

## Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

The estimated net tangible asset backing increased in January 2024 with pre-tax and post-tax NTA lifting by +0.285% and +0.244% **to \$1.0551 and \$1.1066 respectively**. At the end of January, cash held was -1.7% of the portfolio with gearing lifting net exposure to 101.7%.

	31 December 2023	31 January 2024	Change
<b>Pre-Tax NTA</b>	<b>\$1.0521</b>	<b>\$1.0551</b>	<b>+0.285%</b>
<b>Post-Tax NTA</b>	<b>\$1.1039</b>	<b>\$1.1066</b>	<b>+0.244%</b>

### MARKET OUTLOOK AND PORTFOLIO CHANGES

During the month of January, the Fund had a modest gain driven primarily by a rerating of **Paladin Energy** and higher uranium prices. **Japanese financials** also performed during the month as BOJ moves closer to retiring NIRP and allowing greater normalisation of monetary policy. Precious metals underperformed as the US dollar rebounded, but we continue to see opportunity with valuations low. Pressure could soon begin to mount on the dollar as the Federal Reserve moves to cut interest rates later this year, despite the prospect of stickier inflation over the near term.

The rally in US equities has broadened over the past month, filtering down to the Russell 2000 Small / Midcaps which is encouraging. Near term, the stock markets are vulnerable to a correction, but we see downside mitigated by the still considerable cash on the sidelines. Globally and in the US, small/midcaps have underperformed significantly in recent years to the point where the valuation gap with larger cap and growth stocks has become extreme. **Small/mid-caps could do much better this year following several years of underperformance.**

**While the Russell 2000 could play good catch up in the US, China/Hong Kong stocks also offer opportunity with the cheapest valuation in decades.** We have identified opportunities in companies generating strong revenue/profit growth but selling at less than half the multiples of a few years ago.

We have been active in the past six weeks and are now fully invested. In the US we added real estate property portal **Zillow**, bitcoin miner **Riot Platforms** and **Genius Sports** which provides technology to the sports betting and data services industries. In Hong Kong/China, we added to positions in **Tencent Music** and **Wynn Macau**. We also established new positions in **Yum China** and **MGM China**. These companies are screening extremely cheaply with solid earnings and revenue growth.

With many brokers and investment banks labelling the China/Hong Kong market as ‘un-investible’, we see these stock markets nearing a potential bottom, which has yet to be confirmed. A number of companies such as **Yum China**, **Wynn Macau**, **MGM China** and **Tencent Music** are now outperforming strongly in a relative and absolute sense.

**Tencent Music** has reached an inflection point with revenues and earnings. We expect very strong growth in the year ahead as the music streamer grows subscribers and consolidates its position in China with the largest market share. The Macau gaming and resort sector took a battering during the Covid lockdowns. Since China’s reopening, both **MGM China** and **Wynn Macau** have seen gaming revenues recover strongly. This rebound is not yet being reflected in their respective valuations, which remain the cheapest in each company’s respective history.

**Yum China, the operator of the KFC and Pizza Hut franchise in mainland China with over 14,000 stores reported very strong earnings this week.** The stock has been caught up in the slump in China's stock market and is c50% below the record highs. Despite poor sentiment, Yum China continues to grow rapidly and is aiming to be able to reach of 50% of China's population by 2026. The company is targeting smaller 2<sup>nd</sup> and 3<sup>rd</sup> tier cities (large by Western standards) with a solid expansion plan of 1500 new stores over the coming year. We see opportunity in what a high-quality business with defensive characteristics given a compelling menu value offering.

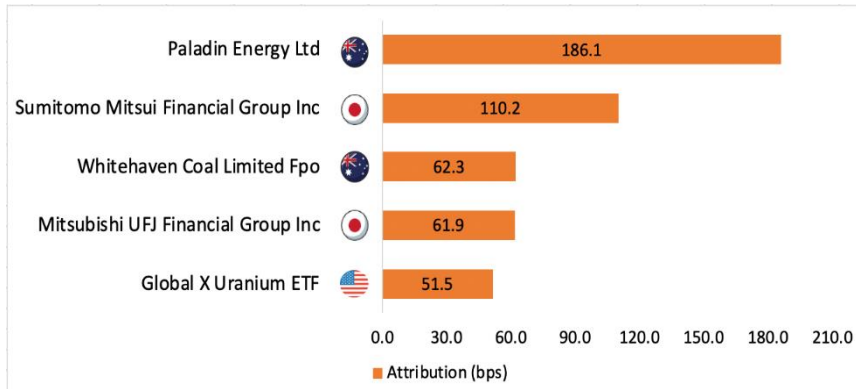
Copper/zinc producer, Australian listed **29 Metals** was also added to the portfolio on valuation grounds where the stock trades at a significant discount to fair value and at price at which a large placement was conducted late last year. A recent production downgrade was met with a negative response in the market. We are optimistic 29 Metals can recover given our bullish outlook for the copper price.

### KEY METRICS

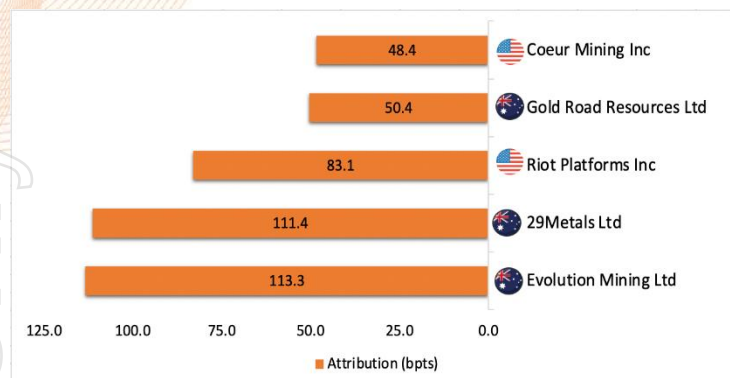
EOM Gross Assets	EOM Cash	Current Net Exposure (11/01/2024 estimate)
\$31.521M	-1.7%	101.7%

### POSITIVE ATTRIBUTIONS

Uranium miner **Paladin Energy** surged following a rise in spot prices and as a production restart nears. Higher prices also benefitted the **Global X Uranium ETF**. Japan banks **Mitsubishi UFJ** and **Sumitomo Mitsui** rerated on strong profit results, higher dividends and buybacks. **Whitehaven Coal** is considering monetising a 20% stake in the recent Blackwater mine acquisition.



## NEGATIVE ATTRIBUTIONS



Precious metals stocks came under pressure during January as the US dollar strengthened. This weighed on **Coeur Mining**. **Gold Road** and **Evolution Mining** missed consensus expectations on quarterly production, but reaffirmed FY guidance. Copper producer **29 Metals** fell after missing guidance on quarterly production. **Riot Platforms** fell in line with a selloff in Bitcoin.

## TOP 10 HOLDINGS

Top 10 Holdings	Country	31 January 2024
Sumitomo Mitsui Financial Group	Japan	10.47%
Paladin Energy	Australia	7.82%
Global X Uranium ETF	United States	6.07%
Whitehaven Coal Limited	Australia	5.34%
Evolution Mining	Australia	4.88%
Mitsubishi UFJ Financial Group	Japan	4.76%
Northern Star Resources	Australia	4.66%
Mizuho Financial Group	Japan	4.43%
Genius Sports	United States	3.91%
Zillow Group	United States	3.43%



GLOBAL X



MIZUHO

**Genius**  
SPORTS

 TYO:  
8316

 ASX:  
PDN

 NYSE:  
URA

 ASX:  
WHC

 ASX:  
EVN

 TYO:  
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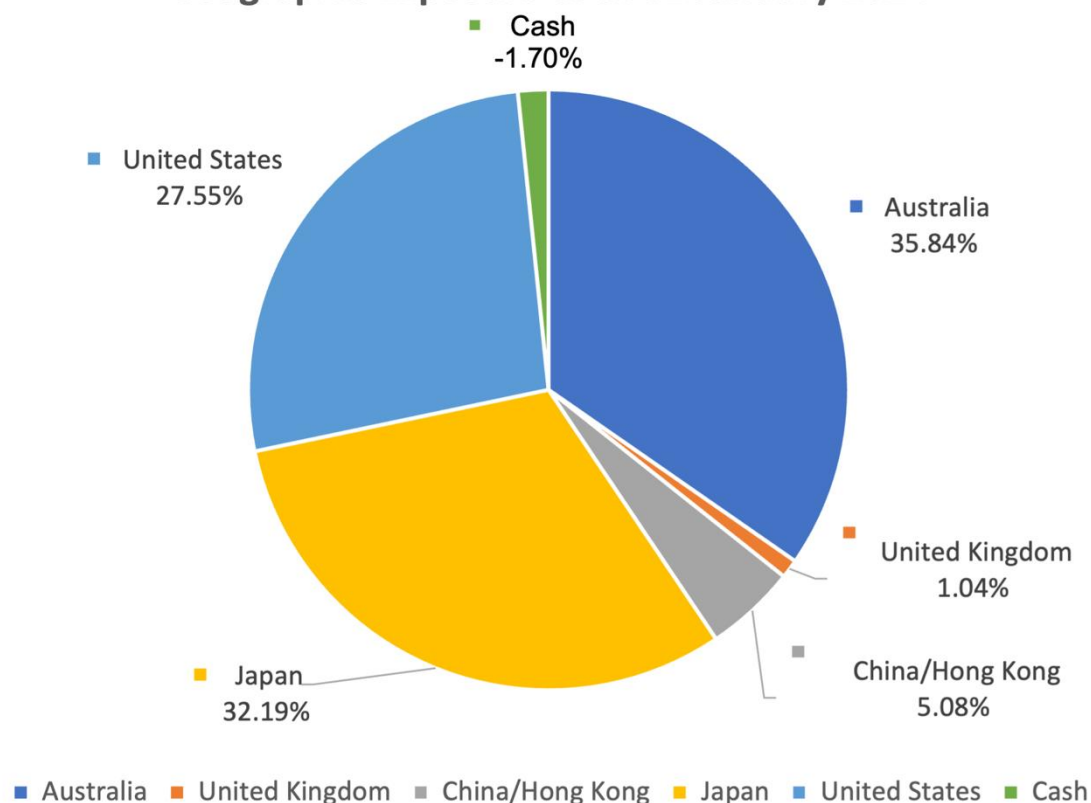
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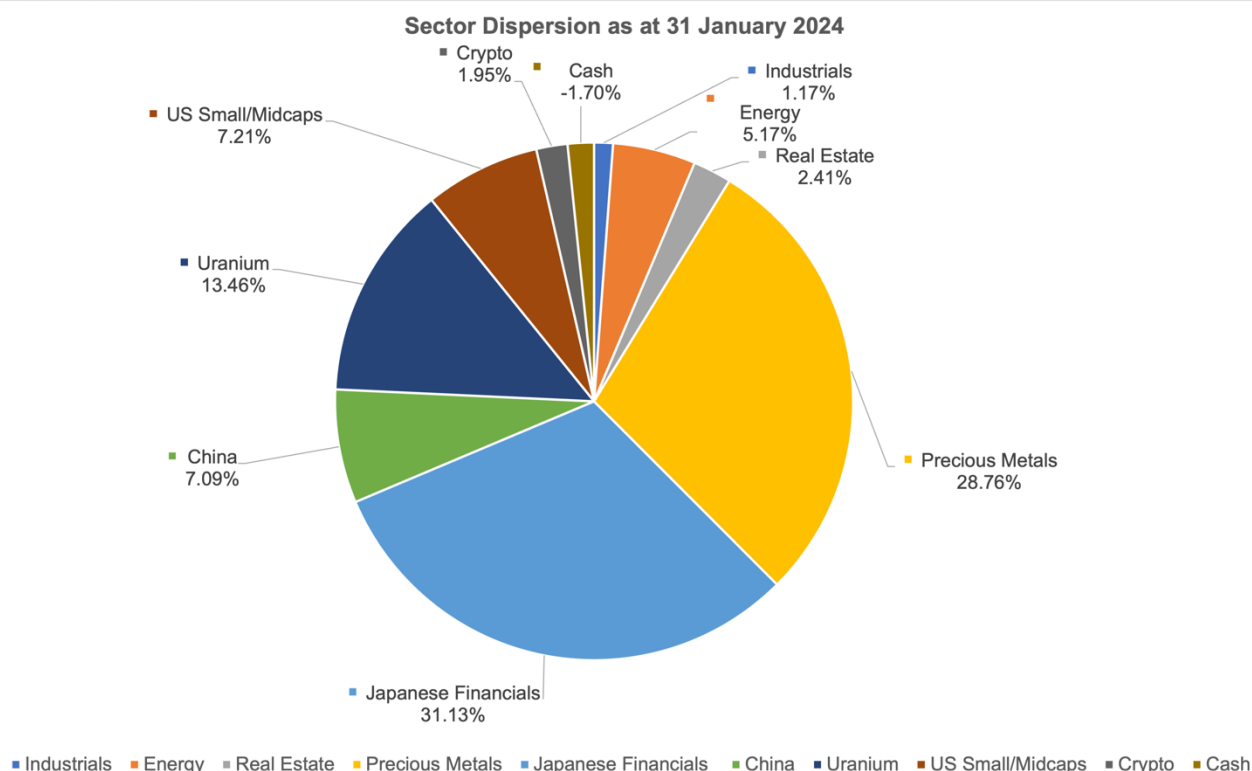
 TYO:  
8411

 NYSE:  
GENI

 NASDA  
Q: Z

### Geographic Exposure as at 31 January 2024





Angus Geddes  
Chief Investment Officer  
**Fat Prophets Global Contrarian Fund**