems to be at an inflection point in terms of earnings, with growth set to accelerate once again.



Angus Geddes
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Fat Prophets Global Contrarian Fund