

FOLLOW THE HERD  
**OR HUNT IT.**



**fatPROPHETS**  
GLOBAL CONTRARIAN FUND LTD

# **CONTRARIAN** *(NOUN)*

A contrarian is a person who deliberately behaves in a way that is different from the people around them.

# **INFLECTION** *(NOUN)*

A time of significant change in a situation; a turning point.

# FPC Annual General Meeting & Share Holder information session

## **MR MICHAEL GALLAGHER – CHAIRMAN**

- Introductory remarks
- AGM Open
- Formal business
- Resolutions
- AGM Close
- Shareholder information session – Mr Angus Geddes

# Board of FPC

## **INDEPENDENT CHAIRMAN** **Michael Gallagher**

Mr Michael Gallagher was appointed Chairman of the Board in November 2016. Michael has over 25 years investment experience.



In 2009 Michael co-founded Kima Capital, an Australian based funds management business, which he later moved to Hong Kong before it was acquired. Prior to AIMA & Kima, Michael headed Australasian Equities for Rand Merchant Bank, overseeing the Equity Trading, Derivative and Equity Funds Management businesses from 2005-2009. In the 10 years prior to this Michael was a director at Macquarie Bank heading up the structured retail equity derivative businesses in Australia, South Africa and also spent time with Macquarie in the UK.



## **Angus Geddes - Non-Independent Director**

## **INDEPENDENT DIRECTOR** **Katrina Vanstone**

Katrina has worked in financial markets for 30 years, both in Australia and offshore, including such leading organisations as HSBC and Deutsche Bank.



Katrina has extensive experience in foreign exchange, interest rates and credit markets across asset and liability portfolios. She has held roles in trading, sales and syndication. She has extensive experience in the wholesale debt and derivative markets with strong product knowledge across capital structures and debt raisings, risk management and hedging, and cash and currency management.



# FPC Annual General Meeting & Share Holder information session

## **Discount to NTA**

- Performance
- Trading volume & perceived liquidity
- Large & multiple raisings
- Political environment
- Dividend policy
- Option overhang

## **Affirmative strategies**

- Directors buying shares
- Buyback – sending a positive message
- Weekly NTA
- Communications
- Roadshow – Feb 2019 – increasing profile

# FINANCIAL RESULTS – June 30<sup>th</sup> 2019 & Beyond

- **Pre-tax loss \$2.549 Million**
- **Net loss after tax \$1.779 Million**
- **NTA (Jun 19) \$1.0733 pre tax**
  
- **Current market cap \$39.6mil; Share price \$0.915**
- **NTA (Sep 19); \$1.1393 pre tax.**
- **FYTD +6.15%**
- **CYTD +25.31%**

# FPC Annual General Meeting

## **MICHAEL GALLAGHER – CHAIRMAN**

- AGM Open
- Formal business
- Resolutions
- AGM Close

# Performance

2017 Calendar Year	31-Dec-17	17-Mar-17	Change
Pre-Tax NTA	1.2302	1.0778	14.14%
Post-Tax NTA	1.1919	1.0801	10.35%
2018 Calendar year	31-Dec-18	31-Dec-17	Change
Pre-Tax NTA	0.9092	1.2302	-26.09%
Post-Tax NTA	0.9631	1.1919	-19.20%
2019 Calendar year	30-Sep-19	31-Dec-18	Change
Pre-Tax NTA	1.1393	0.9092	25.31%
Post-Tax NTA	1.1177	0.9631	16.05%

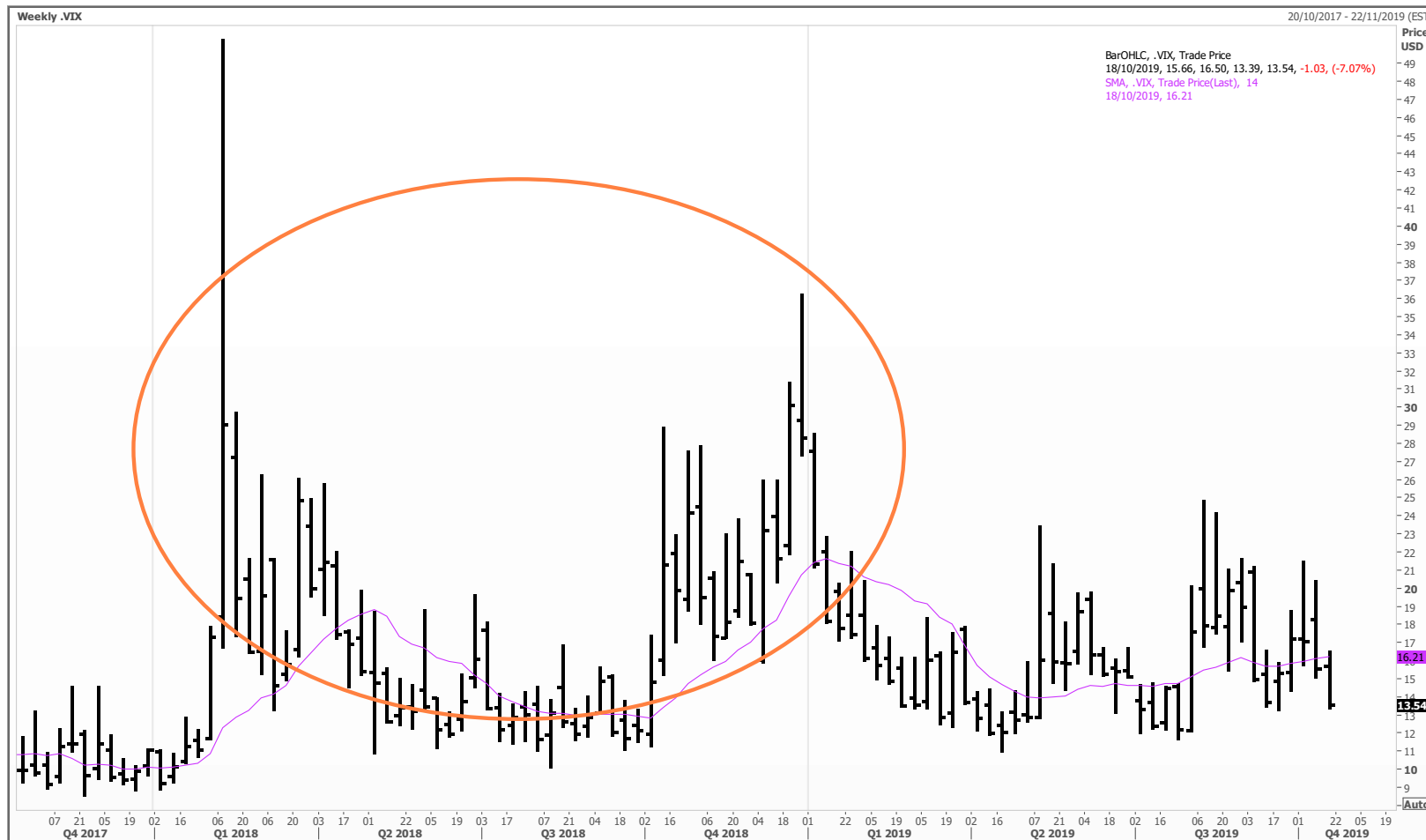
Oct-19 Pre-Tax NTA \$1.1520 – A 26.7% increase on Dec-18



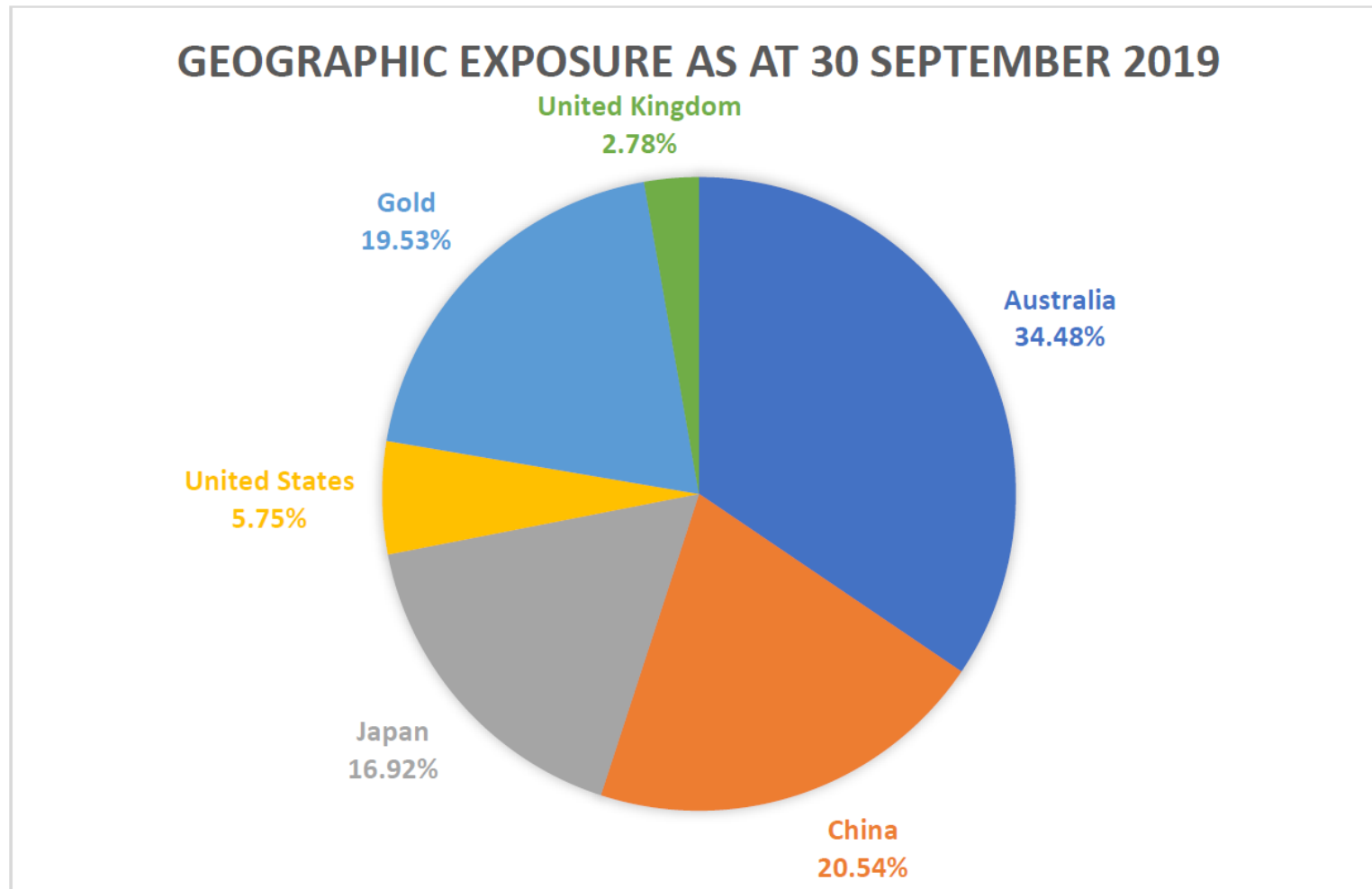
# Year in review

- Markets have climbed a “wall of worry” since the big selloff in September to December 2018
- Trade issues has dominated sentiment
- Plenty of bearishness amongst investors – world overweight liquidity
- \$18 trillion of negative yielding bonds
- Central banks in easing mode – rates at record lows
- Each stock market correction this year has been mild
- Corporate earnings have held together as global and US growth has remained positive

# Volatility has fallen in 2019 vs 2018



# Breakdown of the Fund's assets



# Top ten holdings – September 2018

<b>Top 10 Holdings</b>	<b>30 September 2019</b>	<b>Country</b>
Collins Foods	9.03%	Australia
The Walt Disney Company	5.75%	United States
Meituan Dianping	4.95%	China
Sony	4.87%	Japan
Nintendo	4.86%	Japan
Telstra	4.64%	Australia
Harmony Gold	4.58%	United States
Western Areas	4.58%	Australia
Evolution Mining	4.58%	Australia
Nine Entertainment	4.55%	Australia

# Where do we see opportunities today?

- Gold – the age of debt monetisation has arrived
- China - valuations not demanding, stimulus efforts, trade headwinds removed
- Japan – rising return on capital, cheap valuations
- Defensive QSR restaurant operators – Collins Foods, YUM China (KFC, Taco Bell, Pizza Hut)
- Defensive & under owned Telco's – Telstra, Vodafone PLC
- Macau Casinos – Mass gaming overtaking VIP gaming revenues as China's middle class grows

# Gold – a new bull market



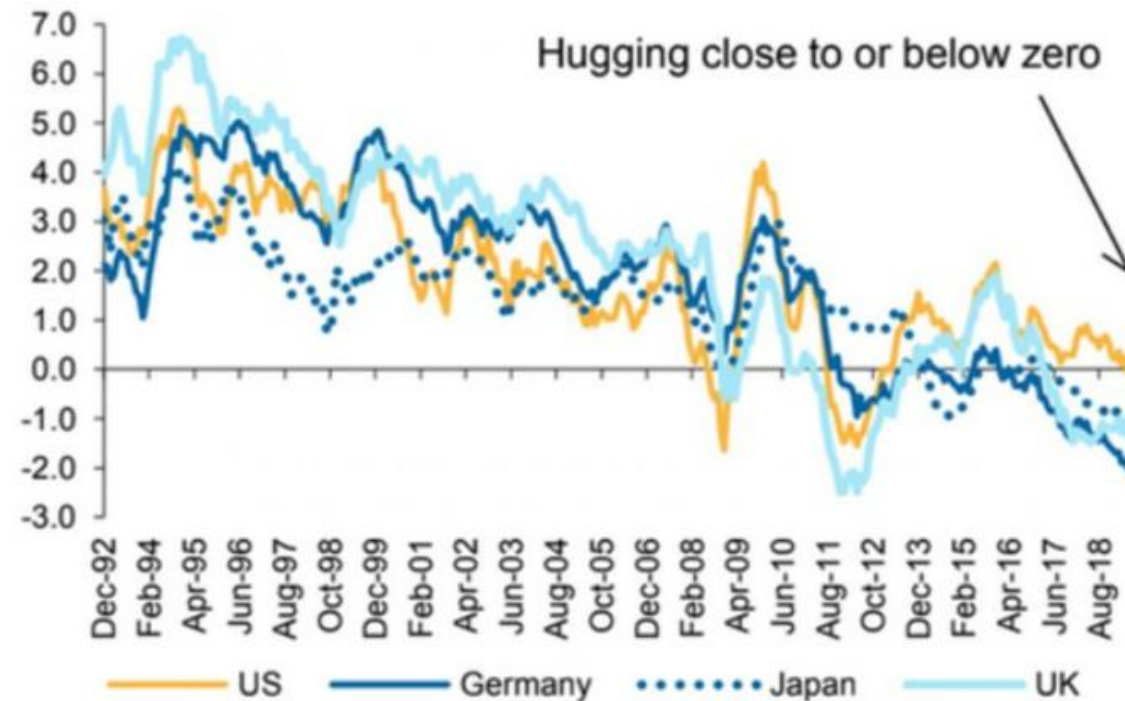


# Gold in A\$ broke out to record highs



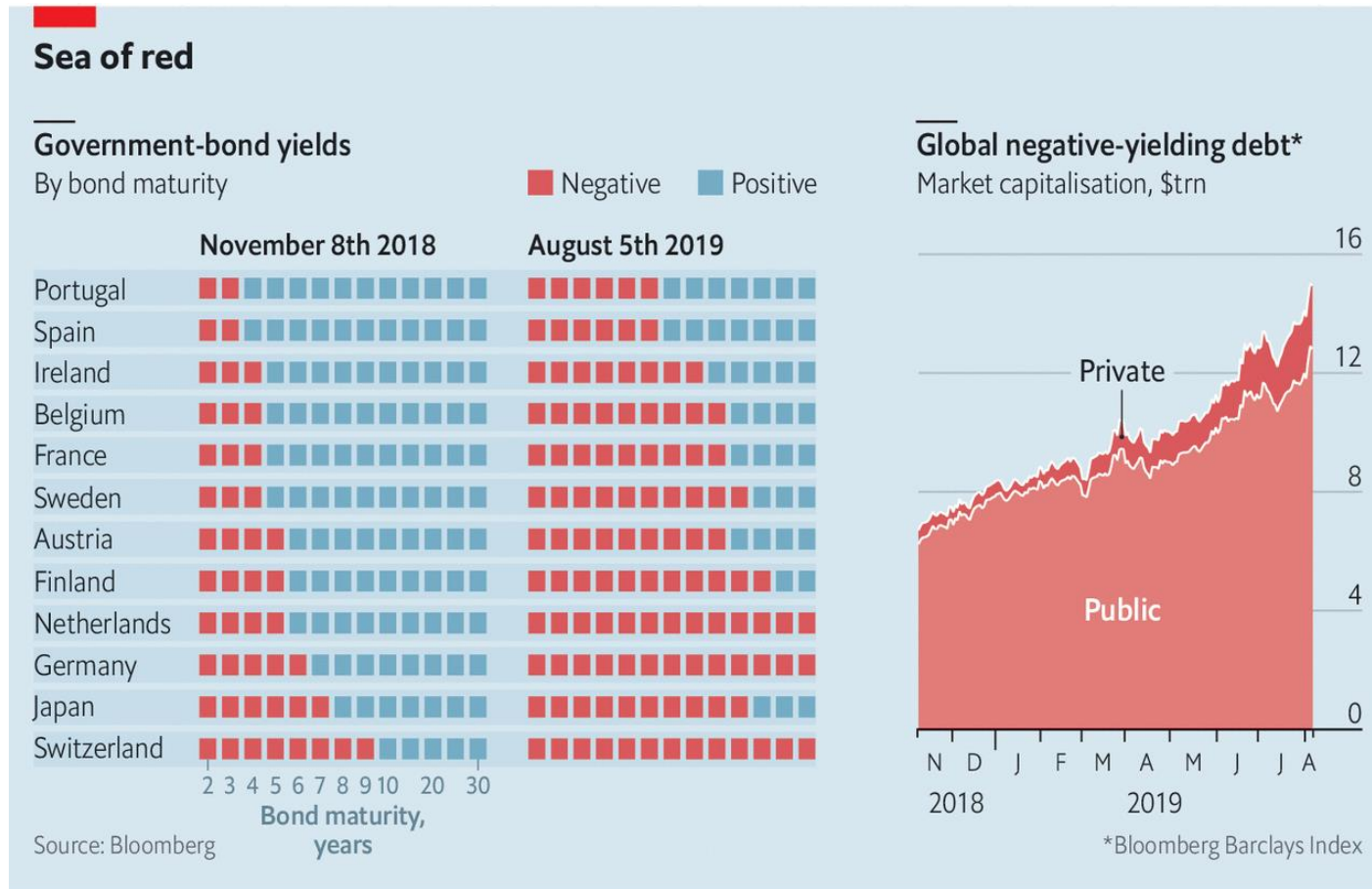
# Falling global interest rates

Global Real 10Y Bond Yields (%)



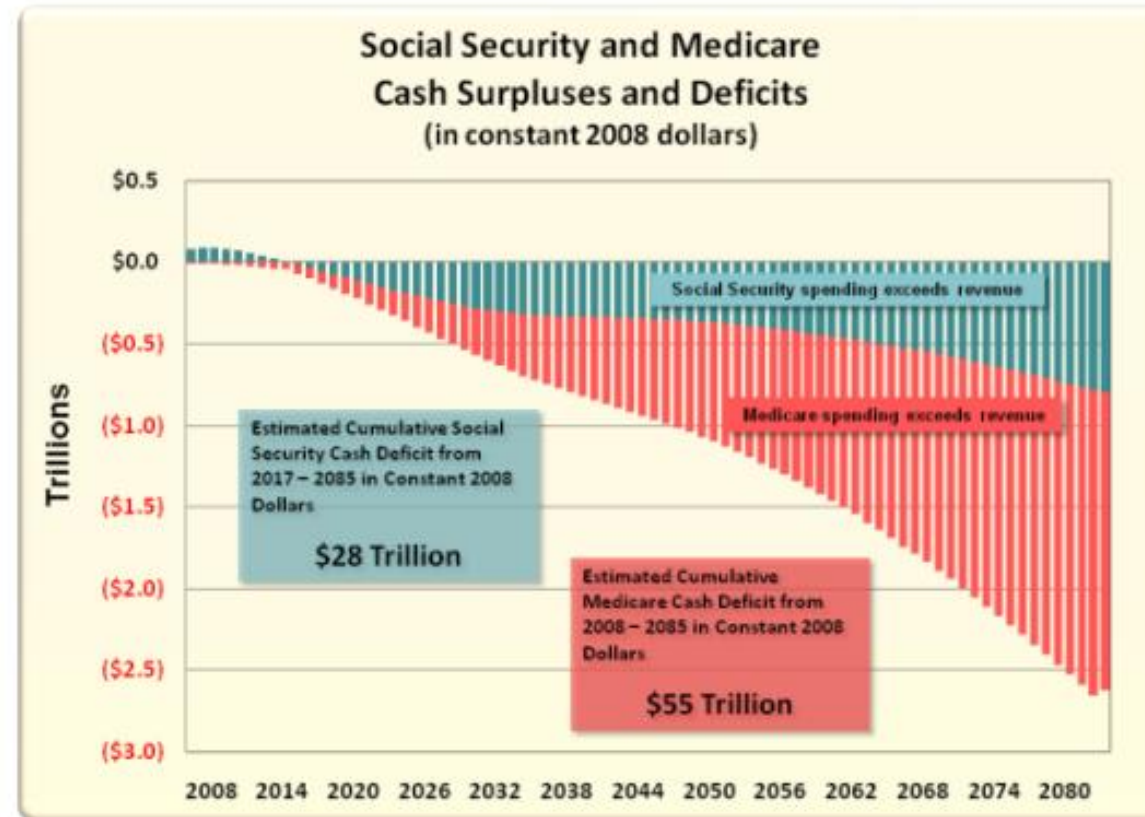
Source: Bloomberg; Macquarie Research, August 2019

# Rapidly growing pile of negative yielding bonds



The Economist

# The age of debt monetisation has arrived



Source: Government Accountability Office analysis of data from the Office of the Chief Actuary, Social Security Administration and Office of the Actuary, Centers for Medicare and Medicaid Services. \*

# China still relatively cheap

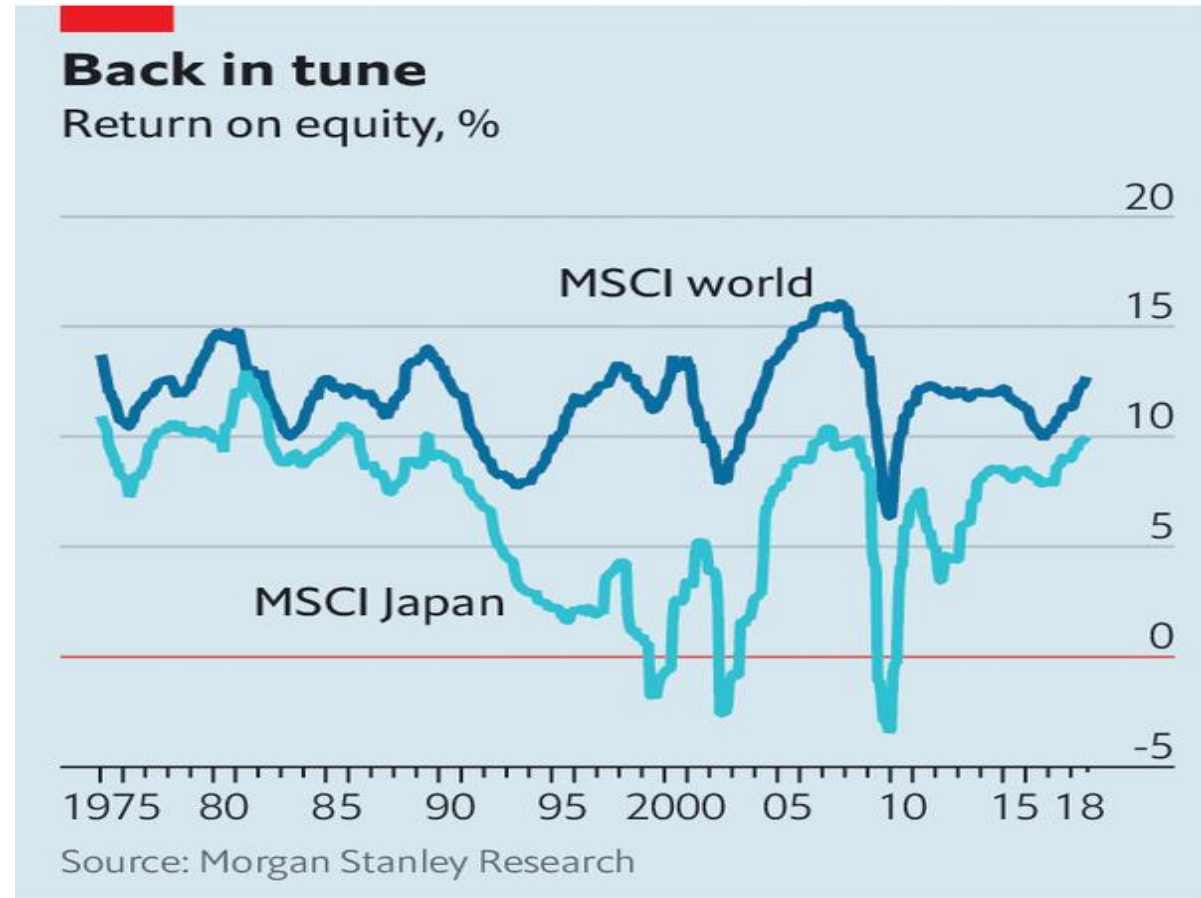


# China's CSI300 Index enters bull market



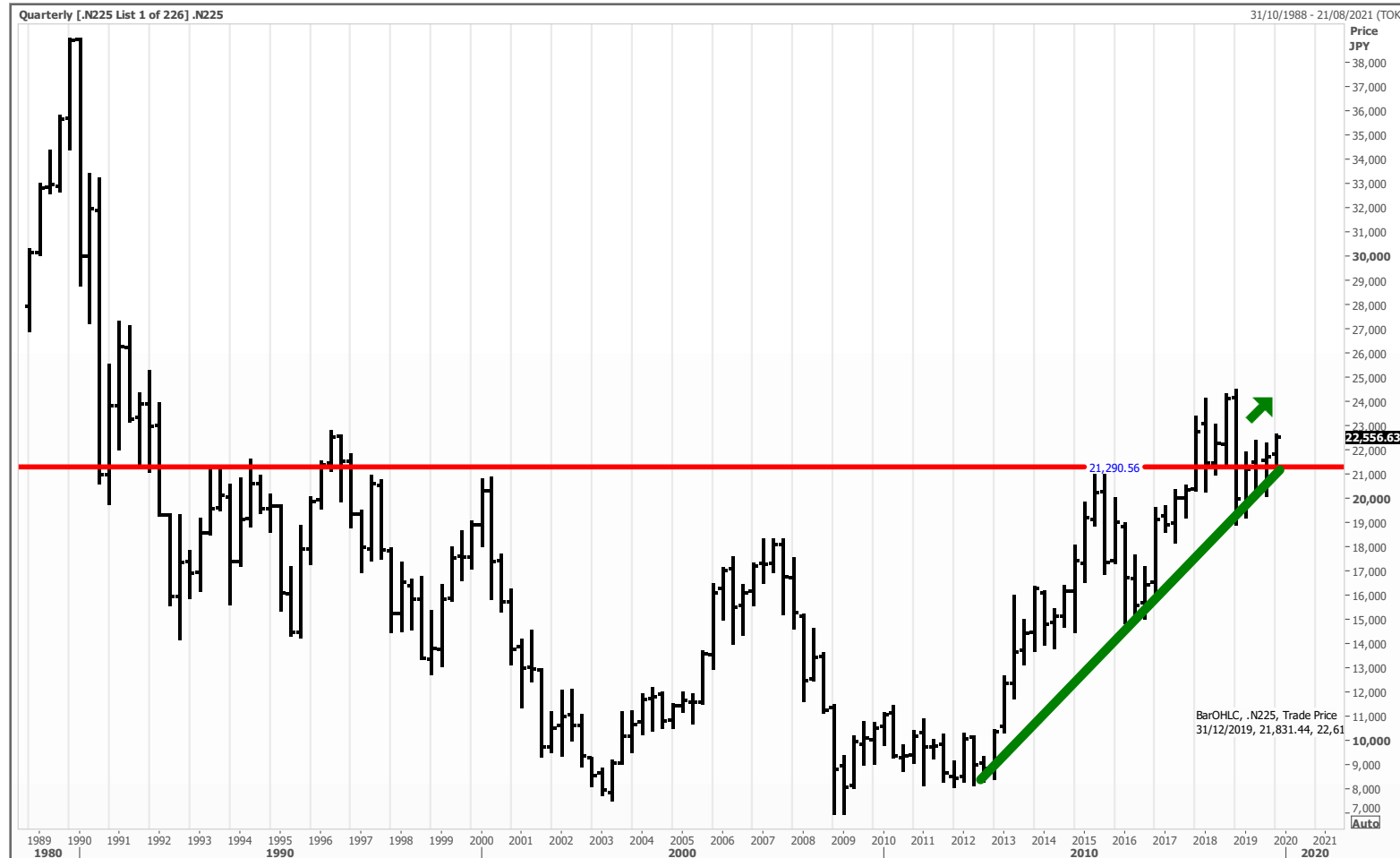


# Japanese return on capital rising

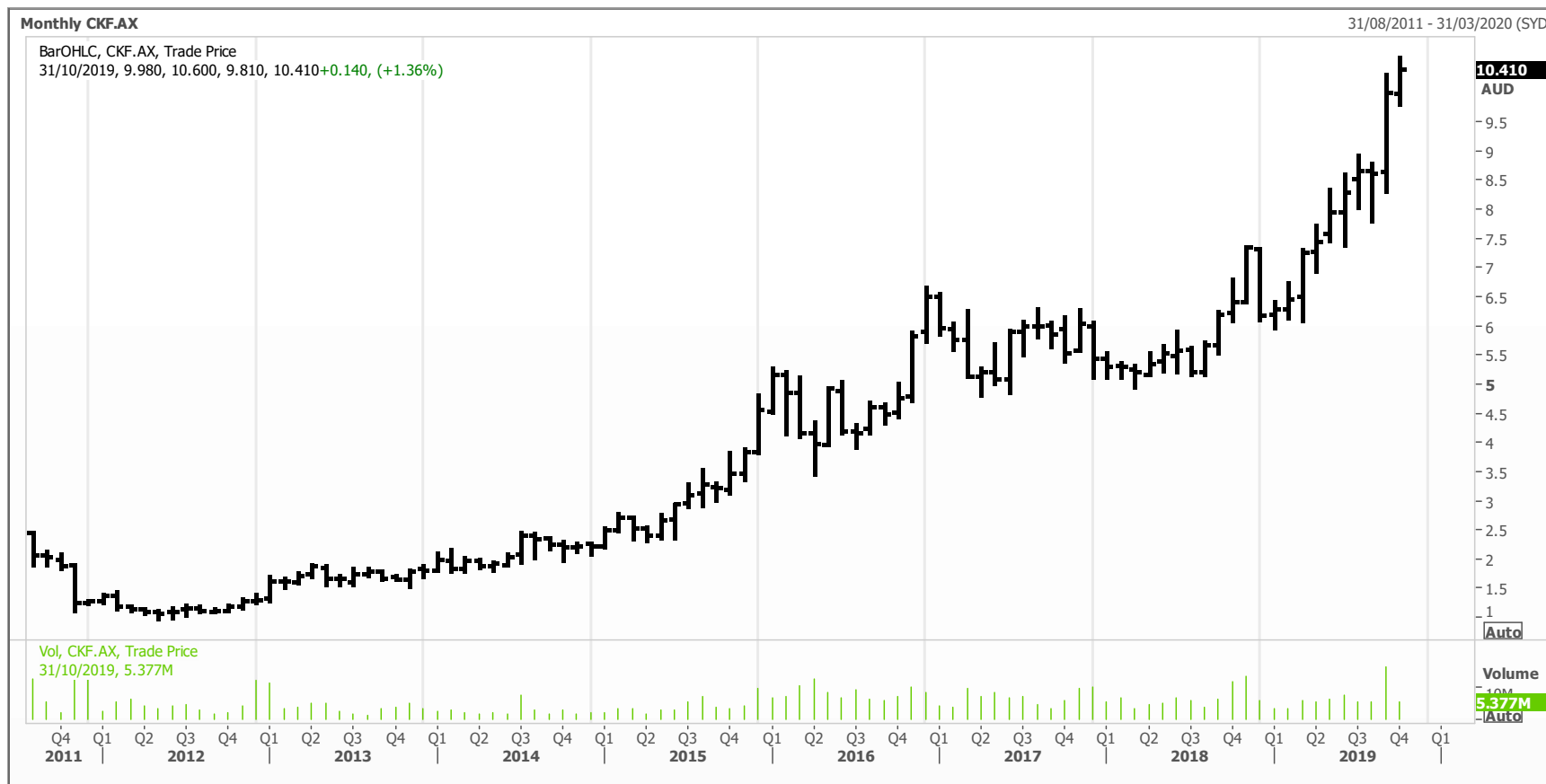


The Economist

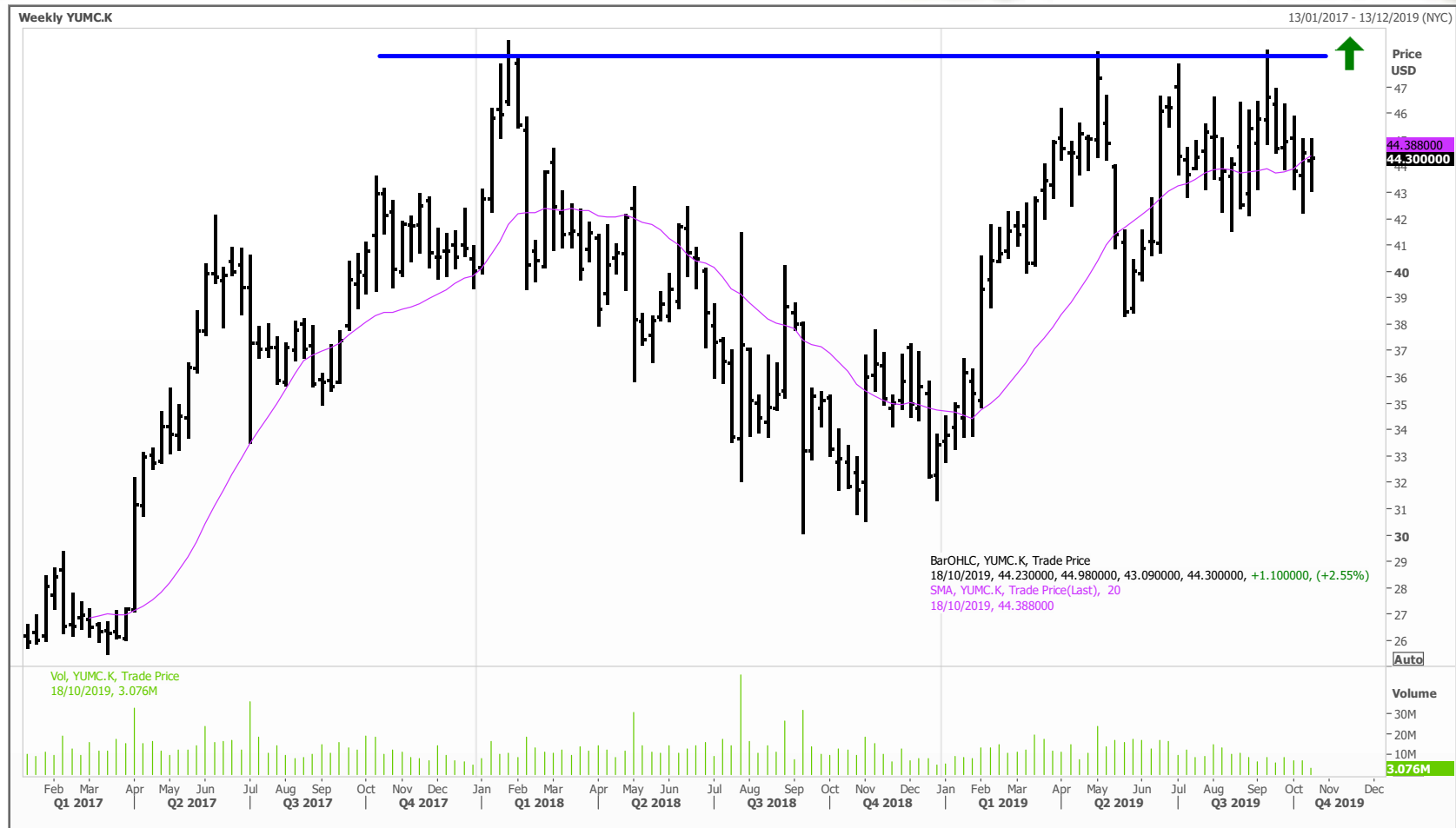
# A new bull market in Japan



# Collins Foods



# Yum China



# TLS - Inflection point

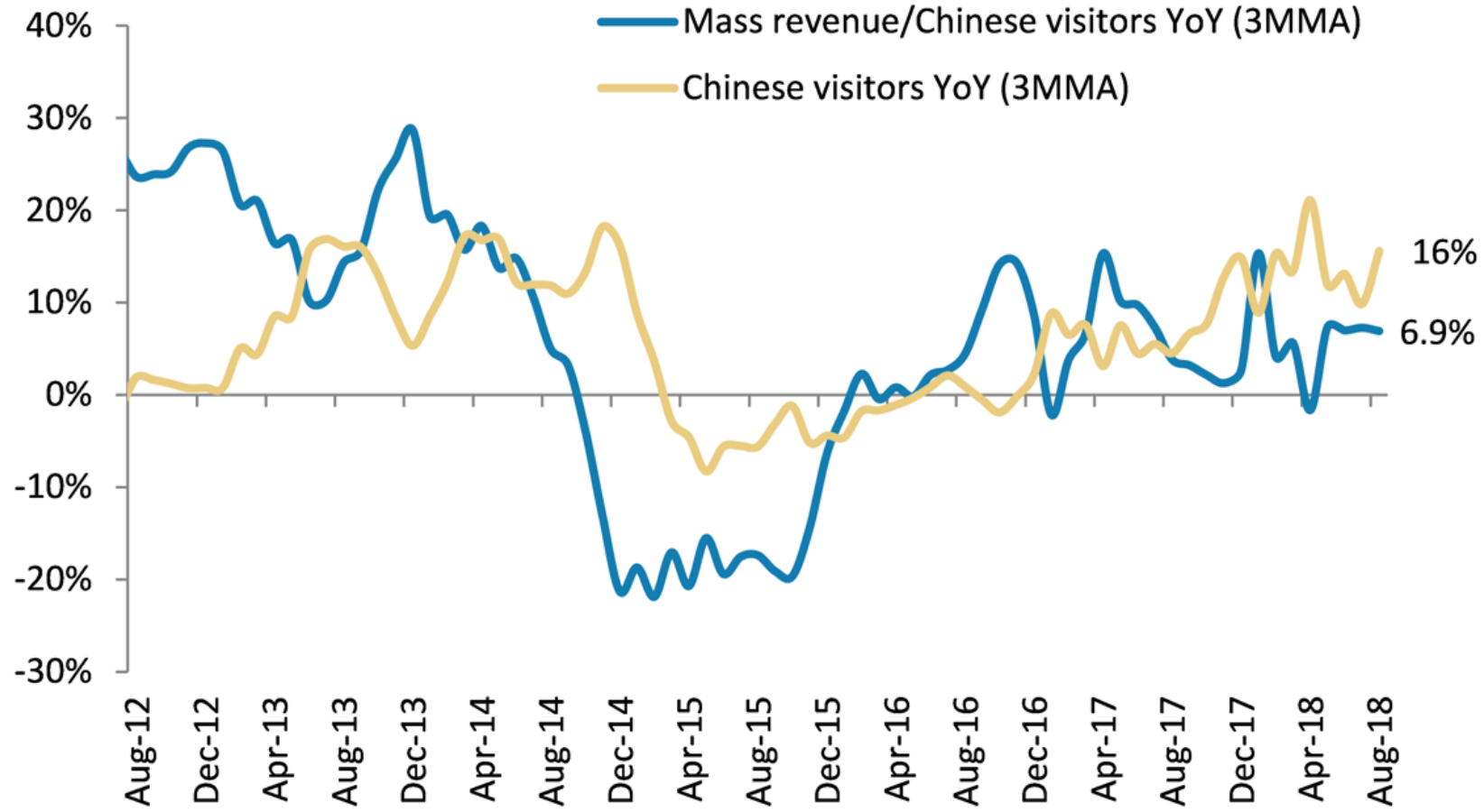


# Vodafone Group PLC – major inflection?





# Macao gaming – long term growth story intact



# Wynn Macau



# Praemium



# Outlook 2019

- Volatility normalising
- Interest rates will move higher globally, and in line with wage inflation
- Precious metals could do well
- Telcos back

# Outlook 2020

- Stock markets outperform over next six months
- China and Japan in particular beat world benchmarks
- Bonds do poorly as yields rise
- Base metals do well – nickel in particular
- Precious metals perform strongly
- Macau gaming stocks

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