

Fat Prophets Global Contrarian Fund (ASX Code FPC)

Estimated Pre-Tax NTA 7 February 2024

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at 7 February 2024 was as follows:

	Amount (\$)
Pre-Tax NTA (as at 7 th February 2024)	1.0585
Pre-Tax NTA (as at 31 st January 2024)	1.0551
Change in NTA (31 st January 2024 - 7 th February 2024)	+0.34%

For the period from 31st January 2024 to 7th February 2024 the Fund recorded an increase of +0.34% in estimated pre-tax NTA from \$1.0551 to \$1.0585.

Since our last update, the Fund has had a modest increase in pre-tax NTA. We have been active this month adding to a position in **Tencent Music**. We also added **MGM China, Wynn Macau and Yum China** to the portfolio. With many brokers and investment banks labelling the market as ‘un-investible’, we see the Chinese market as nearing a potential bottom. Whilst sentiment towards China continues to be very depressed, **we have identified a number of companies that are screening extremely cheaply with solid earnings and revenue growth.**

Tencent Music has reached an inflection point with revenues and earnings. We expect very strong growth in the year ahead as the music streamer grows subscribers and consolidates its position in China with the largest market share.

The Macau gaming and resort sector took a battering during the Covid lockdowns. Since China’s reopening both **MGM China and Wynn Macau** have seen gaming revenues recover strongly. This rebound is not yet being reflected in their respective valuations, which remain the cheapest in each company’s respective history.

Yum China, the operator of the KFC and Pizza Hut franchise in mainland China with over 14,000 stores reported very strong earnings this week. The stock has been caught up in the slump in China’s stock market and is c50% below the record highs. Despite poor sentiment, Yum China continues to grow rapidly and is aiming to be able to reach 50% of China’s population by 2026. The company is targeting smaller 2nd and 3rd tier cities (large by Western standards) with a solid expansion plan of 1500 new stores over the coming year. We see opportunity in what a high-quality business with defensive characteristics given a compelling menu value offering.

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