



ASX ANNOUNCEMENT

Sydney, 15 June 2021: Fat Prophets Global Contrarian Fund (FPC) ASX LR 4.12 - Monthly Net Asset Backing Disclosure

Dear Shareholders,

The estimated net asset backing of the Fat Prophets Global Contrarian Fund increased in May 2021. **Pre-tax and post-tax NTA closed at \$1.5445 and \$1.4242 for an increase of 3.50% and 2.65% respectively during the month of May 2021. At the end of May, the Fund slightly increased exposure and net leverage was 18.66%**

	31-May-21	30-Apr-21	Change
Pre-Tax NTA	1.5445	1.4922	3.50%
Post-Tax NTA	1.4242	1.3875	2.65%

Portfolio Performance

The Fund closed out May with a solid performance. Boosting performance was a solid contribution from **Collins Foods**, with the KFC and Taco Bell operator due to report full year profit results in a few weeks' time. **Powerhouse Energy** was rerated by the market after committing to a second DMG plant in Scotland. We anticipate more plant rollout announcements in coming months as the waste-to-hydrogen technology gains increasing awareness and acceptance in the UK and globally. The company has since announced two franchise partnerships in Hungary and Greece. **Mainstream** received yet a higher takeover offer as the bidding war continued between two suitors. **Praemium** performed well during the month over speculation that corporate activity within the fintech platform sector would increase. **Whitehaven Coal** and **Global X Silver** miners ETF were rerated by the market as thermal coal and silver prices jumped.

Weighing moderately on the portfolio's performance was the **zero-cost option collar** over the S&P500, which reduced portfolio beta and overall risk, but removed some of the upside during the month. The option position is due to expire this week. A tick down US bond yields weighed on the Fund's short long duration bond position via the **Proshares Ultrapro Short ETF**, despite higher than expected inflation data and elevated consumer and commodity prices. A resurgence in Covid infections on the China mainland impacted the Macau casinos, with visitation numbers being restricted, which weighed on **Wynn Macau**. **Tencent Music** was also under pressure following the last margin loan liquidation at Archegos Capital.

Positive Attributions

Company	Country	Attribution (bpts)
Collins Foods	Australia	87.0
Powerhouse Energy	United Kingdom	84.2
Praemium	Australia	65.2
Global X Silver	United States	47.3
Whitehaven Coal	Australia	35.5

Negative Attributions

Company	Country	Attribution (bpts)
ESM1 Put 4050	United States	54.8
Uber	United States	41.8
Proshares Ultrapro Short	United States	26.6
Wynn Macau	China	25.1
Tencent Music	China	20.0

Market Outlook and Portfolio Changes

For some time, we have believed that inflationary pressures will lead to higher long duration bond yields. This came through on the CPI front in May with the **annual inflation rate surging to 5% on an annualized basis, well above market expectations of 4.7%**. It was the highest reading since September 2008, however bond yields firmed as the markets bought into the “transitory” view. We continue to believe, on the other hand, that ongoing strong consumer demand as the economy reopens, elevated commodity prices, and supply chain issues will create inflationary pressure for some time. We are content to sit tight for now and the Fund’s short long duration bond position in the view that yields will inevitably rise as inflation and inflationary expectations become more entrenched.

The portfolio’s zero-cost option collar hedge, designed to insulate the portfolio from anticipated volatility in May and reduce overall market exposure and risk, worked out well during the month. Although stock markets generally fared better than we envisioned, the option hedge has not cost the Fund much in terms of performance and is due to expire later this week.

We added back **BHP** and **China Oilfield Services (COSL)** to the portfolio, primarily because of a bullish view on commodities, and energy in particular. BHP and COSL had both corrected and were well down from their respective highs this year. With oil prices surging in the wake of the OPEC+ meeting a few weeks ago and with inventories likely to remain tight, we hold the view that a post pandemic demand led recovery could push crude up to \$80 in coming months. We exited COSL earlier this year at higher levels but have taken advantage of recent weakness to add the stock back to the portfolio.

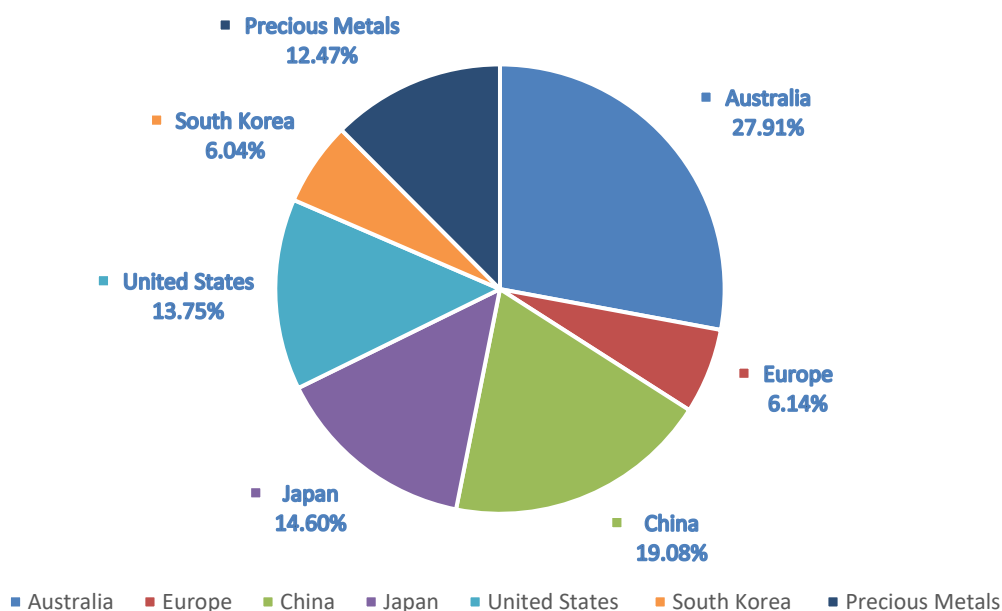
Whitehaven Coal is another resource company added back to the portfolio recently at an attractive valuation, that will be positively impacted by sharply higher thermal coal prices that have escalated above \$120 a ton in recent weeks.

We established a new position in South Australia based **Beston Global Food**, which is in the process of commissioning a new lactoferrin manufacturing plant. When fully commissioned, the new plant will significantly boost lactoferrin production from 3tpa to 21tpa, at a time when lactoferrin prices have surged to \$1,500/kg. We anticipate this will significantly boost revenues and EBITDA in the year ahead.

Top 10 Holdings

Top 10 Holdings	Country	31 May 2021
Collins Foods	Australia	8.71%
Powerhouse Energy Group	United Kingdom	6.14%
Domino's Pizza	Australia	4.28%
Alibaba Group Holding	China	3.41%
Samsung Electronics	South Korea	3.40%
ProShares UltraPro Short	United States	3.30%
ProShares UltraShort	United States	3.23%
Praemium	Australia	3.16%
Walt Disney	United States	2.80%
Sony	Japan	2.67%

GEOGRAPHIC EXPOSURE AS AT 31 MAY 2021



Angus Geddes
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Fat Prophets Global Contrarian Fund