Fat Prophets Global Contrarian Fund Ltd

ACN 615 414 849

12 April 2017

ASX Announcement
Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

The net tangible asset backing per Fat Prophets Global Contrarian Fund Limited share as at 31 March 2017 is $1.0778.

The Fat Prophets Global Contrarian Fund successfully launched on the ASX on 22 March 2017, with the total amount raised including oversubscriptions reaching over $48 million, well above the $33 million maximum sought in the prospectus.

Following the capital raising, we are pleased to report that the Net Tangible Asset (NTA) value of the Fund was very close to the issue price of $1.10, coming in at around only a 2% discount. This was much better than most LIC's which typically have a larger discount to the NTA. This was due to a sharp focus on minimising costs, and Fat Prophets management waiving a stamping fee on funds raised directly from our subscriber and investor base – which was around 90% of the total.

I am pleased to report that the task of investing the capital has begun across a number of high conviction equities in both international and domestic markets. Our global mandate enables us to cherry pick companies, sectors and countries that we believe are best positioned to benefit from our top down macro view of the world. Some of the thematics selected to date include the Macau gaming sector, Japanese banks and select Indian growth stocks.

Gaming revenues in the ex-Portuguese colony of Macau had been declining for over two years following the Chinese government's crackdown on corruption. This has instigated a reduction in VIP gaming revenue between 2015 and 2016, but this has since stabilised. We believe an inflection point was reached in the second half of 2016, and with the transition of Macau to being a mass market entertainment precinct revenues are climbing again.

Despite upward earnings revisions for the sector recently, the consensus view still remains somewhat pessimistic and we see considerable future upside.

India has been a strong performer and is one of the fastest growing larger economies in the world. Growth hit some speed wobbles at the end of 2016 when the government implemented its demonetisation program in an effort to clamp down on the black economy and improve the government's tax take.

Despite this, real growth in the economy remains elevated relative to global peers, with GDP growing at a 7 percent annualised rate for the December 2017 quarter. The re-election of Prime Minister Narendra Modi has stabilised the government and endorses the rollout of large scale infrastructure investment aimed at providing additional roads, railways, airports and electricity to the 1.3 billion population. This has been a positive catalyst for the rupee, which after many years of systematic depreciation against the US dollar, has reversed. I think that India will provide some excellent investment opportunities in the years ahead.

Japan is also an economy we favour as it continues to build momentum. Prime Minister Shinzo Abe has been on a mission to reinvigorate the economy after two decades of deflation. Monetary easing and the strong performance of the US economy has underpinned a weakening in the Yen which has been a boon for Japanese exporters. Output rose for an eighth successive month in March, supported by a rise in new orders. The weaker yen has been in no small way, directly correlated to what we see as an emerging secular bull market in Japanese equities.

However in a bid to reinflate the economy Japan shifted to a negative interest rate policy early in 2016, with banks caught up in the fallout with many seeing their valuations slide to less than half of their book values despite remaining profitable. I still see significant upside potential and the experiment with negative rates by the BOJ is probably close to being shelved.

After being absent for close to two decades, there are signs that Shinzo Abe's policies are starting to gain traction, with Consumer Price Inflation rising every month since October 2016. This could see the Bank of Japan shift to a more sustainable interest rate footing as the government pushes ahead with its ¥28.1 trillion fiscal stimulus package later this year, with ¥7.5 trillion of this earmarked for infrastructure development in the run up to the 2020 Olympics.

I will be able to mention more information about the companies we have acquired in next month's NTA release, but in many instances we are still buying and building our positions.

Yours sincerely
Angus Geddes
CEO