

Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

The estimated net tangible asset backing decreased in August 2022 with pre-tax and post-tax NTA closing at \$0.9755 and \$1.0166. At the end of August, net cash for the Fund was 71.7%.

	31-August-2022	31-July-2022	Change
Pre-Tax NTA	0.9755	1.0056	-2.99%
Post-Tax NTA	1.0166	1.0355	-1.83%

MARKET OUTLOOK AND PORTFOLIO PERFORMANCE

The Fund had a negative performance during August, however the MSCI Global Index lost 4.14% while the S&P500 which was down 4.24%. Equity and bond markets declined as the Fed remains firmly committed to curbing inflation. Fed funds futures are now pricing in a near 100% probability of a 75 bp hike in September. The Fed's reaffirmation of a hawkish stance on inflation continued to support the US dollar which weighed on major currencies and commodities.

Weaker crude markets are a signal to us that all is not well in the global economy despite ongoing energy shortages in Europe. We believe this is evidence that not only global demand is slowing but that China's economy is struggling, as the authorities persist with draconian covid restrictive policies. Chinese trade data continues to be weak despite frantic efforts by the Government to reboot growth which have included rate cuts, fiscal stimulus, and bank and property developer bailouts. We believe this is a key risk yet to be faced by financial markets over coming quarters.

As we approach October and the US earnings season, we maintain a cautious stance within the portfolio holding significant cash and a currency hedge on the Chinese renminbi. Inflation is set to remain elevated for some time with a Fed pivot unlikely anytime soon. US companies are possibly on the cusp of a significant downgrade cycle with expectations remaining too high and overly optimistic. Cost inflation could soon begin to weight on corporate margins and top line revenue growth looks to be stalling. And notably, a tight labour market will place further upward pressure on operating expenses. **We remain bearish particularly towards US equities with the view a further downward correction will payout over coming months.**

Against the backdrop of an historically weaker Japanese yen, we have added to holdings in Japanese banks. We hold the view that yen's fall will inevitably induce inflation in Japan that will elicit a response from the BOJ. The BOJ continues to deploy yield curve control and prevent the 10Y JGB yield from rising above a ceiling of 0.25%. However, widening interest rate differentials will at some point lead to a tightening of monetary policy, whereby the BOJ continues to print money intervening directly in the domestic bond market. The BOJ now owns close to 50% of outstanding JGB issuance. Any pivot in monetary policy could produce a significant rerating for Japan's banks.

We have doubled our exposure to Japanese banks including **Resona, Sumitomo Mitsui, Mitsubishi UFJ and Chiba** at very attractive valuations. Japanese banks sell on price-to-book ratios of c0.45X which is comparable to struggling Europe but they are more insulated from a stronger economy.



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We also have established a hedge against the growth slowdown in China, shorting the renminbi against the US dollar. Persistent covid lockdowns, struggling domestic growth, rising unemployment and falling exports place China’s growth trajectory clearly at risk. The Chinese yuan has pushed down to a 2 year low against the strong US dollar, but we remain bearish on the currency given growing domestic economic problems. With a widening interest rate gap with the US, we expect further devaluation in coming months.

KEY METRICS

Gross Assets

Cash

Trailing 12 month
Dividend Yield (FF)

\$38.75M

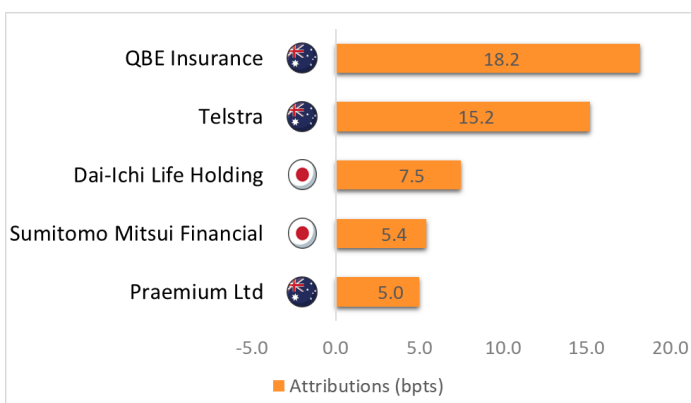
71.70%

7.98%

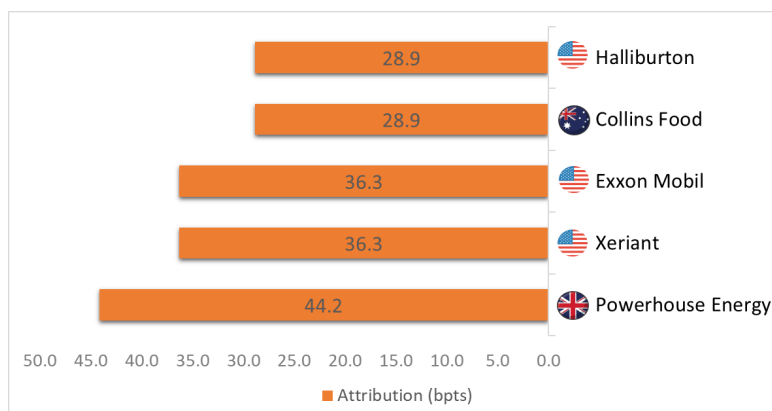
Dividend yield is calculated based on closing share price as of 29/07/2022

POSITIVE ATTRIBUTIONS

QBE Insurance stands as a big beneficiary of the rising rate environment and rising insurance premiums. **Telstra** performed strongly as the NBN roll-out was complete with little concerns on earnings headwinds. Investors are pleased with more rational pricing as the TPG/Vodafone appears to be an oligopoly in the mobile market. **Dai-ichi** was in talks on a 1 billion deal with Westpac life insurance. **Sumitomo** benefitted from rising JGB yields, while **Praemium** reported a strong gain in profit underscored by the sale of international operations.



NEGATIVE ATTRIBUTIONS



We held **Halliburton** only briefly due to our changing views towards the deteriorating oil market. **Collins Food Group** came under pressure from rising bond yields and as discretionary retailers derated in Australia. **Exxon Mobil** fell on lower oil prices. We exited Xeriant during the month and reduced exposure to Powerhouse after a number of board resignations.

TOP 10 HOLDINGS

Top 10 Holdings	Country	31 August 2022
QBE Insurance Group	Australia	2.78%
Sumitomo Mitsui Financial Group	Japan	2.73%
Telstra Corporation	Australia	2.56%
Collins Foods	Australia	2.54%
Fat Prophets Property	Australia	2.37%
Beston Global Foods	Australia	2.19%
Global X Silver Min ETF	United States	1.97%
VanEck Vectors Junior Gold Miners ETF	United States	1.78%
Mitsubishi UFJ Financial Group	Japan	1.51%
Resona Holdings	Japan	1.39%



ASX:
QBE



TYO:
8316



ASX:
TLS



ASX:
CKF



ASX:
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ASX:
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NYSE:
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NYSE:
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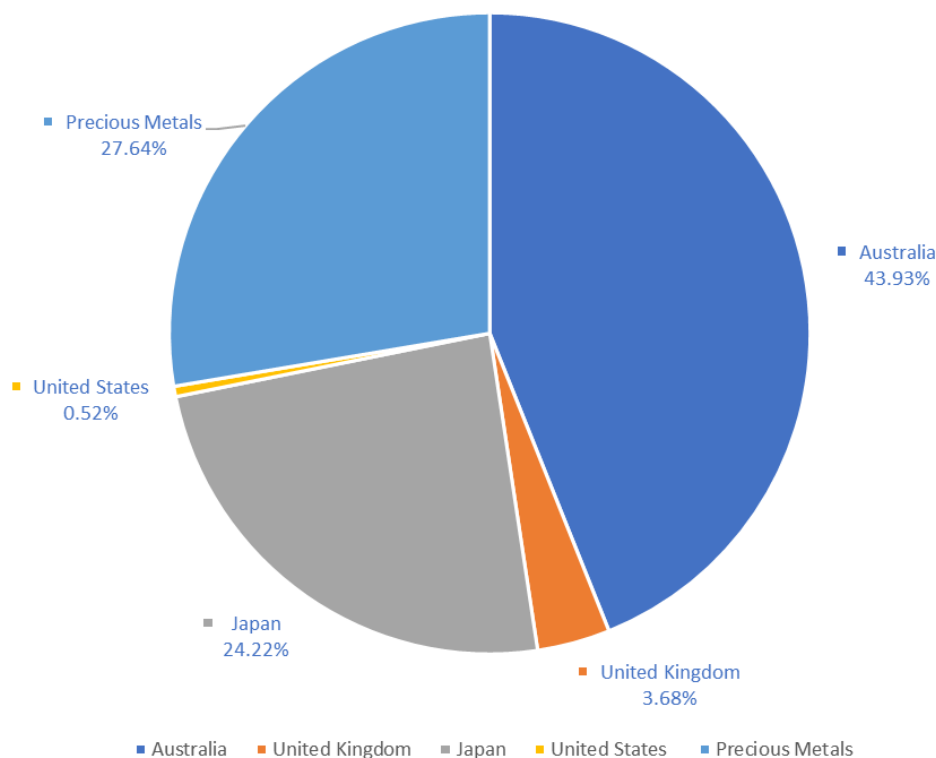


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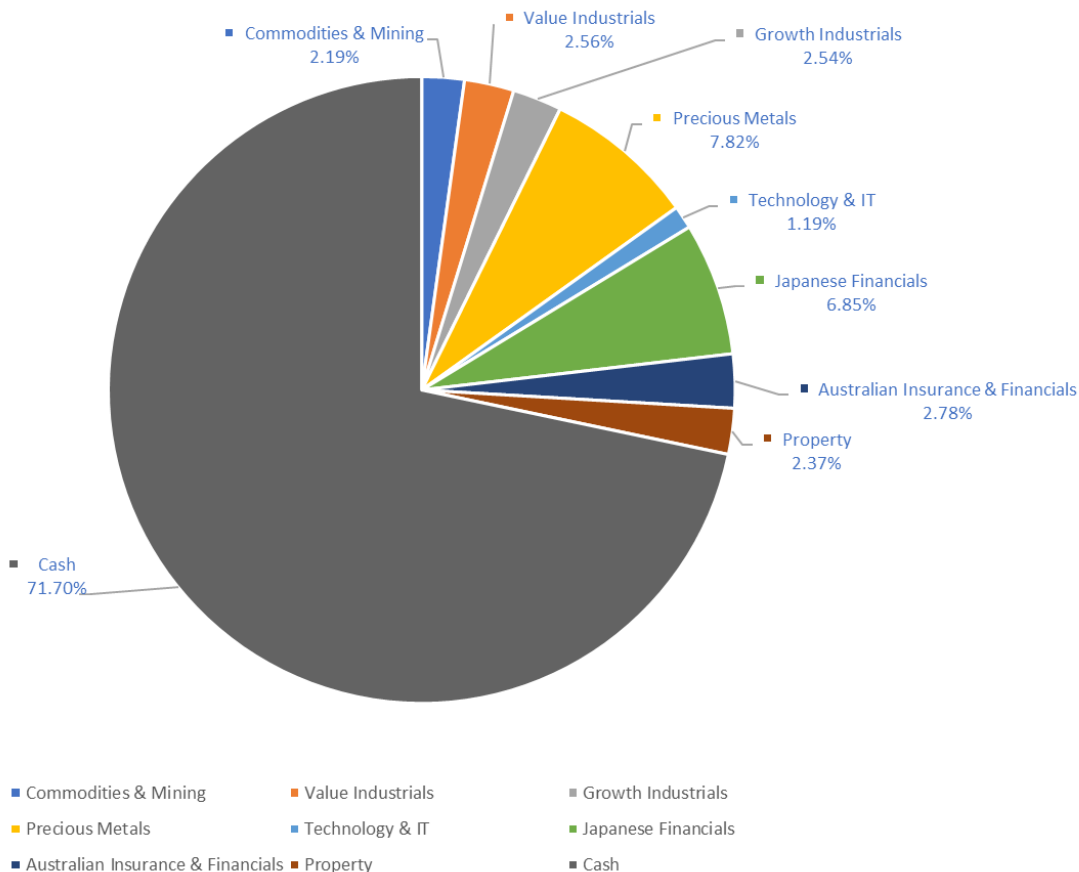


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GEOGRAPHIC EXPOSURE AS AT 31 AUGUST 2022



SECTOR DISPERSION AS AT 31 AUGUST 2022



Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund