



ASX ANNOUNCEMENT

Sydney, 12th May, 2017: Fat Prophets Global Contrarian Fund (FPC) makes disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

I am pleased to report that the net tangible asset backing per Fat Prophets Global Contrarian Fund Limited share as at 30 April 2017 is \$1.082. This represents an 0.4% increase on last month's NTA of \$1.078.

During the first full calendar month that the Fund has been in operation the core portfolio was established, with approximately \$32 million invested in equities as at the end of the April 2017.

This is in line with our investment strategy outlined in our prospectus of having 60 percent of the Fund allocated to this component.

We continue to search global markets to identify companies that are out of favour and well positioned to benefit from changing macro thematic.

Turning to the portfolio, Chinese online search giant Baidu.com has emerged as our top holding, making up just over 5% of the total portfolio at the end of April. We have also taken a meaningful position in Spanish stock market operator Bolsas Y Mercados Espanoles and increased our weightings in the Macau gaming and Japanese banking stocks that we discussed in last month's NTA release.

Baidu recently reported a return to growth in its first quarter, with total revenue of RMB 16.9 billion (\$US2.45 billion) up 6.8% year on year. The company has been facing a number of headwinds recently, including the absence of earnings from online travel business Qunar and stricter advertising regulations that have required Baidu to tighten its internal vetting standards for advertisements.

This has resulted in its first quarter online marketing revenue falling 1.3% year-on-year, with the number of active advertiser customers pulling back to around 451,000. Whilst the headline earnings report disappointed some, we believe Baidu is set to perform once again, after a few years of consolidation. On the chart, Baidu has consolidated within a converging range, which typically resolves in a dynamic fashion.

I believe there are a number of potentially positive catalysts that could trigger a rerating in Baidu. Many of the sub-standard vendors have exited and top line revenue growth is reasserting itself, the recent alliance formed with Netflix could prove transformational, as could the unveiling of Baidu's AI Driverless car software. Time will ultimately tell for Baidu, but the fundamentals are improving by the month for China's largest search engine.

Baidu



After a ten year 'lost decade' following the GFC, we are of the view that the Spanish economy has finally turned a corner with unemployment falling to 17% from 25% and GDP growing above 3%. Albeit, the recovery comes off a depressed base, Spain (and Portugal for that matter) have significant scope for improvement as their economies shake off recession.

There has been a substantial improvement in the Spanish banking sector, which 10 years ago was debilitated by non-performing loans. Balance sheets have since been cleaned up and property prices are rising again which should help to underpin growth in Spain's financial sector.

We have selected stock exchange operator **Bolsas Y Mercados Espanoles**, with its strong market position and diversified revenue streams across seven business segments to gain exposure to this recovery, and have also added mid-tier financial Bankia. **Bankia** is a well operated, fast growing regional bank selling for less than 0.7X book value at the time we added the company to our portfolio.

We also added to our exposure in Japan during April, including our four banking positions, **Mitsubishi UFJ**, **Sumitomo Mitsui** and **Mizuho**, along with regional player, **Bank of Kyoto**. The banks continue to be valued on very low price to book ratios. Consensus perceptions towards Japan understandably remain cautious after a multi-decade bear market that has shattered public and institutional confidence in equities. Financial institutions (domestic & foreign) remain very underweight, along with the broader public. But for the contrarian however, this is a fertile hunting ground.

While the fund is able to be utilise borrowings, as at the end of April there was no leverage in the Fund.

Top Ten Holdings	30 April 2017	Country
BAIDU.COM - SPON ADR	5.2%	China
BOLSAS Y MERCADOS ESPANOL	5.1%	Spain
MGM China Hldg Ord Class H Shs	5.1%	China
WYNN MACAU LTD	5.0%	China
FAIRFAX MEDIA LTD	4.4%	Australia
QBE INSURANCE GROUP LIMITED	4.0%	Australia
SANDS CHINA LTD	3.7%	China
FANUC LTD	3.6%	Japan
MITSUBISHI UFJ FINANCIAL GRO	3.6%	Japan
HDFC BANK LTD-ADR	3.6%	India

Fat Prophets Global Contrarian Fund Ltd.

Chief Investment Officer

Angus Geddes

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