



ASX ANNOUNCEMENT

18 May 2020

Fat Prophets Global Contrarian Fund (ASX Code FPC) Estimated Pre-Tax NTA 13th May 2020

The estimated NTA per share for the Fat Prophets Global Contrarian Fund as at the 13 May 2020 was as follows:

Month to date estimated NTA

	Amount (\$)
Pre- Tax NTA (as at 13 May 2020)	0.9432
Pre- Tax NTA (as at 30 April 2020)	0.9248
Change in NTA	1.99%

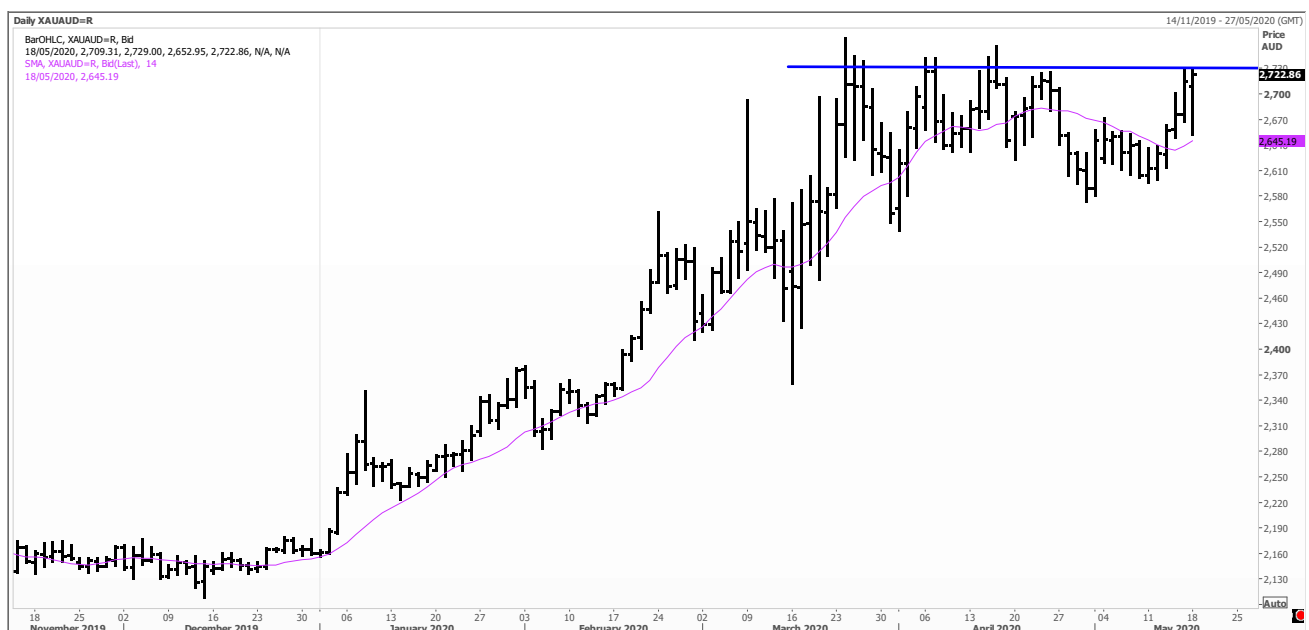
For the period from 30 April to the 13 May 2020 the Fund recorded an increase of 1.99% in NTA from \$0.9248 to \$0.9432. **We note the FPC share price continues to trade at a sizeable discount of around 17% to net tangible backing.**

Portfolio Changes

The Fund has been active in recent weeks, adding long exposure to the beaten down energy sector via **China Oilfield Services**, and to the Macau gaming stocks, with additional purchases of **MGM China, Wynn Macau and Sands China**, at we believe are attractive values.

The Fund established two new positions in **Newcrest Mining**, Australia's largest gold producer, and **Budweiser APAC** – the largest premium beer maker in China.

The Australian dollar gold price is poised to break out this week to new record highs.



We remain bullish on gold after governments and central banks around the world committed to historical fiscal and monetary stimulus, that we believe will prove inflationary. The stimulus measures being implemented during the Covid19 crisis differs from the GFC for two reasons. **Firstly, the scale of the stimulus dwarfs the GFC, and is much larger in this crisis.** Secondly, the stimulus being distributed fiscally will see the liquidity dispersed throughout the economy, rather than remaining tapped within the banking sector as it did during the GFC. Precious metals continue to be under-owned by the wider investment community and have considerable potential to rerate in our view.

Newcrest Mining was up 4.2% and on Friday, and the shares have been picking up after underperforming for much of the past 9 months, and certainly thus far in 2020. Newcrest has had its fair share of operational issues over the years, but the company offers leverage to our view of an ongoing bull market in gold.

Newcrest's March quarter results weren't the most flattering, with gold production falling 16.7% year-on-year to 518,770 ounces. Of Newcrest's five operating mines, three key sites reported lower production numbers for the quarter. However, **the company maintained 2020 production guidance in the range of 2.1 million to 2.2 million ounces of gold.**

All in sustaining costs for the quarter deteriorated 12.1% year on year to US\$827 an ounce. Lower gold production numbers were the main culprit, along with the inclusion of the Red Chris mine which carries a higher ASIC (all in sustaining costs). Robust gold prices however supported margins. Newcrest however is clearly looking to the future, and has **launched a \$1.1 billion capital raise focussed on the Fruta del Norte mine.** The metrics of the US\$460 million transaction does however look to be earnings accretive for Newcrest. We believe that the main game is however full ownership of the Fruta del Norte mine.

Newcrest already owns a 32% equity interest in Lundin Gold, the owner of the Fruta del Norte gold project. In our view, **the acquisition of ancillary agreements covering the mine could be a precursor to a full offer for Lundin Gold** with the Fruta del Norte site that company's key asset. Newcrest will have intimate knowledge of the project and is likely heeding calls to create a clean structure for an acquisition down the road. **The forecast long-life and production profile would dovetail nicely into Newcrest's current portfolio.**

Since debuting with an IPO last year Budweiser APAC has underperformed significantly, but we now see an opportunity with the stock offering significant value at current levels. **The Budweiser brand has the strongest equity in China and dominates the Premium segment of the market with around a 45% share.** We expect the Premium segment to continue growing in China and become the mainstream of the market, with the established Budweiser brand portfolio being well positioned to dominate. **No other brewer in China has a comparable brand portfolio and there are very few brands left to license or purchase which have significant pre-existing brand equity or scale in the country.**

Budweiser APAC has underperformed since the IPO debut last year



Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund