

## 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 September 2022 with pre-tax and post-tax NTA closing at \$0.9491 and \$1.0146 respectively. At the end of September 2022, net cash for the Fund was 48.47%.

	30-September-2022	31-August-2022	Change
<b>Pre-Tax NTA</b>	0.9491	0.9755	<b>-2.71%</b>
<b>Post-Tax NTA</b>	1.0146	1.0166	<b>-0.20%</b>

### MARKET OUTLOOK AND PORTFOLIO PERFORMANCE

The Fund had a negative performance of -0.20% during September, while the S&P500, MSCI World Index and ASX200 declined 9.34%, 9.46% and 7.53% respectively.

September was the most turbulent month for financial markets since the onset of the Pandemic in March 2020. The Fund's defensive stance worked well with benchmarks falling by a much greater degree. The volatility was instigated by the Fed increasing rates by 75 bps and signalling they would stay the course and maintain hawkishness in curbing inflation. The Fed's stance triggered a selloff in bond markets and strength in the US dollar as interest rate differentials widened with the rest of the world.

The seismic volatility forced the Japanese Ministry of Finance to intervene in the market to stem the Yen's depreciation. In the UK, announced tax cuts were seen as irresponsible adding further stimulus when inflation was already running at the highest levels since the 70s. The drop in gilt prices brought unintended consequences on pension funds and prompted the Bank of England to purchase long-dated bonds to stabilise the market. Equity markets worldwide continued to trade lower due to undeniable headwinds such as the ongoing energy crisis in Europe, rising tensions in China/US relations, and persistently high inflation driving hawkish central bank policy.

Oil continued to decline, putting in one of its largest quarterly losses, as widespread fears of recession and a strong US dollar dampened global demand. Throughout the month, the price of European natural gas soared on the possible sabotage on the Nord Stream pipelines, deepening uncertainty about the continent's energy security as winter approaches. All in all, it was a rough month for the markets.

We maintained exposure to gold due to rising geopolitical tensions, increasing government indebtedness, elevated inflation and, with the exception of the US dollar, **rapidly depreciating currencies. Gold in most currencies including the Yen, Euro, A\$ and Pound outperformed.** The BOE illustrated how quickly quantitative easing can be returned to now that it has been established as a policy tool. We believe it be only a matter of time before other governments will follow suit.

With inflation remaining elevated, and the Fed in the fight of its life, we think it is only a matter of time before the US economy will join other countries and head into recession. At this point, a major top will

likely be in the US dollar, and gold could have its day in the sun, especially if the Fed were to weaken and pivot earlier (as it did in the 1970s). Gold stocks came under pressure with equities generally, but on the positive side, valuations now look to be bottoming out as they trade at historically low multiples. The next run will in our opinion, likely be synonymous with what was witnessed in the 1970s. We see this happening soon as borrowing costs soar and an inflection point nears. **We would like to add further exposure if opportunity presents itself amidst the volatility. Although the caveat is that waiting for exactly the right moment in our view risks not being early but missing a good part of the eventual move.**

As we approach the US earnings season, we have started to see consensus forecasts downgraded for a number of bellwether companies, but this is yet to be fully factored in. Valuations are still not reflective of earnings and growth risks. On this front, we believe the S&P500 will not deliver on expected growth, and face further significant downside. The bear market is not finished yet.

A decline in earnings could be amplified when unemployment inevitably starts materially moving higher and when the economy slows. We are yet to see how the Fed will behave when tested against a deteriorating US economy – whether they will maintain the course at risk of a deep economic downturn or alleviate pressure through rate cuts. **We think the opportunity to return to growth stocks will come when the Fed shows clearer signs the hiking cycle is coming to an end or, if and when, a recession actually starts.**

We maintain our short position on the Chinese Renminbi against the US dollar as a hedge against China's continued growth slowdown, and as the US experiences elevated inflation with a Fed pivot unlikely in the short-term. China's factory activity continued to struggle in September as the economic recovery was challenged by lockdowns and export demand moderated. As we approach the October Congress, we believe markets will remain muted, as Covid restrictions and a slumping property market persists. **We remain bearish on China as we expect further devaluation will happen with widening interest rate differentials.**

We saw the Bank of Japan intervene in the forex market, however the effects were only effective near term, as the Fed's hawkishness continues to push the Yen lower amidst the current global economic backdrop. We do not see Yen depreciation continuing unchecked without risking political destabilisation, and at some point, surging inflation. We hold high conviction that the yield curve control policy will be modified soon. **We subsequently increased our exposure via regional banks Mebuki Financial Group and Concordia Financial Group, with both trading at historically low valuations.** Loosening of monetary policy would produce a significant re-rating for Japanese banks in our view.

## KEY METRICS

Gross Assets

\$31.33M

Cash

48.47%

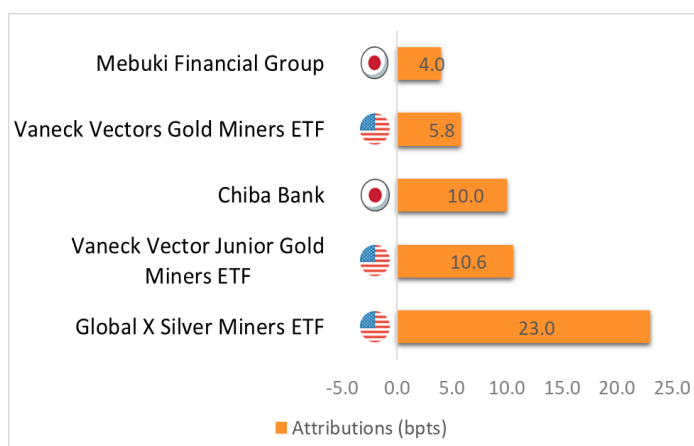
Trailing 12 month  
Dividend Yield (FF)

8.93%

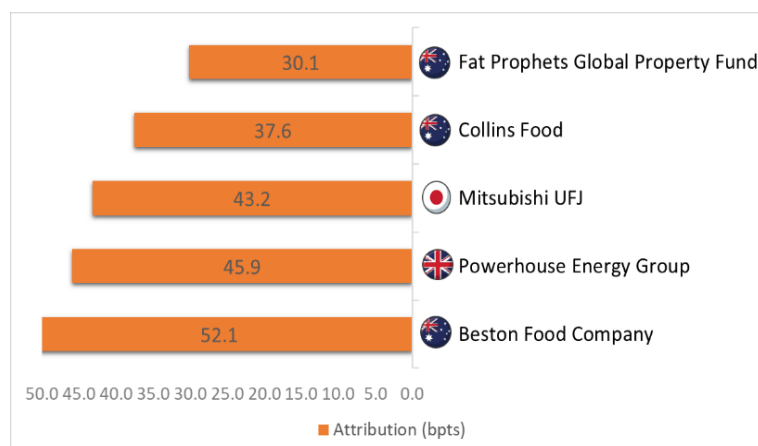
Dividend yield is calculated based on closing share price as of 29/07/2022

## POSITIVE ATTRIBUTIONS

**Mebuki Financial** and **Chiba Bank** were resilient as the 10Y JGB yield remains close to the upper limit despite ongoing BOJ intervention. The **Van Eck Gold Miners ETF** and **Van Eck Junior Gold Miners ETF** experienced a sharp mean reversion rally as gold equities look to form an important bottom. Previous rallies stalled on dollar strength but this appears increasingly less correlated as do rising interest rates. **Global X Silver Miners ETF** performed well for similar reasons.



## NEGATIVE ATTRIBUTIONS



**Fat Prophets Global Property Fund** fell due to REIT sensitivity to rising rates. Some REITs are well insulated to inflation with rents indexed to CPI. **Collins Food** fell on valuation sensitivity to rising rates. **Mitsubishi UFJ** fell on concerns over \$13 billion in financing to Elon Musk's Twitter deal with accumulative losses of \$500 million or more. **Powerhouse Energy** continued to slide with worries on high inflation, and we reduced exposure during the month. **Beston Global Food** also fell, but management reaffirmed strong revenue and earnings guidance last week.

## TOP 10 HOLDINGS

Top 10 Holdings	Country	30 September 2022
Sumitomo Mitsui Financial Group	Japan	7.95%
Mizuho Financial Group	Japan	5.36%
Resona Holdings Inc	Japan	4.35%
Chiba Bank Ltd	Japan	3.84%
QBE Insurance Group Limited	Australia	3.28%
Telstra Corporation Limited	Australia	3.07%
Collins Foods Ltd	Australia	2.79%
Global X Silver Miners ETF	United States	2.69%
Fat Prophets Global Property Fund	Australia	2.61%
VanEck Vectors Junior Gold Miners ETF	United States	2.34%



MIZUHO



RESONA



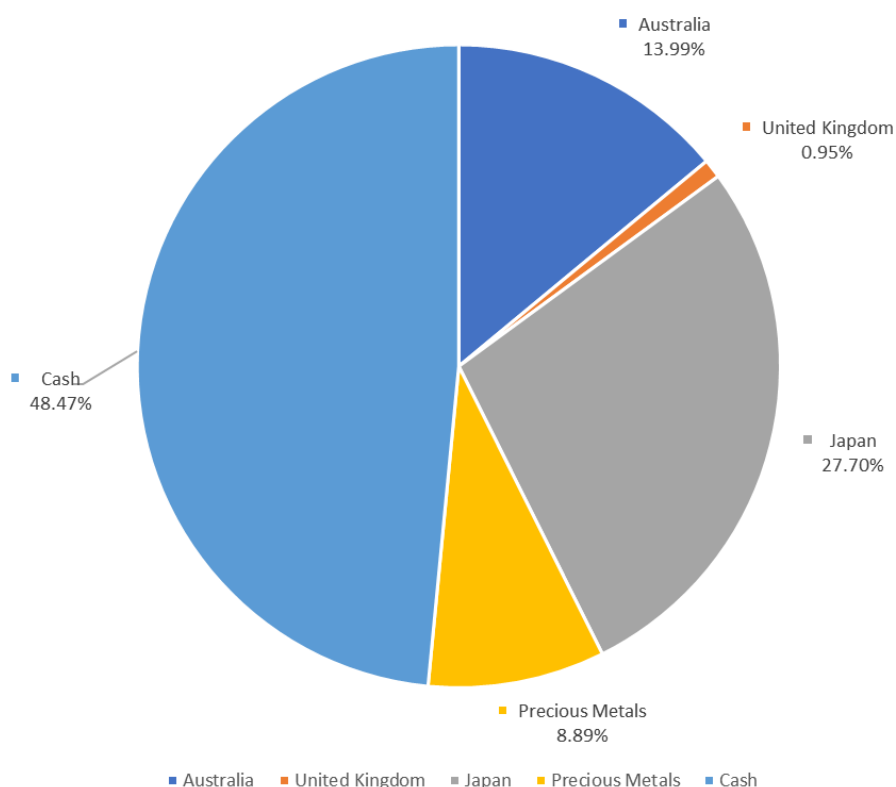
CHIBA BANK

ASX:  
FPPASX:  
TLSASX:  
CKF

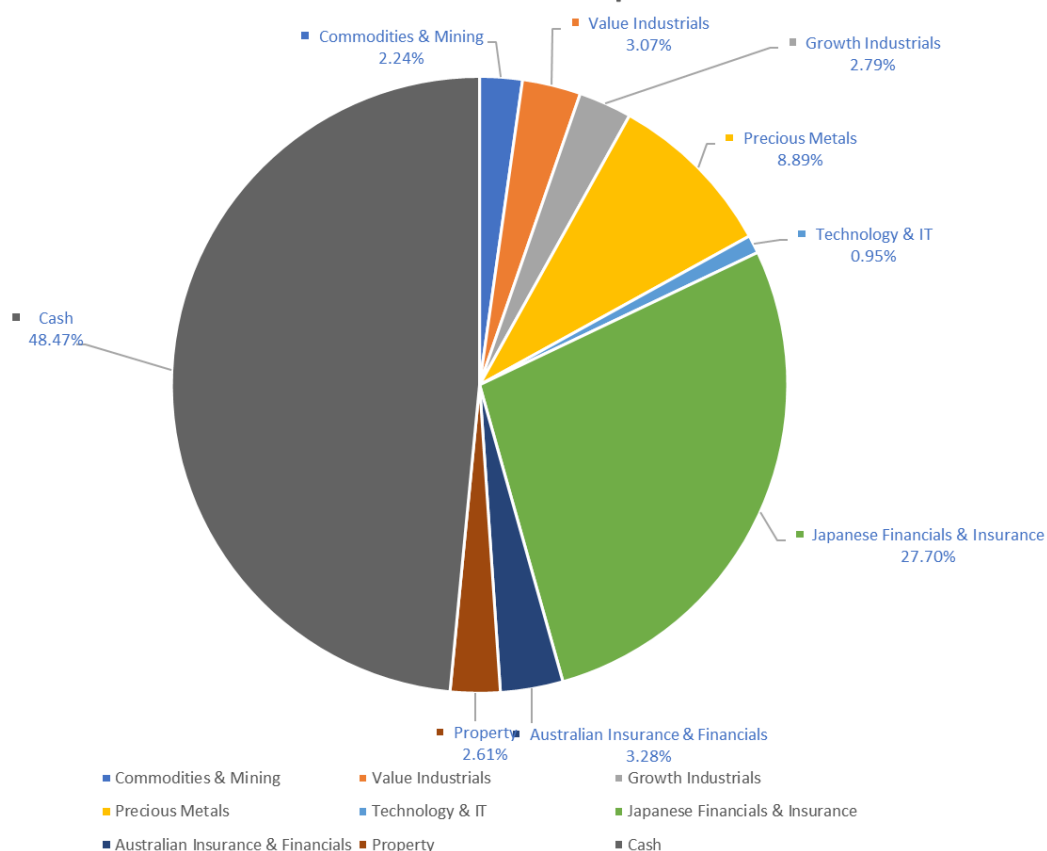
GLOBAL X

ASX:  
FPPNYSE:  
GDXJTYO:  
8316TYO:  
8411TYO:  
8608TYO:  
8331

## GEOGRAPHIC EXPOSURE AS AT 30 September 2022



### SECTOR DISPERSION AS AT 30 September 2022



Angus Geddes  
Chief Investment Officer  
**Fat Prophets Global Contrarian Fund**