



FAT PROPHETS CONTRARIAN INVESTING

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This presentation is a summary of segments of the prospectus. Investors should read the prospectus in full prior to making any investment application.

FOLLOW THE HERD
OR HUNT IT.

About us

- Fat Prophets has a 17 year history of providing investment research, advice, and funds management
- Extensive research team covering equities across Australia, NZ, US, Europe, Asia
- International footprint with staff in Sydney, Auckland, London and SE Asia
- Long term funds management track record across multiple domestic and international equity portfolios with \$87m of assets under management and track record of more than a decade
- Fat Prophets is more than 95% owned by staff
- Extensive base of existing clients with high retention rate reflecting trusted advisor status
- Substantial membership base exceeding 10,000 subscribers to the Fat Prophets Investment Newsletter

CONTRARIAN *(NOUN)*

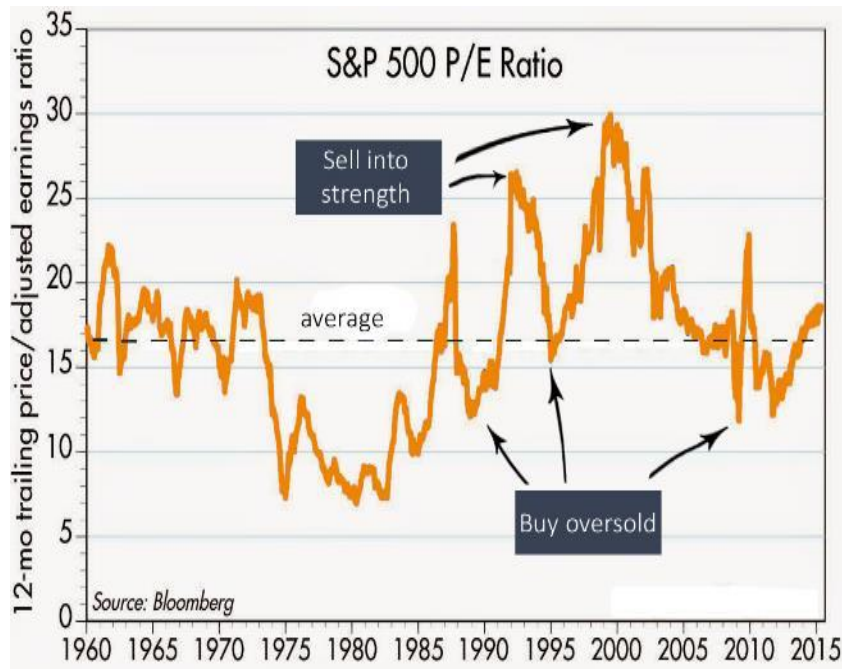
A contrarian is a person who deliberately behaves in a way that is different from the people around them.

INFLECTION *(NOUN)*

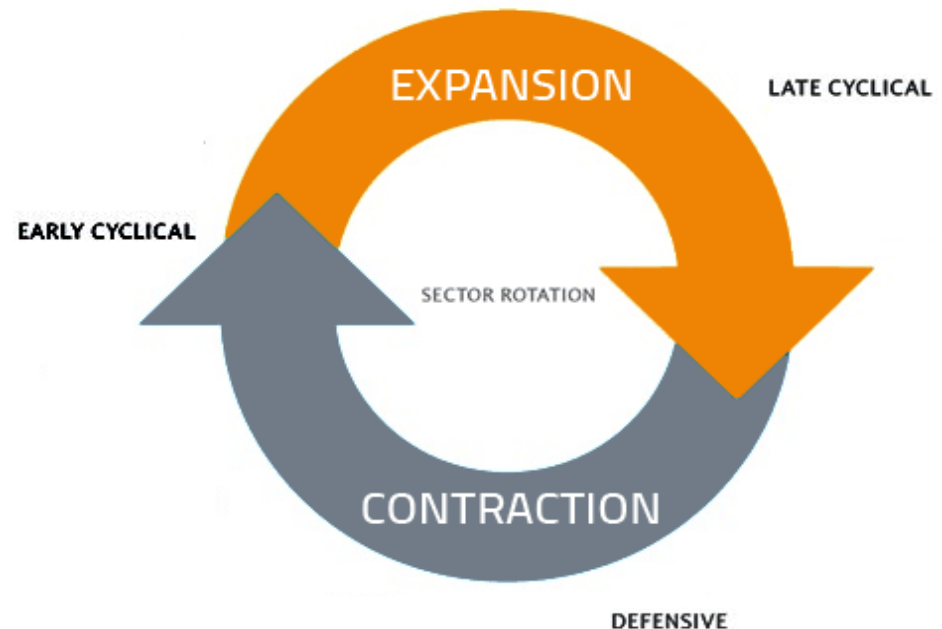
A time of significant change in a situation; a turning point.

Overview of offering

- Financial Markets are not always “efficient” at pricing assets and prone to overshooting in valuation on the upside and downside
- Bull and bear market cycles lead to investor bias, and opportunities on both the short & long side when valuations become extreme



Sector Rotation Across Economic Cycles



- The Fund will seek to capitalise on opportunities that arise where “inflection points” have been reached and pricing direction changes.
- The Fund’s objective will be to avoid significant negative return years and deliver consistent above average returns

Contrarian examples invested in by Fat Prophets

Macau Gaming

- Stocks materially down on banning of junket operators
- Significantly undervaluing the largest gaming market in the world vs other markets
- Catalyst of gaming revenues first stabilising and then growing again as Macau transitioned from VIP to mass market



Japanese Banks

- Declined significantly to trade at average 35% to BV, a globally low base level
- Profit fundamentals stable
- Catalyst was the BOJ mitigating the negative interest rate policy for the financial sector



Gold

- Bear market correction between 2011/2015
- Central banks continued with stimulus. Over half of the global bond issuance priced on negative interest rates



Why be a contrarian?

- Markets are not efficient and overshoot to the upside or downside
- Valuations can reach extreme levels where risk becomes loaded
- The opportunity is in the actual risk being taken versus perceived risk
- Sentiment and market participant behaviour can become irrational in the short term
- Well known bubbles include the dot.com in 2000, Housing bubble in 2008
- “Ice Skating” on the lake – unlike the Serengeti, there is no safety in numbers in the markets

Inflection investing examples

Inflection thematic

Sumitomo Mitsui Financial Group

- Prices of most Japanese banks declined meaningfully and sharply in late 2015 / early 2016.
- The declines resulted in banks trading at significant discounts to book value. The price discount to BV which was as much as 35% of BV was a globally low base level for banks and provided a support level.
- Profit fundamentals are stable for the banks
- The decline catalyst was the BOJ mitigating the negative interest rate policy for the financial sector
- Fat Prophets took an active position in its model portfolio for this event.

Inflection thematic

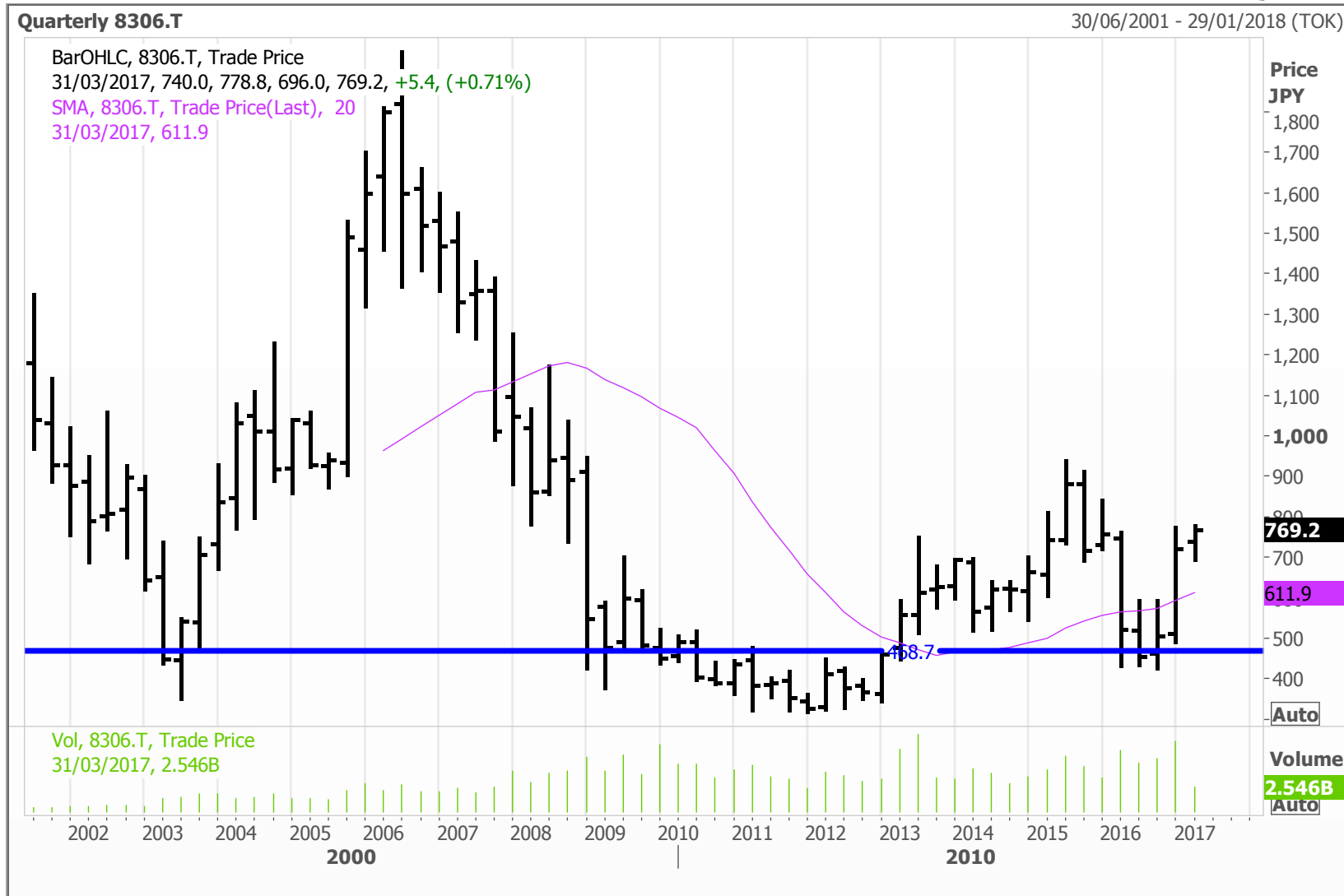
Wynn Casinos Macau

- Macau casino Stocks have declined materially on declining revenues driven by a slowing China economy and a crackdown on corruption and phone betting causing a loss of high end gaming.
- While revenues remain weak, the pricing of the casino stocks after a consistent and meaningful 2 year decline provides an identified inflection point.
- Catalyst of gaming revenues first stabilising and then growing again as Macau transitioned from VIP to mass market
- Fat Prophets identified the opportunity in early 2016, recommending Wynn Macau to investors in its daily research, and taking active positions in funds for existing investors.

Other strong examples of providing historical return opportunity

- 2000 Gold/Gold stocks – precious metals were very depressed after multi decade bear market
- 2004 Oil Sector - oversupply and industry wide downturn
- 2005 Telecoms - BT/Telstra – Telcos under attack from mobile, internet and landline erosion
- 2009/2010 Global Property Construction stocks – UK, Australia, US – GFC led to massive deleveraging
- 2010 Sydney Commercial Strata Real Estate – oversupply, the GFC and tighter credit conditions
- 2012 Gold Coast residential Real Estate – oversupply, GFC, tighter credit conditions
- 2012 UK Homebuilders – post GFC downturn in the building industry
- 2013 Japanese stock market – A massive bubble in property/stocks led to a multi year bear market
- 2013 Telecom Spark NZ - under attack from mobile, internet and landline erosion
- 2014 Airlines, Qantas – high oil prices, intense competition
- 2014 Indian Stocks – multi year under performance in equities, despite the high economic growth
- 2014 Chinese stock market – The 2007 bubble burst led to 80% decline in equities despite high economic growth
- 2015 December Resource stocks – commodity oversupply and downturn led to once in a decade buying opportunity in stocks such as South32, BHP
- 2016 January Oil / oil sector bottoming – Saudi Arabia flooded the market but led to unsustainable uneconomic production
- 2016 Macau Casino Stocks – crack down by Chinese authorities on gambling led to declining gaming revenues. Casino stocks declined 80%
- 2016 Japanese Banks – BOJ instigated negative interest rates. Japanese banks lost over 50% in value
- 2016 August – APPLE – market pricing the world's greatest technology company with zero growth

Japan Banks - Mitsubishi UFJ



Macau Casinos - Wynn Macau



Contrarian opportunities

- Global Bond market – is it time to short?
- Bonds have been in multi decade bull market
- Buy the dip mentality entrenched
- ...But Inflation is on the horizon
- Wage growth breakout to occur at some point
- Asset price inflation

US 10 year Bond Rate



Best ways to play - QBE Insurance



European Banks - Bankia

- Spain's economy under pressure of 10 years
- Record unemployment of 25%
- Economy has since restructured
- Green shoots coming through
- Regional bank Bankia will benefit from a rise in European rates, Spain's economic recovery, recent merger with BME which is EPS accretive from day one.
- Price to Book ratio of around 0.7X offer compelling value to the cycle

Undervalued regional - Bankia



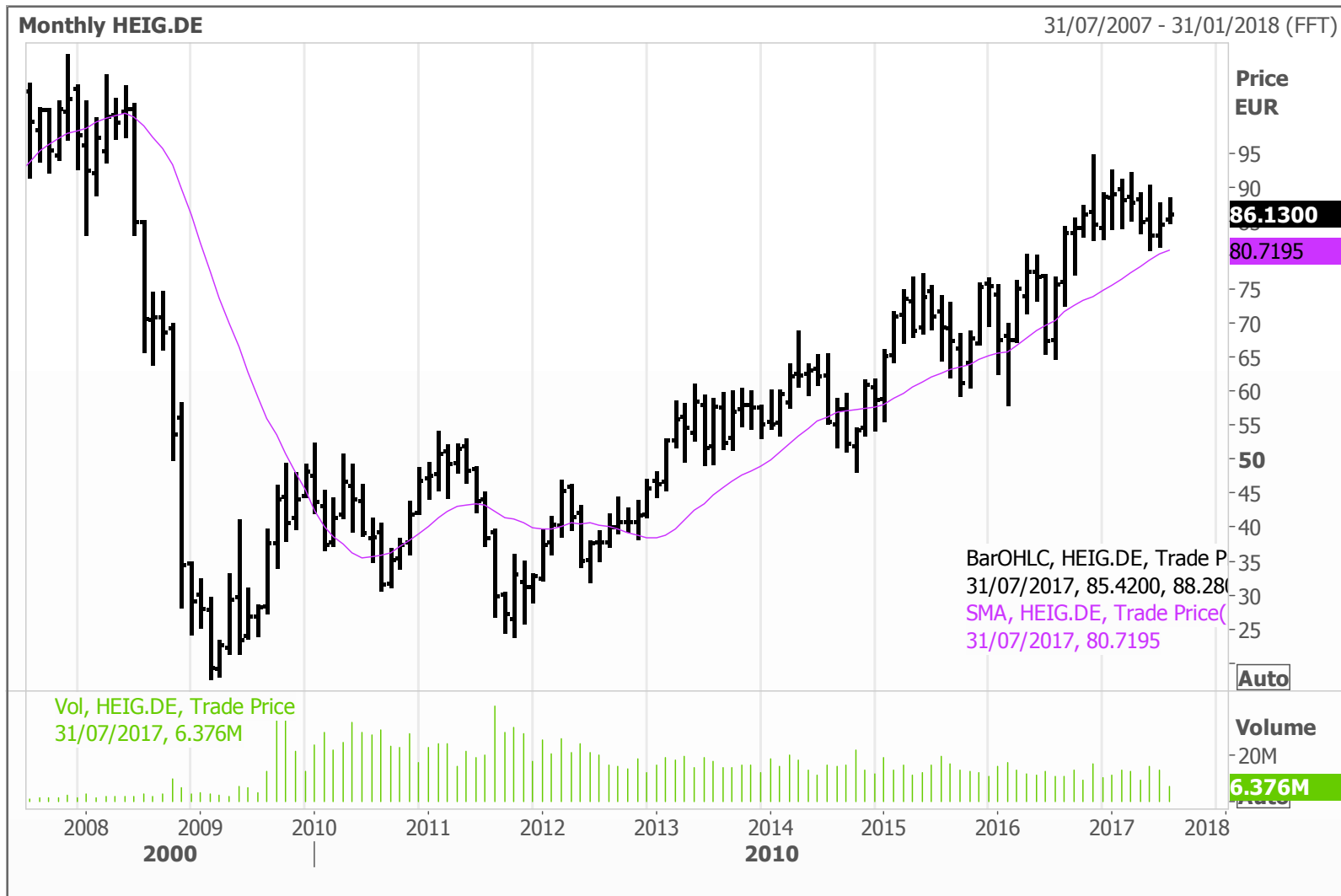
Spain's stock exchange a great proxy - Bolsa Y mercados



Epicentre of the GFC – Europe's construction industry – Heidelberg Cement

- Construction industry downturn in Europe was severe post GFC
- Greenshoots coming through
- Heidelberg is No#1 player in cement globally, with dominant market positions in Europe, US and Asia
- Cyclical recovery underway in Europe should be significant following lengthy convalescence

Heidelberg Cement



The greatest contrarian market play - Japan

- Worst deflationary bear market in modern financial history
- Nearly 3 decades of economic decline
- Economic growth accelerating
- Inflation picking up
- Unemployment at 1994 lows at 4.3%
- Wage growth breakout on the horizon
- Corporate sector in very strong shape
- Public conditioned by a 30 year bear market – disengaged from the share market

Nikkei – 1988 to 2017



Japanese Banks

- Low price to book ratio 0.7X
- Japanese yield curve to steepen
- BOJ to back away from NIP (negative interest rate policy)
- Banking sector in excellent shape
- Domestic economy to provide a tailwind

Mitsubishi UFJ

Monthly 8306.T

31/07/2007 - 31/01/2018 (TOK)



Resona



About Fat Prophets Global Contrarian Fund – global growth

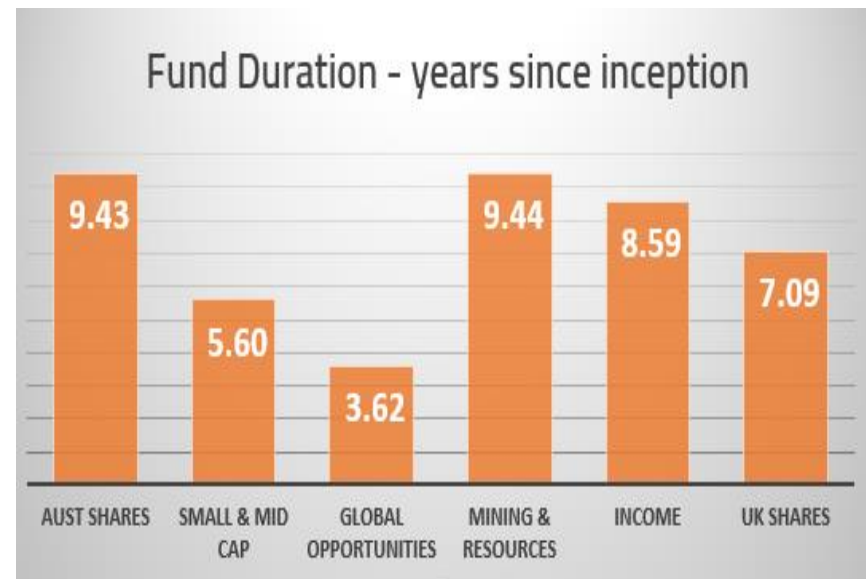
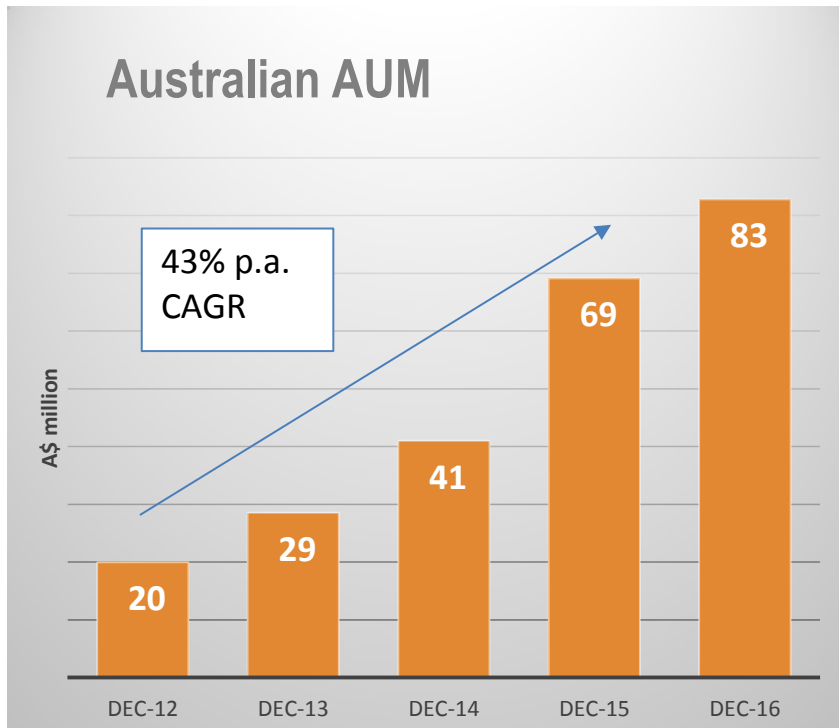
- Newly incorporated ASX listed investment company (LIC)
- Global mandate - Focused strategy
- Strong majority independent board
- The Company aims to provide shareholders with a more consistent long return profile than long only single asset class investment reflecting more stable and higher returns
- The Fund will be managed by CEO Angus Geddes & the experienced Fat Prophets Funds Management team



Long term track record

Fat Prophets has extensive funds management experience:

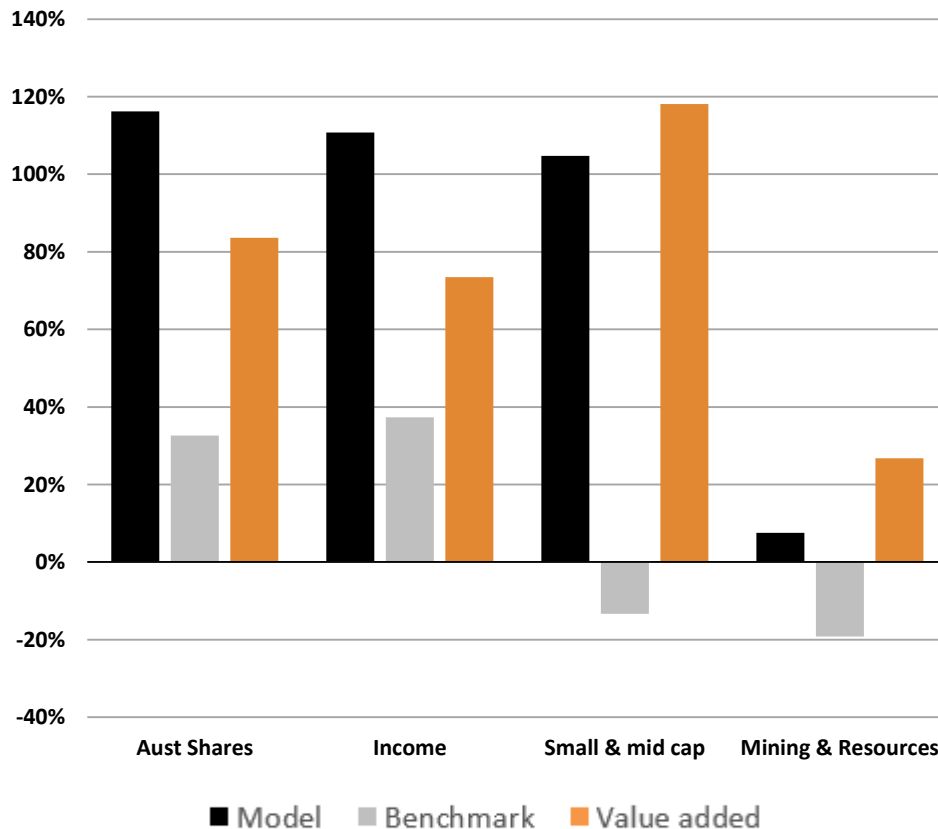
- ✓ Multi strategy funds
- ✓ Strong value add track record
- ✓ Combination of domestic and global investment exposure and experience
- ✓ Long period of track record with several funds close to a decade since inception



Strong performance track record

Performance vs Benchmark – Since Inception

* to 30 September 2016



Value added for investors

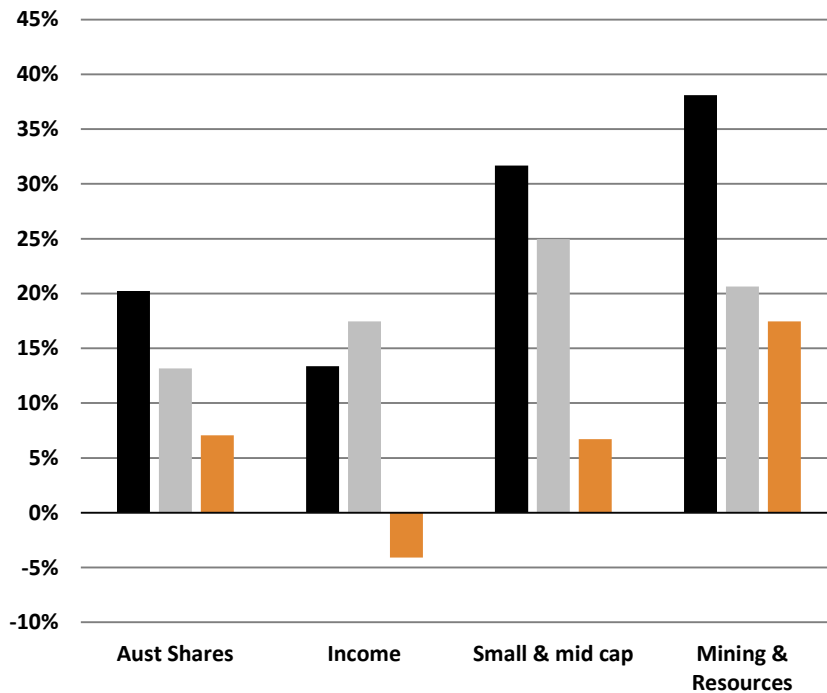
- ✓ Long term track record of managing investors capital
- ✓ Significant track record of near term and long term value added across various portfolio strategies and timeframes
- ✓ Value add style targets long term gains

** Returns shown are gross and before fees and costs

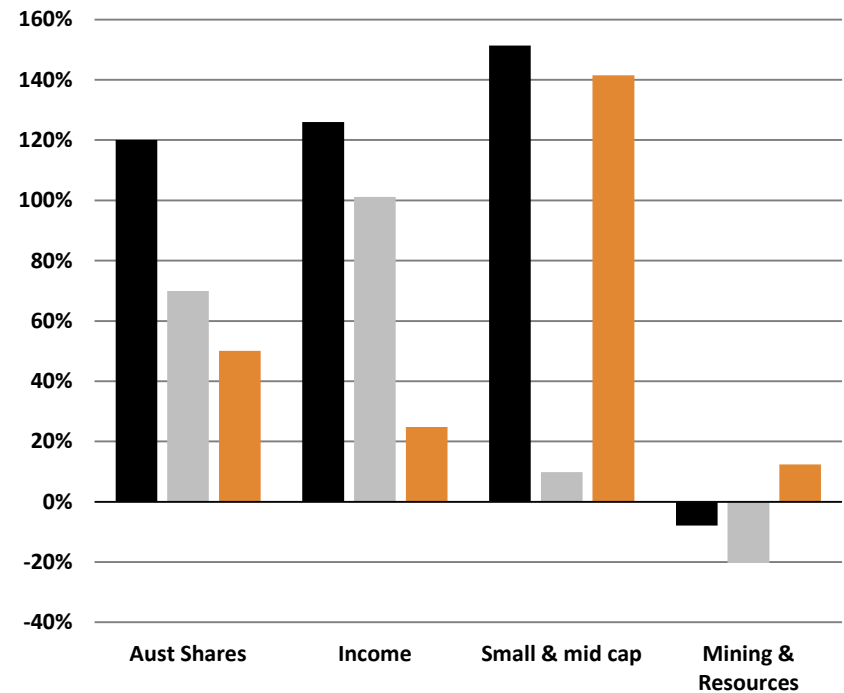
Strong performance track record

Performance vs Benchmark - 1 year

* to 30 Sept 2016



Performance vs Benchmark - 5 year



■ Model ■ Benchmark ■ Value added

* to 30 September 2016

** Returns shown are gross and before fees and costs

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