



## ASX ANNOUNCEMENT

Sydney, 14<sup>th</sup> October 2019

### Fat Prophets Global Contrarian Fund (ASX Code FPC) Weekly Estimated Pre-Tax NTA as at 9<sup>th</sup> October 2019

The estimated Net Tangible Asset backing per share for the Fat Prophets Global Contrarian Fund as at the 9<sup>th</sup> October 2019 is as follows:

	Amount (\$)
Pre-Tax NTA (as at 9 October 2019)	1.1520
Pre-Tax NTA (as at 30 September 2019)	1.1393
Change in NTA	1.11%

#### Weekly NTA

For the period from 30<sup>th</sup> September 2019 to 9<sup>th</sup> October 2019, the Fund recorded a 1.11% gain on Pre-tax NTA.

#### Portfolio changes

The Fund had two changes during the period, being a reduction in exposure to **Disney**, the second largest portfolio holding, and a new position in **Yum China**, the KFC and Taco Bell franchise operator in China. Both stocks are listed and traded on the NYSE.

Whilst we are still positive on our outlook for Disney over the longer term, we took the opportunity to lock in profits ahead of the launch of the company's streaming channel Disney+. There is significant expectation priced into Disney at present, and this in our opinion makes the stock susceptible to a correction. While Disney are preparing to launch Disney+ soon, other competitors such as Apple are also preparing to enter the market with competition intensifying. Any weakness in Disney would potentially present another buying opportunity. The Fund still holds a reasonable position after selling down two thirds of the original holding.

We established a position in Yum China, the operator of the KFC, Taco Bell and Pizza Hut franchises in China. Since the KFC brand was launched in China in the late 1980s, the company has had significant success. Yum China was spun off from Yum! Brands in November 2016 and today operates 8,751 stores throughout greater China. Since listing, system sales growth has increased 7% CAGR, with 11 consecutive quarters of sales growth.

Yum China is well positioned to continue to grow in China over the long term with a strong track record of execution. For much of the past 12 months however, the stock has underperformed on the back of high chicken input prices caused by the outbreak of swine flu (chicken was used as a substitute). This situation should resolve itself in time, as chicken prices return to more normalised pricing levels.

Yum China is not the cheapest company in terms of valuation, but trades at a decent discount to competitors such as McDonalds, Starbucks and Yum! Brands.

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