



ASX ANNOUNCEMENT

Sydney, 15th June 2020: Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

The Net Tangible Asset backing of the Fat Prophets Global Contrarian Fund had a strong increase in May. The Fund's **pre-tax and post-tax NTA closed at \$1.0513 and \$1.0680 for a gain of 13.68% and 9.43% respectively**. The Fund's total leverage at the end of May was 28.8%.

	31-May-20	30-Apr-20	Change
Pre-Tax NTA	1.0513	0.9248	13.68%
Post-Tax NTA	1.0680	0.9760	9.43%

Portfolio Performance

PowerHouse Energy made a significant contribution to performance in May as investors finally acknowledged the UK listed company's leading waste to hydrogen technology. PowerHouse has spent more than a decade developing the technology with the testing of the prototype plant currently underway and with results due out in September. If the testing is successful, PowerHouse anticipates quickly commercialising the technology and rolling out up to 23 plants at various municipal council landfills, which should see a further re-rating of the stock.

Precious metal prices recovered strongly in May, and this had a favourable impact on the **Global X Silver Miners**, which is a US listed ETF of global silver producers. We anticipate further outperformance in precious metals producers as the central banks expand the global M2 money supply at an unprecedented rate.

KFC and Taco Bell operator **Collins Foods** continued to re-rate as the markets acknowledges that the Covid-19 shutdown actually improved the business. We expect the significant number of retail vacancies will allow the company to grow faster in terms of new store openings. US listed **Uber Technologies** had strong growth throughout the shutdown from its food delivery business, Uber Eats. Equally did **Spotify**, the leader globally in music streaming, where subscriber numbers jumped sharply.

Positive Attributions

Company	Country	Attribution (bpts)
PowerHouse Energy	United Kingdom	471.1
Global X Silver Miners ETF	United States	103.4
Collins Foods	Australia	102.3
Spotify	United States	85.9
Uber Technologies	United States	70.9

Negative Attributions

Yum China was the biggest detractor to performance during May, as China listed ADR's generally underperformed.

Company	Country	Attribution (bpts)
Yum China	China	25.2
Harmony Gold	United States	16.9
Budweiser Brewing APAC	China	16.9
LG Household & Healthcare	South Korea	14.2
Nintendo	Japan	11.4

Portfolio Changes and Market Outlook

The Fund had a strong run in May, boosted by recovering stock markets and also a good recovery in precious metals. Whilst we are optimistic that the global economy can recover in the second half of the year, stock markets are susceptible to a correction after the strong rebound in April and May.

The Fund was active during the month, re-establishing a position in **Western Areas**. We believe that nickel has bottomed out, and with growing infrastructure spending by collective economies globally, prices could recover strongly in the year ahead. **Western Areas is well positioned to benefit from a nickel price recovery.** The Fund also holds a smaller position in **Mincor**, which is in the process of restarting a nickel mine.

We added Whitehaven Coal to the Fund's portfolio, based on a view that the shares are materially undervalued and that coal prices themselves could soon improve. Whitehaven has fallen significantly in recent years due to a falling thermal coal price and poor operational performance. Whitehaven could now be nearing an inflection point in our view, with positive catalysts to come from an improvement in production consistency, the Vickery expansion project, and an improvement in coal prices. Whitehaven is in our view, valued at significantly below fair value for its operating mines, not to mention several growth opportunities.

Oil prices have been topical, with WTI futures falling to negative territory. There is a glut of supply that will persist for some time. However, **we see crude prices improving to at least US\$50 a barrel in 2021 and elected Hong Kong listed China Oilfield Services or COSL as being one of the better ways to play a recovery.** **COSL is the dominant oil servicing player in China**, but also with operations around the world. We took the view that COSL was significantly undervalued, having fallen 50% at the time from the February peak, **but where revenues are likely to be protected with largest customer CNOOC unlikely to scale back operations in China, due to the importance of China maintaining self-sufficiency.** The oil price will eventually turn higher, with the historic low prices ensuring supply destruction, some of which will be permanent, particularly in the higher cost US shale industry.

After selling out in February, the Fund has re-established positions in **Wynn Macau, Sands China and MGM China**, and within a sector that was amongst the hardest hit during the Covid19 shutdown. However, the Macau casino operators have throttled back cash-burn and all have considerable cash reserves and undrawn credit facilities to weather the storm. **We believe it is only now a matter of time before mainland China lifts travel restrictions to and from Macau**, and with considerable pent-up demand, especially among the VIP and premium mass segments, revenues could recover rapidly.

We remain bullish on gold after governments and central banks around the world committed to historical fiscal and monetary stimulus, that we believe will prove inflationary. The stimulus

measures being implemented during the Covid-19 crisis differs from the GFC for two reasons.

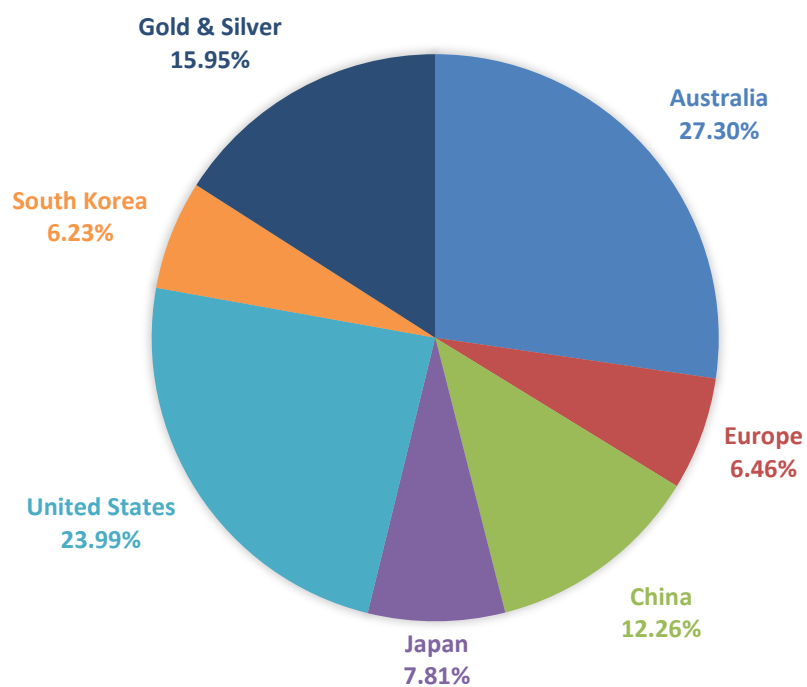
Firstly, the scale of the stimulus dwarfs the GFC, and is much larger in this crisis. Secondly, the stimulus being distributed fiscally will see the liquidity dispersed throughout the economy, rather than remaining tapped within the banking sector as it did during the GFC. Precious metals continue to be under-owned by the wider investment community and have considerable potential to re-rate in our view. The Fund established a new position in **Newcrest Mining**, Australia's largest gold producer, which reported encouraging drilling results last week.

Since debuting with an IPO last year, Budweiser APAC has underperformed significantly, but we now see an opportunity with the stock offering significant value at current levels. **The Budweiser brand has the strongest equity in China and dominates what the Premium segment of the market with around a 45% share.** We expect the Premium segment to continue growing in China and become the Mainstream of the market, with the established Budweiser brand portfolio being well positioned to dominate. **No other brewer in China has a comparable brand portfolio and there are very few brands left to license or purchase which have significant pre-existing brand equity or scale in the country.**

Top 10 Holdings

Top 10 Holdings	31 May 2020	Country
Collins Foods	8.02%	Australia
Alibaba	5.05%	China
Domino's Pizza Enterprises	4.75%	Australia
Global X Silver Miners ETF	4.41%	United States
PowerHouse Energy	4.32%	United Kingdom
Walt Disney	4.00%	United States
Activision Blizzard	3.30%	United States
Yum China	3.27%	United States
Spotify Technology	3.26%	United States
LG Household & Health Care	3.23%	South Korea

GEOGRAPHIC EXPOSURE AS AT 31 MAY 2020



Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund