



ASX ANNOUNCEMENT

Sydney, 15 October 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 September 2021. **Pre-tax and post-tax NTA closed at \$1.3623 and \$1.2994 for a decrease of 1.20% and 0.07% respectively during the month which compared well to general declines in the major indices.** At the end of September, net cash was 23.96% and the Fund had hedging in place (via S&P500 put options and Nasdaq futures) for around 25% of the portfolio.

	30-Sept-2021	31-Aug-2021	Change
Pre-Tax NTA	1.3623	1.3789	-1.20%
Post-Tax NTA	1.2994	1.3003	-0.07%

Portfolio Performance

The Fund adopted a cautious and defensive stance in September with our view that inflationary pressures, supply constraints, inventory shortages and rising wages could impact corporate profit margins. We were also of the view that US bond yields would rise leading to PE compression, especially amongst the more expensive sectors in the market such as technology and internet.

The Fund exited remaining exposure to China including reopening thematic (**Budweiser APAC and Macau gaming**) and **Hong Kong Exchanges & Clearing**. Increasing regulation and interference within the corporate sector by the Chinese government was part of the rationale for exiting. The risk/reward skew has changed in China. Furthermore, the destabilisation in the property sector which could also spill over into the broader economy.

The Fund established a new long position in the physical uranium market. This thematic appeals from not just a contrarian perspective with uranium prices in a bear market for the past decade, but the long-term growth opportunity stemming from rising demand within the nuclear energy industry. Global warming is driving a secular and structural shift away from coal fired power and nuclear energy is a viable option to make up for the shortfall.

Uranium has been in a thirteen-year bear market as spot prices declined by more than 80% from peak levels back in 2007. However, the outlook for the sector has changed dramatically in recent years. Nuclear energy is one of only a few reliable sources of green baseload power. This will drive a secular trend with the nuclear energy industry for decades to come as the world targets net zero emissions by 2050.

On the supply side, mine production has not kept up due to low persistent low uranium prices over much of the past decade. Spot prices for uranium are presently around US\$33.50 p/lb while the industry marginal cost of production is around US\$50 p/lb. Yet demand is set to outstrip supply in coming years.

Earlier in September, we added exposure to our short bond duration, which is set to benefit from rising long term US bond yields. The yield on the 10-year has risen back towards 1.6%, but higher levels are still on the horizon with rising inflationary pressures in the US and the Fed's likely imminent move

to start implementing the QE taper which will reduce demand for T Bonds and put upward pressure on yields.

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 geopolitical risks are on the rise as evidenced by Australia's alliance with the UK and the US to build nuclear powered submarines. Geopolitics will be an increasingly important thematic in 2022. During September we added Japanese manufacturer **Alps Alpine** to the portfolio with a moderate position. The actuator (used in phone camera lenses) on the basis of low valuation (the price to book ratio is just 0.7) coupled with strong earnings growth prospects.

The Fund has begun to selectively add back equity exposure. Holdings in **BHP, Nintendo, Daikin, Sony and Beston Global Food Group** were added to since our last update, along with the Japanese banks including **Sumitomo Mitsui Financial Group, Mitsubishi UFJ and Chiba Bank**. The Fund also established new positions in **Domino's Pizza Group (UK), Japanese regional bank Resona Holdings, Alps Alpine, Rio Tinto and the US listed Invesco Agricultural ETF**, which holds a basket of agricultural commodities that includes, coffee, wheat, soybeans and sugar.

Many agricultural commodities have corrected sharply this year, but we are of the view that soft commodities are in a bull market. The Fund's agricultural commodity exposure effectively provides asymmetrical risk away from the equity market, lowering overall portfolio risk, and providing a hedge against inflation which complements our existing positions in platinum and uranium.

Japanese banks will benefit from rising US bond yields and they are amongst the cheapest in the world with an average price to book ratio of around 0.5x for the sector. We believe there is a decent risk/reward skew in Japan's banks. Resona Holdings was added to the portfolio with a favourable near-term earnings outlook and the potential to become a super-regional bank within Japan. We anticipate that shareholder returns will be boosted through share buybacks and increasing dividends. We added exposure to other Japanese bank holdings.

In terms of attribution, the Sprott Physical Uranium ETF contributed the most alpha to the portfolio in September. Whitehaven Coal also did well on the back of surging thermal coal prices. Supply constraints and power shortages are set to keep coal prices elevated. Our hedge using Nasdaq futures also helped performance, as did the short US bond position.

Positive Attributions

Company	Country	Attribution (bpts)
Sprott Physical Uranium	Canada	64.9
Whitehaven Coal	Australia	52.5
NASDAQ Hedge	United States	57.9
Sony Corp	Japan	22.9
Proshares Ultrapro Short	United States	21.3

Weighing on performance was our exposure to the Chinese Macau gaming sector. Most of our Macau gaming exposure had been liquidated prior to the Government announcement that its seeking to tighten regulation around the casino operators and place a government official on each board to influence company capex programs along with dividend policy. We significantly lightened our position in BHP, but the stock's performance weighed on the portfolio in line with a sharp retreat in the iron ore price. Weaker iron ore prices are likely to prove transitory in our view, with China likely to reassert monetary and fiscal stimulus in the months ahead amidst a slowdown in the economy. To this end,

we added to our BHP position this week as well as buying Rio, both stocks are down by over 30% from the highs earlier this year.

Negative Attributions

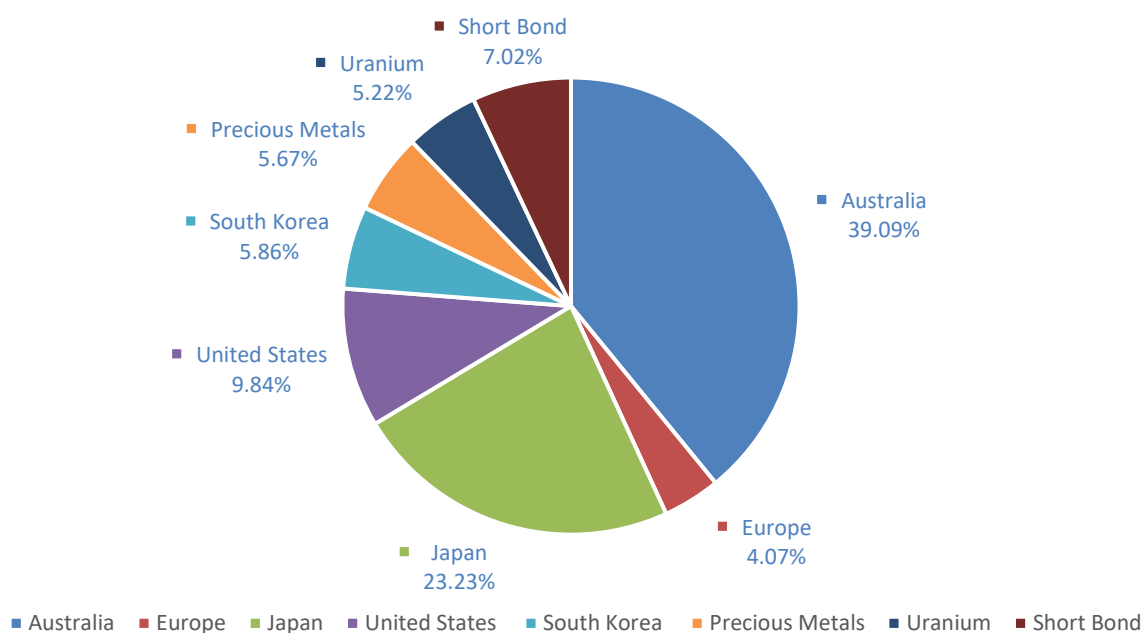
Company	Country	Attribution (bpts)
Sands China	China	51.5
Praemium Ltd	Australia	36.7
Wynn Macau	China	26.9
BHP Billiton	Australia	24.2
MGM China	China	23.9

Top 10 Holdings

Top 10 Holdings	Country	30 Sept 2021
Collins Foods	Australia	10.27%
Domino's Pizza	Australia	6.74%
Sprott Physical Uranium	Canada	5.22%
Sony Corp	Japan	4.16%
Powerhouse Energy Group	United Kingdom	4.07%
Praemium	Australia	3.95%
ProShares UltraShort US Bond ETF	United States	3.85%
Sumitomo Mitsui	Japan	3.53%
Amcor Limited	Australia	3.47%
Samsung Electronics	South Korea	3.41%

For personal use only

GEOGRAPHIC EXPOSURE AS AT 30 SEPTEMBER 2021



Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund