



## ASX ANNOUNCEMENT

**Sydney, 24 September 2019: Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12**

### **Fat Prophets Global Contrarian Fund (ASX Code FPC) Estimated NTA 18<sup>th</sup> September 2019**

The Estimated NTA per share for Fat Prophets Global Contrarian Fund as at the 18<sup>th</sup> September 2019 is as follows:

	Amount (\$)
Pre-Tax NTA (as at 18 September 2019)	1.1669
Pre-Tax NTA (as at 31 August 2019)	1.1426
Change in NTA	2.1%

#### **Weekly NTA**

For the period the Fund recorded a 2.1% gain on pre-tax NTA through to 18<sup>th</sup> September 2019.

#### **Attribution**

Performance improved in September with **Western Areas** experiencing a strong re-rating on the back of a firmer nickel price and a number of broker upgrades. Japanese online retailer **Zozo** (JP:3092) produced solid returns after Yahoo Japan made a tender offer to buy out the founding shareholder. The tie up between Yahoo Japan and Zozo should see strong returns as online distribution channels are greatly expanded.

**Sony** (JP:6758) has performed well this month, re-rating on the back of Third Point establishing and disclosing a significant shareholding and agitating for asset divestments and more optimal capital structure. **Collins Foods** hit record highs after being included in the ASX200 for the first time. Competitor Restaurant Brands announced a solid lift in same store sales within its KFC footprint in Australia and NZ.

On the negative side, the Fund's investments within the gold sector, namely the **VanEck Vectors Gold Miners** (NYSE:GDX) and **VanEck Vectors Junior Gold Miners** (NYSE:GDXJ) ETFs, declined in line with the gold price. The Funds direct gold equity investments also corrected in line with the gold spot price, with **Harmony** and **Evolution Mining** also giving up some ground. **Telstra** also underperformed due to ongoing uncertainty over the proposed Vodafone/TPG merger and legal action against the ACCC, and a recent revenue downgrade.

We established a position in **Vodafone**, following a significant fall in the stock after the telco giant slashed its dividend by 40% earlier in the year. The market reacted harshly at this was the first dividend cut by the telecommunications giant since it began paying dividends in 1990. Nonetheless we believe the reaction has been excessive, and with a number of positive value drivers.

One tailwind will be the company's decision to separate its tower masts in Europe, with the standalone entity having proportionate annual revenues of around €1.7 billion and EBITDA of €900 million. The company outlined a few options for monetising these assets, which are not in our view being fully reflected in the current group valuation. Proceeds will be used to repay some of the group's hefty €27 billion debt pile, while a recent US\$1.5 billion bond offering will also assist in refinancing endeavours.

The monetisation of Vodafone's tower assets and non-core assets (including Vodafone NZ and potentially the group's venture in Australia) and a growing contribution from the recent acquisition of Liberty Global's cable assets (Germany, Czech Republic, Hungary and Romania) should allow the company to chip away at debt, maintain and eventually begin increasing its dividend again. Some capital appreciation may also be forthcoming if Vodafone can integrate the Liberty Global assets effectively.

We also added a position in **Samsung** during the month. Shares in the South Korean technology giant sold off in August the wake of a poor second-quarter, with profits slumping due to weak demand for memory chips. However, a recovery both in semiconductor prices, and also in the performance of the smartphone unit, could provide a welcome boost.

The next few quarters however should be much more positive and particularly amidst a rebound in the memory chip market. Demand for chips has been rising again, while on the other side stockpiles of key DRAM and NAND flash chips are declining, which should provide a tailwind to pricing. Samsung has almost half of the DRAM chip market.

Samsung's smartphone sales could also get a lift from the revamped mid-range Galaxy A series, which is proving popular in Southeast Asia and Europe. The positive initial response for the Galaxy Fold raises the prospects of further earnings gains through an expanded foldable smartphone line-up next year.

## Attribution tables

### Positive Attributions

Company	Country	Attribution (bpts)
Western Areas	Australia	135.2
Collins Foods	Australia	113.6
Zozo Inc	Japan	41.0
SMC Corp	Japan	37.5
Sony	Japan	35.5

### Negative Attributions

Company	Country	Attribution (bpts)
Harmony Gold	United States	144.5
Evolution Mining	Australia	63.0
VanEck Vectors Junior Gold Miners	United States	60.5
Telstra	Australia	29.2
VanEck Vectors Gold Miners ETF	United States	26.4

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**Fat Prophets Global Contrarian Fund**