



ASX ANNOUNCEMENT

4 February 2022

Fat Prophets Global Contrarian Fund (ASX Code FPC) Estimated Pre-Tax NTA 2nd February 2022

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at 2 February 2022 is as follows:

	Amount (\$)
Pre-Tax NTA (as at 2 February 2022)	1.2983
Pre-Tax NTA (as at 31 January 2022)	1.2739
Change in NTA (31 January 2022 to 2 February 2022)	1.92%

For the period from 31 January 2022 to 2 February 2022, the Fund recorded a 1.92% increase in estimated pre-tax NTA from \$1.2739 to \$1.2983. **The Fund weathered the sharp selloff of global stocks in January well, considerably outperforming the benchmarks on a relative basis despite no hedging in place.** Whilst the volatility in global stock markets might endure in the near term, the outlook for global growth remains robust which should underpin equity valuations. One caveat is that we continue to see value, cyclical and inflation beneficiaries continuing to outperform expensive growth and technology companies.

There are however some exceptions to that crop. We took advantage of the volatility in January and added to excellent online businesses where the valuations came down to a much more acceptable level.

Following a disappointing earnings result, **Netflix** dropped sharply, with the stock at one point down 50% from last year's record high. We took advantage of the collapse in Netflix' valuation and added the stock to our portfolio. Netflix is still the world's number one and leading streaming TV content provider. Whilst subscriber numbers have slowed, we still see significant growth in the domestic US and global markets.

We believe Netflix will continue to be a key beneficiary and driver of ongoing disruption in the television market despite growing competition. The company is well down the path of having economies of scale with content and also distribution which will serve as a moat to other competitors.

Netflix's content continues to perform well globally which is attracting a growing audience, which although slowed down in the recent quarter should continue to grow strongly in the years ahead. This will in turn drive a virtuous circle of strong subscriber growth, more revenue, and growing profit. We also expect Netflix to continue benefiting from the rapidly growing universe of internet-connected devices and increasing consumer preference for on-demand video consumption. Netflix is rapidly approaching 300 million subscribers, but this is still a fraction of the total addressable market, which should underpin growth for years to come.

We added online Japanese retailer **Zozo**, to the portfolio which is also well down from last year's high. Zozo has a very strong retail clothing online business model with a robust and stable medium-term growth which will generate significant free cash flow. The fashion ecommerce markets should



continue to grow rapidly while Zozo should benefit from increased inventory supply from other brand companies.

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Chief Investment Officer
Fat Prophets Global Contrarian Fund