ASX ANNOUNCEMENT

Sydney, 10th January 2019: Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

The month of December will go down as one of the worst since the early 1930's when the US was in the midst of the Great Depression. We were clearly **wrong in expecting markets to rally in December with the Apple earnings downgrade coming through at the end of the month, sending the S&P500 even lower, along with many of the other major indices.** We added exposure and leverage to the fund towards the end of November, which in hindsight was clearly too early, and this impacted performance during December.

In terms of the downward moves, the **Dow Jones finished the month -9.5%, the S&P500 -10.1%, the Nasdaq Composite -10.5%, and Japan's Nikkei -11.7.** Markets that outperformed with smaller loses included the Shanghai Composite -3.8%, the ASX200 -0.4%, and the FTSE100 -3.7%. The decreasing risk of an all-out trade war partly explains why China and Australia fared much better during the December sell-off. On a pre-tax basis the Fund was down 11.63%, impacted by our overweight Japanese exposure (the Nikkei fell nearly 12%) but also weakness in energy and the fact that leverage was added at the end of November. The Fund was leveraged around 30% at the end of December.

	31-Dec-18	30-Nov-18	Change
Pre-Tax NTA	0.9092	1.0289	(11.63%)
Post-Tax NTA	0.9631	1.0500	(8.28%)

Despite the fact that sentiment turned decisively bearish in December, **we believe markets have reacted too harshly and too quickly on the downside**. We are more optimistic, and the Fund is consequently positioned for a recovery rally. **The widely pervasive bearishness and extreme pessimism often typifies a turning point** and we possibly have seen this already in Asia, with China, Hong Kong, and Australia all outperforming during the month. We continue to believe that for contrarians, presently oversold conditions, especially in Asia, now opens a window of opportunity.

Many investors have subsequently cashed up, and deleveraged following the substantial decline since September, with liquidity now built up on the sidelines. The corporate sector is also likely to be very active in the weeks ahead when reporting season gets underway, and we are likely to see the reinstatement of buybacks.

Naturally, after such a bruising four months for the indices, **many investors are asking where to next and what is in store for the US and global economy?**

	end Nov	end Dec	points move	%ge move
Dow Jones	25538	23327	-2211	-9.5%
S&P 500	2760	2506	-254	-10.1%
NASDAQ Composite	7330	6635	-695	-10.5%
FTSE100	6980	6728	-252	-3.7%
EUROSTOXX50	2934	2760	-174	-6.3%
NIKKEI	22351	20014	-2337	-11.7%
Shanghai Composite	2588	2493	-95	-3.8%
ASX200	5667	5646	-21	-0.4%

Outlook

We think the **US and global indices will rally over the next several months, potentially recovering a significant proportion of last year's losses.** However, we don't see new record highs for the Dow Jones, S&P500 or the Nasdaq, but rather a renewed upward surge to significant resistance at the top end of the range which will likely contain the US indices for the foreseeable future.

Given the substantial downward move in Asia, and notably China, during 2018, we expect relative out-performance from these markets - particularly with the Chinese authorities throwing a lot of stimulus at the economy and valuations at historically cheap levels. **The Fund is heavily positioned in Asia, and in Japan, which is another market that we believe looks cheap on current price to book and earnings multiples.**

S&P500

Why are we bullish near term?

Markets have become extremely bearish and negative regarding the outlook for the global economy and in our view, have detached near term from economic fundamentals. The trade war has without question spilled over into the real global economy causing a slowdown, **but markets have moved too fast on the downside, pricing in a recession.**

We are about to find out how the corporate sector is faring, with many companies due to commence reporting shortly for the December quarter. We have already seen Samsung report a disappointing set of numbers and yet the markets did not react much at all, suggesting a worst-case scenario was priced in. If there is a whiff that the markets' **worst-case fears have not been realised, then we could see a significant rally, and we think Asian markets, particularly China, could lead the way on the upside.**

We could also see the very strong labour market in the US positively influence consumer spending. With the S&P500 currently priced on a forward PE estimate of around 15X based on forecast earnings of c$174, **investors may well see the market as undervalued as we roll through the reporting season.**

There are other potentially bullish near-term catalysts. **The US economy certainly seems to be doing better than what the market is currently pricing in.** The US nonfarm payrolls came in for December at around **312,000 which was substantially above the Street's estimate of c180,000, with wage growth pegged at 0.4%.** This has potentially set the market up for a better than anticipated reporting season – with expectations generally very deflated. We don't think the earnings season is going to be that bad, and certainly not as bad as what is being priced in at the moment.

Another big fear year that dominated sentiment in late 2018 was the Trade War, but it seems that **President Trump has already conducted a U-turn on the dispute and is keen to settle with the Chinese.** There can be no misunderstanding by the White House of the spillover impact the dispute has had on financial markets - and the global economy, which is showing signs of slowing. **But a slowdown is different to a recession** – and it is an economic recession that the market currently seems to be pricing in, but this seems way too early in our view.

We think President Trump will aim to cut a deal relatively soon with China to stabilise the markets and the economy. US Commerce Secretary Wilbur Ross said in a recent interview that that **Beijing and Washington could reach a trade deal that "we can live with"** as dozens of officials from the world's two largest economies resumed talks in a bid to end their trade dispute. The White House seems ready to compromise. This follows up on what President Trump said recently that **"trade talks with China were going very well and that weakness in the Chinese economy gave Beijing a reason to work towards a deal."**

Another near term bullish catalyst is that **we now have a much less aggressive Federal Reserve.** Chair Jerome Powell "talked the market volatility down" recently and provided soothing words on the outlook for future rate hikes, and certainly the pace at which the Fed has been shrinking its balance sheet. **We could well find at the next FOMC meeting the Fed pauses all together with monetary tightening.** In China the PBOC has already cut rates by a full 1% and is throwing other stimulatory measures at the economy to stabilise the recent slowdown. **We may even see another rate cut before too long.**

While there has been a lot of technical damage to many markets, **one index to keep an eye on is the Dow Jones Transports**. Confined to a trading range, **the index has still respected the lower boundary of the channel and we are yet to see a breakdown of the long-term uptrend.** Dow Theory posits that the transport index is a good proxy for how well the broader economy is doing, given the transportation of goods. This is encouraging near term and points to a recession being some time away, and as we view it, further signs the market has bottomed and is poised for a rally.

Dow Jones Transports

The energy markets have fallen very hard, but OPEC has cut production. We may well have seen prices bottom out already. Saudi Arabia seems intent on cutting production further, and has said that longer term, the oil price needs to be at around $70/80 a barrel. The kingdom has cut daily production to 7.1 million barrels and is intent on driving prices back up.

Oil's reaction on the downside seems excessive and we anticipate a counter rally, particularly as OPEC supply cuts begin to kick in this month. **A recovery in the oil price will provide a boost to energy sector, which will provide a tailwind for the US, UK and Australian indices.**

Precious metals outperformed during the recent volatility. If the Fed pulls back from tightening in the months ahead, we may well see further downside in the US dollar, which will provide support for emerging markets, but also commodities and precious metals. **Gold recently tested $1300, and we think our scenario of another run at the $1370/$1400 level this year is on the cards.**

Gold in US$

Gold in Australian dollars has broken out on the upside and made historic new record highs. Australian gold producers outperformed in December but have since corrected in recent days, but I expect further upside in the months ahead, if the A$ gold price can maintain upward momentum, with margins expanding to record levels for the gold producers.

The A$ Gold price broke out to new historic highs in December and January

In terms of monthly performance attribution in the portfolio, the outperformance in precious metals, and gold in particular, was a key driver of positive attribution. The breakout in the A$ gold price saw Evolution rally during the month, adding 77.4 basis points (bpts). The Fund's holdings in the VanEck Vectors Junior Gold Miners ETF and SPDR Gold ETF delivered solid gains as well.

Positive attribution

Company	Country	Attribution (bpts)
Evolution Mining	Australia	77.4
VanEck Vectors Junior Gold Miners ETF	United States	44.7
SPDR Gold Shares	United States	22.5
Fat Prophets Global Property Fund	Australia	5.5
Sands China	China	2.9

In terms of negative attribution, Collins Foods corrected sharply during the month, costing the Fund around 135 basis points. Investors took profits after a strong run in the shares through to the end of November, and following the half year results – which were positive. Collins is presently the Fund's largest exposure, and we remain positive on the KFC operator's prospects, with growth being pursued domestically and abroad. Tech plays Baidu, Nintendo, and Sony were caught up in the broader market sell-off while weakness in oil weighed on Inpex. We remain comfortable with the long-term outlook for all of these companies.

Negative attribution

Company	Country	Attribution (bpts)
Collins Foods	Australia	135.6
Baidu	China	107.7
Nintendo	Japan	81.1
Inpex	Japan	65.9
Sony Corp	Japan	59.6

Portfolio Positions

The Fund's largest exposure, **Collins Foods**, corrected during the month after a strong run up until the end of November which had seen the shares reach all time highs. There was much anticipation heading into the company's half year results, and these delivered on cue, with the core KFC business performing strongly, and also with solid progress being achieved on twin expansion plans in Australia and Europe.

Collins Foods has expanded impressively in Australia and is looking to add another 40 to 45 new KFC restaurants over the next 5 years. The foray into Europe is also on track, with the company having 17 restaurants now in Germany and 18 in the Netherlands, and further additions on the way. Collins is taking a measured approach to expansion which is prudent in our view, and applying a similar refurbishment program, as in Australia, to lift margins.

We also share management's upbeat view over longer-term domestic growth set to come through with the roll-out of the Taco Bell offering in Australia. The company has entered into a Development Agreement with Yum! Brands to open over 50 new stores across three states between 1 January 2019 and 31 December 2021. Management plan to open 10 Taco Bell restaurants in calendar 2019.

Technology shares came under pressure during the month, which weighed on the likes of **Baidu, Sony** and **Nintendo.** Much of the selling owed to broader market factors, and with a flight away from risk as US-China trade tensions in particular continue to weigh. Concerns of increasing government regulation on the gaming sector was also a headwind. A resolution of the current trade stand-off would however go a long way to improving investor sentiment, and with each company performing well operationally.

Baidu for instance, reported a solid performance in the third quarter with revenues up 27%, underpinned by robust growth in monthly active users, which rose 28% to 900 million in September. Earnings per share leapt 47% year-on-year. The company is also investing in lucrative growth technologies such as AI and Cloud storage which underpins our positive view on the business.

Consumer electronics and gaming giant **Nintendo** has also been performing robustly from a sales perspective, with record numbers over Thanksgiving and Cyber Monday, and with the hype surrounding the launch of "Super Smash Bros. Ultimate". Current trends also suggest that the company's Switch console may even surpass the Wii over its lifecycle.

Sony has also been seeing a strong performance in its gaming division thanks to the continued popularity of its PlayStation 4 console. Sony has sold a cumulative 91.6 million units at the end of December, with 5.6 million over the holiday season alone. Video game sales have also surpassed 876 million copies worldwide.
Disney, the fund's second largest holding, has continued to progress the acquisition of most of Twenty-First Century Fox's media assets and the rollout of the new streaming platform. We

continue to see the transaction as a game changing one which will boost Disney's already industry leading portfolio of intellectual property. The company's film releases in recent years have been financially very successful , and the pipeline going forward looks just as strong, with potential blockbusters in the form of *Avengers: Endgame, Frozen 2,* and *Star Wars: Episode IX.*

The company is also cultivating its own streaming service which will launch later this year. The offering will be "very brand-centric", featuring content from Star Wars, Marvel, Disney, Pixar and other programming from the Fox assets.

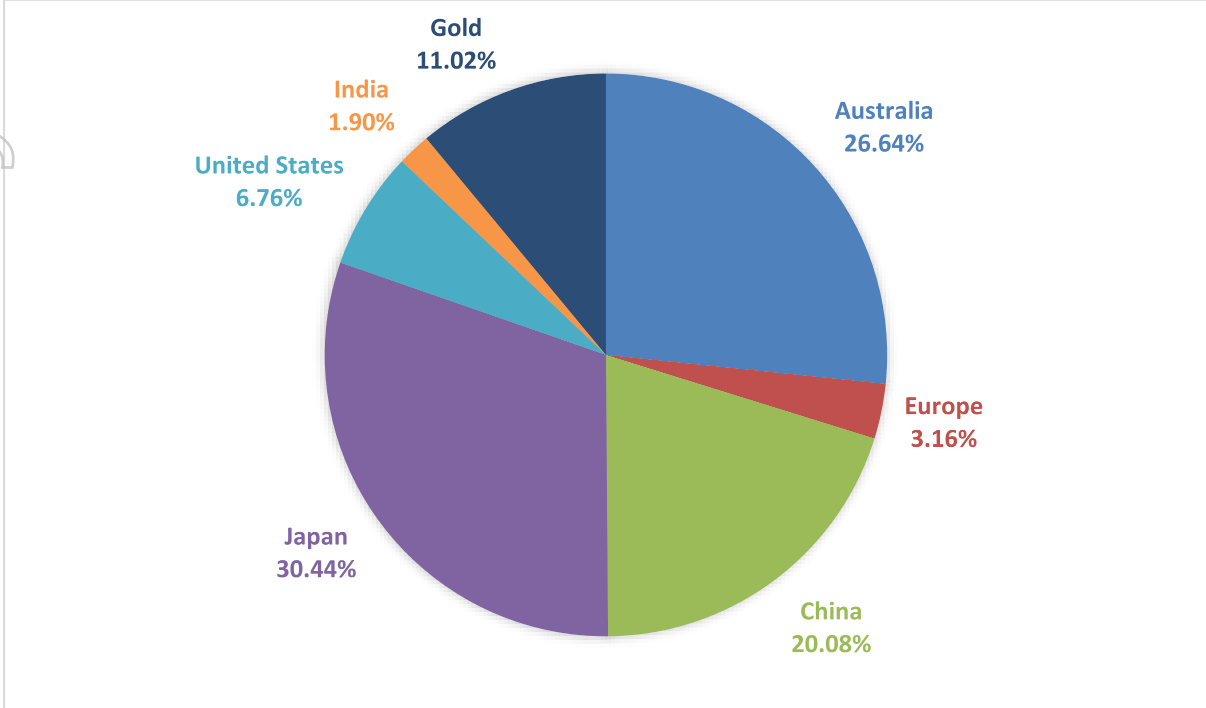
The Macau casino gaming sector, including **Wynn Macau**, held up relatively well during the month, despite fears that Beijing might target US casino operators as part of the ongoing trade rift. On the flip-side revenues in the sector have been on the up following the opening of the Hong Kong-Zhuhai-Macau Bridge (linking Macau to Hong Kong and mainland China) in late October. December casino gaming revenues remained rose 16.6% year-on-year to 26.47 billion patacas and were ahead of the consensus estimates between 10% and 15% growth. Over the longer term, the gentrification of Macau and robust tourism flows from nearby China, continue to underpin our positivity towards the sector.

There was a positive development for **Telstra** during the month, with the telco **enjoying success at the 5G auction**. The company secured 143 lots of spectrum for a $386 million spend, meaning Telstra now has contiguous 5G spectrum in all major capital cities (where there was a gap) and all regional areas. **CEO Andy Penn described the outcome as 'an extremely significant moment' with 5G set to bring enormous growth opportunities**

Our precious metals exposures performed well during the month, including the **SPDR Gold ETF**, and **Evolution Mining**. Strength in the gold price was a tailwind, and particularly in Australian dollar terms for Evolution. The gold producer is well positioned to our scenario of further gold price strength, and is expanding capacity at its Cowal asset, where it has also upgraded the outlook following strong drilling results.

Top 10 Holdings	**31 Dec 2018**	**Country**
Collins Foods Ltd	8.80%	Australia
The Walt Disney Company	7.33%	United States
Baidu.com Sponsored ADR's	6.64%	China
Sony Corp	6.10%	Japan
Telstra Corporation Limited	5.95%	Australia
Wynn Macau	5.90%	Hong Kong
Evolution Mining Ltd	5.89%	Australia
SPDR Gold Shares ETF	5.50%	United States
Nintendo Company	5.31%	Japan
Praemium Limited	5.26%	Australia

Geographical dispersion



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