

Fat Prophets Global Contrarian Fund (ASX Code FPC)

Estimated Pre-Tax NTA 15th June 2022

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at the 15th of June is as follows:

	Amount (\$)
Pre-Tax NTA (as at 15 June 2022)	1.1102
Pre-Tax NTA (as at 31 May 2022)	1.2038
Change in NTA (31 May 2022 to 15 June 2022)	-7.78%

For the period from the 31st of May 2022 to the 15th of June 2022 the Fund recorded a 7.78% decrease in estimated pre-tax NTA from \$1.2038 to \$1.1102. Sentiment within financial markets has deteriorated sharply since our last update following a 75 bp hike from the Fed. The volatility that has gripped US equities for some time, sharply spilled over into international markets this week with few sectors unscathed as the Fed lifts rates to combat inflation. Notably the volatility in bond markets is at the highest level in decades.

The portfolio continues to be positioned for inflation and rising interest rates and on this front, we have maintained overweights in the energy, precious metals, resources and soft commodities sectors along with insurance, telcos, and Japanese financials with a significant skew towards value over growth. Our large growth exposures consisting of Domino's Pizza and KFC operator Collins Foods, both detracted significantly from performance this week, but we see their revenues as being relatively defensive and valuation as being now undemanding.

We have reduced gearing and underlying equity exposure since our last update. Whilst the debate in markets rages as to whether recession is approaching, the US Fed has maintained a tough line on inflation and believes a soft landing can be achieved. Interest rate markets are at odds with this view with an inversion at the front end of the US curve with almost 100bp of policy reversal in Fed rate cuts priced in over two years.

Meanwhile the interest rate gap between the Fed and RoW is beginning to close, and at some point, this could weigh on the US dollar, where gold and precious metals could perform much better with inflation running at the highest level in four decades. We continue to maintain an overweight position across the precious metals sector.

Angus Geddes
 Chief Investment Officer
Fat Prophets Global Contrarian Fund