fatPROPHETS GLOBAL CONTRARIAN FUND

Fat Prophets Global Contrarian Fund (ASX Code FPC)

Estimated Pre-Tax NTA 29th January 2025

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at Wednesday 29th January 2025:

	Amount ($)
Pre-Tax NTA (as at 29th January 2025)	1.3044
Pre-Tax NTA (as at 31st December 2024)	1.2182
Change in NTA (31st December 2024 – 29th January 2025)	**7.08%**

The Fund has had a solid performance since the last ASX update in terms of estimated pre-tax NTA. Japanese financials and banks held in the portfolio have **made fresh 16 year highs this week, hitting the highest levels since 2008** in anticipation of the Bank of Japan lifting rates. Inflation is running at 3% and the BOJ could potentially lift the benchmark rate towards 1% by year end, which is very positive for bank net interest margins. One of the larger banks held in the portfolio, SBI Sumishin, reported very solid 3rd quarter earnings results which was well received by the market. **This could potentially be a precursor of what is to come for the other banks held in the portfolio.**

With the validation of the DeepSeek AI model, China's major technology companies could also be close to an inflection given very depressed valuation. The most common perception in the West is that China is **"un-investable" for a variety of reasons**, but also due to a severe five-year bear market where the benchmarks lost around 50%. **As contrarians, we are encouraged by the fact that Chinese equities are amongst the most hated on Wall Street.** Unlike Mag 7 names, there is scant evidence yet of "overcrowding" within China's tech space or other sectors for that matter. Most global fund managers remain very underweight this market.

Our view is that **there is opportunity in China/Hong Kong equities and that key benchmarks exited a bear market late last year.** The perceived gap between the US and China in terms of AI could potentially narrow with the release of the DeepSeek and other AI models. The new AI models being released are not only cheaper but circumvent the need for next generation chips (currently embargoed from the Chinese market). **This could provide a powerful tailwind for China's undervalued tech sector, where the Fund is well positioned**.

The other major factor that helped the Fund this week was gold breaking out to new record highs in US$ and A$ terms. Silver also rose significantly. Gold and silver miners still screen cheap in our view on a NPV relative to underlying spot price basis. It is becoming more apparent as gold and silver prices rise, that it is cheaper for producers to "buy instead of build". **We anticipate a sharp uptick in M&A activity this year to drive sector valuation back to long run historic norms.** Comex futures also now trade at a decent premium over physical metal held at the LBMA in the UK, which is causing lease rates to spike placing upward pressure on prices.

fatPROPHETS™

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