fatPROPHETS
GLOBAL CONTRARIAN FUND

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

Dear Shareholders,

The estimated net tangible asset backing of the Fat Prophets Global Contrarian Fund dropped in May 2022 with pre-tax and post-tax NTA closing at $1.2038 and $1.1693 for a decrease of 2.90% and 2.16% respectively. At the end of May, net leverage for the Fund was 25.21%.

	31-May-2022	30Apr-2022	Change
Pre-Tax NTA	1.2038	1.2398	**-2.90 %**
Post-Tax NTA	1.1693	1.1951	**-2.16%**

MARKET OUTLOOK AND PORTFOLIO PERFROMANCE

For the month of May 2022, the portfolio declined by 2.9% and 2.16% during what was another volatile period for the financial markets. Since the US indices topped out in November 2021, the past six months have seen a sustained selloff in bonds and equities, with growth and expensive technology shares bearing the brunt of the falls. Other sectors of the market have not been immune with sustained corrections across most asset classes. However, value, energy and commodities have continued to outperform. Internationally, Japan, UK and Australasia have all performed better on a relative basis compared to the US on a relative basis, being markets priced on much lower multiples.

US equities are in a confirmed bear market with the S&P500 now down more than 20% and the Nasdaq lower by over 30% as inflationary pressures have remained elevated. The Fed has struggled to lift interest rates fast enough, and some economists are of the view that the central bank remains behind the curve. With the Fed in tightening mode, other central banks including the RBA have followed pivoting sharply which has exacerbated bearish sentiment, driving a “risk off” sell down.

Despite the volatility, most of the portfolio’s major themes performed well on a relative basis with commodities, agricultural softs, energy and precious metals providing some insulation to the general downturn. The portfolio’s interest rate beneficiaries also held up relatively well as long duration interest rates have risen with our **insurance and Japanese financials** holding up relatively in May**.**

One principal concern in the markets is the current rate of inflation and just how far the central banks will have to lift interest rates. The upward shift in the global bond yield curve has already been significant this year, with a lot of the future tightening more than adequately priced in. We see the Fed and the central banks remaining committed to tightening rates up to a point. At some stage, the transmission effect will slow the economy, but there is some doubt as to whether the Fed (and other central banks) will actually get back to a neutral setting.

In parallel, high levels of inflation should begin to abate. Although the central banks might end up having to accommodate elevated inflation for some time given the world is coming off a base of extraordinary low interest rates. This was certainly the view of former RBA Governor Ian Macfarlane whose presentation we attended last week. This could be one supporting factor of the financial markets.

Another factor is the state of the US and global economy. A recession, whilst a chief fear in the financial markets today, has yet to appear or show definitive signs of being on the horizon. Global economic growth still remains in expansion mode, with consumer and corporate balance sheets robust. Economic recessions have seldom begun when the labour market has been this strong, and consumer and corporate balance sheets in such strong financial shape. Recessions typically arrive when there is too much leverage within the system. This is not the case today.

Valuations in stock markets have improved significantly in the wake of the recent selloff. Equity markets in many countries are selling for well below the historic forward multiple. In the UK, the FTSE100 reflects being in the midst of recession priced at the bottom end of the historical range. The story is similar for many other countries including Australia, Japan, China, and Europe. In the US, multiples have come down sharply and equities are arguably today deeply oversold and discounting the worst possible outcome – which may yet not come to fruition.

In terms of the portfolio, we continue to be biased towards commodities, energy, agriculture, Japanese financial, insurance and value stocks with defensive characteristics and precious metals. That has not helped us evade the recent selloff in financial markets, but we believe the portfolio can withstand and benefit from rising interest rates and elevated inflation that persists for some time.

In term of changes to the portfolio, we added two beaten down Chinese technology companies, **Meituan Dianping and Alibaba Group.** Both major large cap companies have been the subject of a bear market that has persisted for 18 months and where the respective share prices have declined close to 80%. We would argue that growth is now reasserting in China with authorities running counter to central banks and easing. The respective valuations for both companies, and indeed China's stock market is now priced at the lowest level in over a decade. This provides a fair amount of buffer against global volatility with US tech counterparts still well above the historic trend in terms of PE multiples.

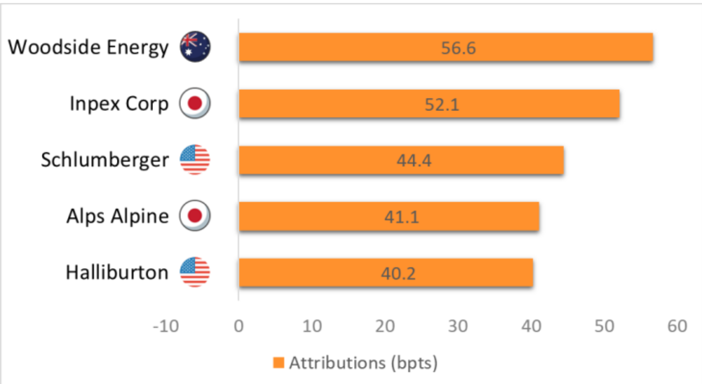
Meanwhile, China has persisted with zero Covid although in recent weeks, the Government has shown signs of wavering with "economic growth risks needing to be balanced against the lockdown measures". The Covid lockdowns have a finite shelf life and will expire regardless over coming months, and with China easing significantly on monetary policy, growth should rebound strongly at some point this year.

KEY METRICS

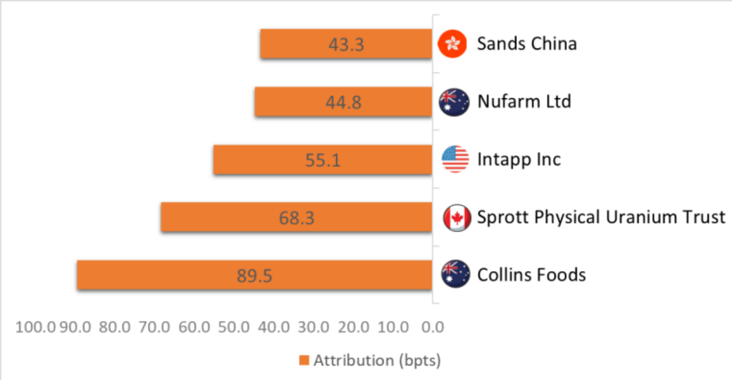
Gross Assets	Gearing	Trailing 12 month Dividend Yield (FF)
$48.5M	25.21%	6.91%

POSITIVE ATTRIBUTIONS

The largest positive attribution in May was derived from our energy exposure within the portfolio. **Woodside Energy, Inpex, Schlumberger and Haliburton** all benefited from a sharp rise in oil prices. Despite the re-rating, we believe the global energy sector is still undervalued with supply fundamentals set to remain constrained for some time. Japanese industrial Alps Alpine also performed strongly after reporting solid results and upgrading guidance. Alps Alpine falls into the deep value category with revenues and profits set to grow strongly in the year ahead.



NEGATIVE ATTRIBUTIONS

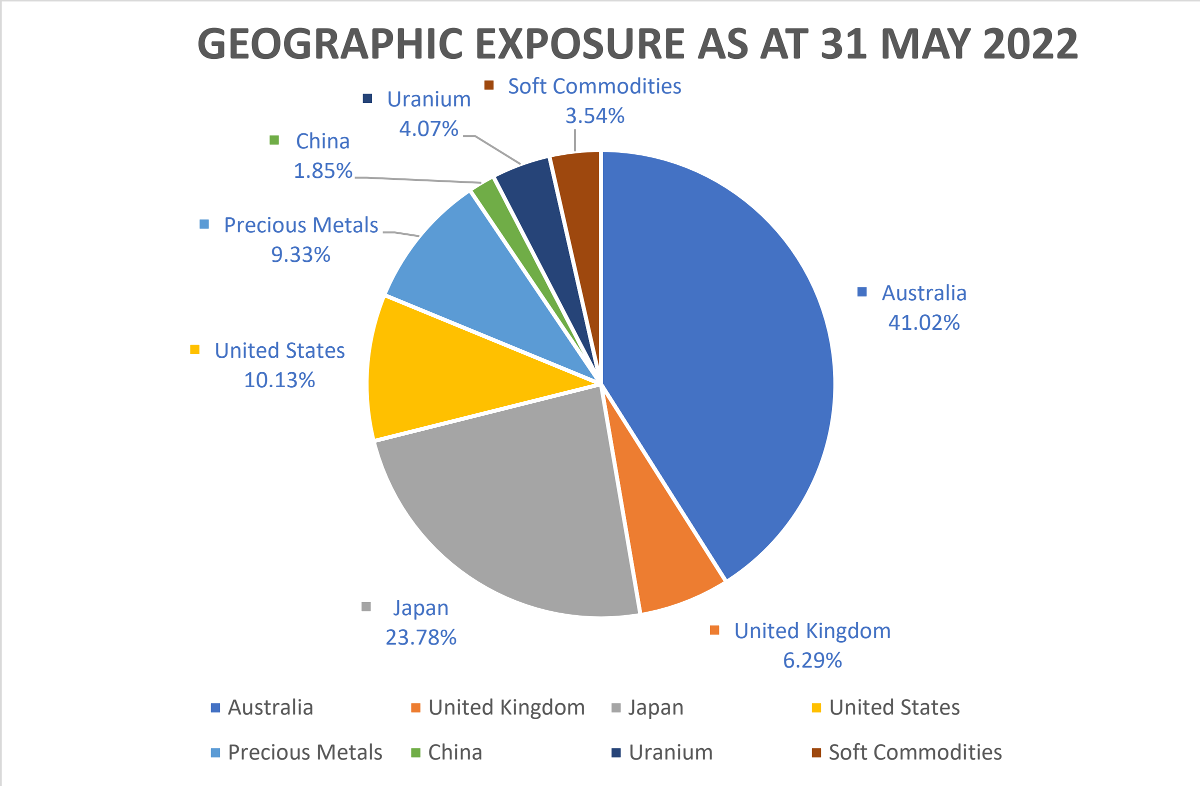


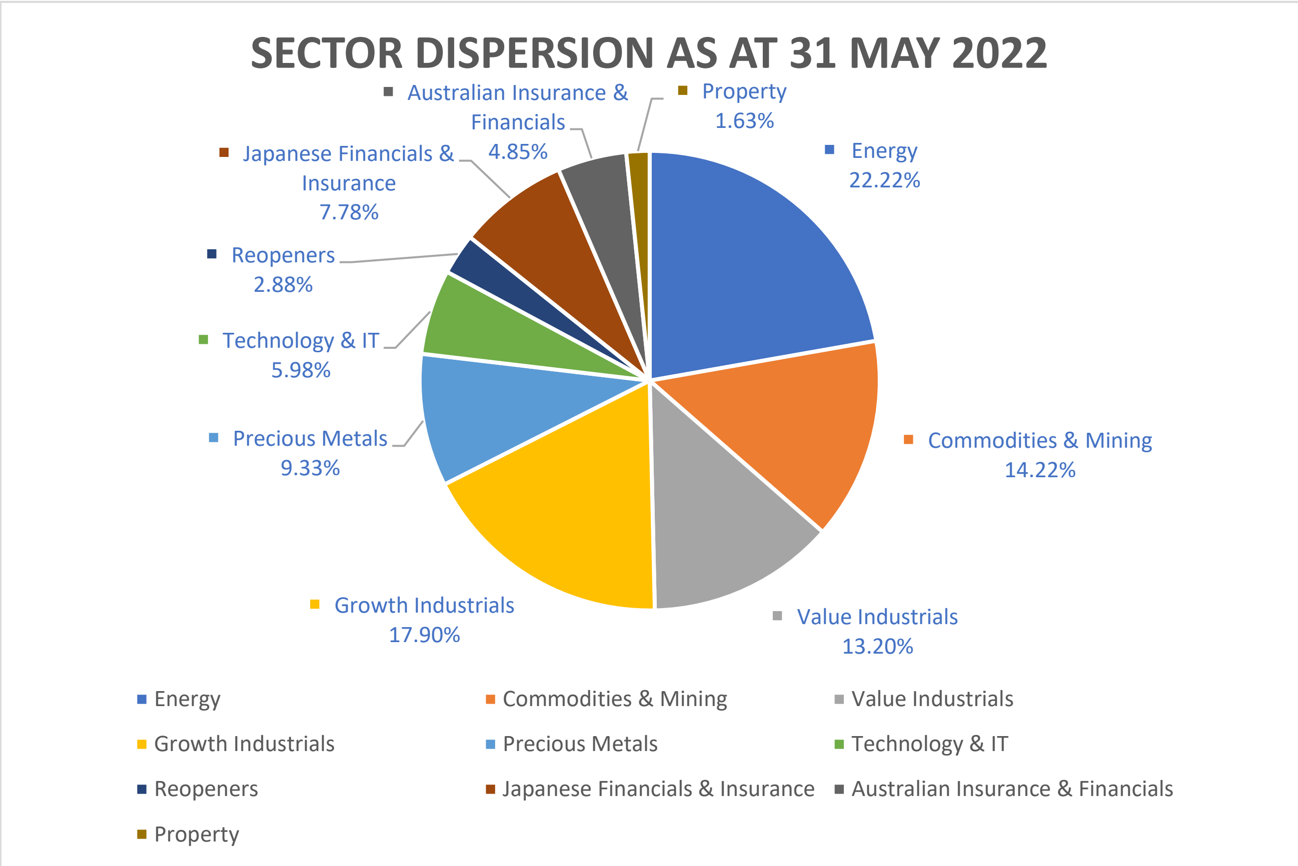
The largest negative attribution during May was **Collins Foods** as growth stocks came under renewed pressure. **Intapp** was also in this category. **Nufarm** weakened on disappointing earnings. Falling uranium prices impacted **Sprott Physical Uranium Trust,** but we see this as being a short-term impact with energy demand set to remain strong across the spectrum. A recovery in **Sands China** continues to be delayed by ongoing Covid restrictions in China.

TOP 10 HOLDINGS

Top 10 Holdings	Country	31 May 2022
Collins Foods Ltd	Australia	5.67%
Inpex Corp	Japan	4.62%
Sprott Physical Uranium Trust	Canada	4.07%
BHP Billiton Limited	Australia	3.77%
Whitehaven Coal Limited	Australia	3.66%
Invesco DB Agriculture Fund	United States	3.54%
Telstra Corporation Limited	Australia	3.18%
QBE Insurance Group Limited	Australia	3.16%
Nintendo Company	Japan	2.87%
Amcor Limited	Australia	2.82%

ASX: CKF	**TYO: 1605**	**TSE: U.UN**	**ASX: BHP**	**ASX: WHC**	**NYSE: IVZ**	**ASX: TLS**	**ASX: QBE**	**TYO: 7974**	**ASX: AMC**





Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund