ASX Announcement – 13 January 2023

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

Dear Shareholders,

The net tangible asset backing increased in December 2022 with pre-tax and post-tax NTA lifting **3.41% and 1.46% to $1.0391 and $1.0925 respectively.** At the end of December 2022, cash for the Fund was 18.64% with net exposure being below 50% due to hedging in place via a short S&P500 futures position.

	31 December 2022	30 November 2022	Change
Pre-Tax NTA	$1.0391	$1.0048	**+3.41%**
Post-Tax NTA	$1.0925	$1.0768	**+1.46%**

MARKET OUTLOOK AND PORTFOLIO PERFORMANCE

December was on balance a positive month for the Fund after the Bank of Japan relaxed yield curve control measures and let the 10-year JGB yield rise to a new cap of 0.5%. This had positive repercussions for the Japanese banking sector. All the Japanese banks we hold were significantly rerated by the market. The accompanying sharp rise in the yen also precipitated a selloff in the dollar which provided a favourable catalyst for gold and precious metals. Precious metals outperformance added to returns. Other positive attributions towards performance derived from a short S&P500 futures position established as a hedge in the portfolio against US stock market volatility.

In terms of the market outlook, there is growing conviction on Wall Street that inflation is under control and falling (our base case), that will remove pressure on the Fed in terms of tightening monetary policy. Fed funds futures are pricing a 75% chance the Fed will raise the benchmark rate by 25 bps to 4.50%/4.75% in February (my base case), and a peak terminal rate of 4.94% in June.

However, we are going to need the looming quarterly reporting period to come through in spades to support the current S&P500 valuation. At 3970, the S&P500 is priced on a forward PE multiple of c18X which provides little leeway for disappointment. Whilst near term momentum in the SPX is to the upside, the risk/reward skew is unfavourable in our view with mounting evidence of a slowing economy and the negative connotations for corporate profit margins. Accordingly, we remain defensively positioned for now with net exposure currently 44%.

Investors might not yet be fully prepared for the fallout to corporate profit margins following the Fed's rapid pace of tightening. While the overall tone of caution seems to be the prevailing consensus at present, investors seem to be underestimating a potential knockdown to earnings and corporate margins that we think is on the horizon. Needless to say, a disappointing December quarter could have immediate consequences for valuations. A short hedge on the S&P500 provides some insulation against this outcome.

If a US recession were to arrive, then the case for owning bonds over the next six months becomes quite compelling. The US bond market remains deeply inverted and this has been a reliable precursor to a recession for much of the past five decades. We established a position in long dated US treasuries and corporate bonds last year when the 10-year yield was close to 4%. We continue to see a favourable risk/reward skew in longer dated bonds on a six-month horizon.

fatPROPHETS GLOBAL CONTRARIAN FUND

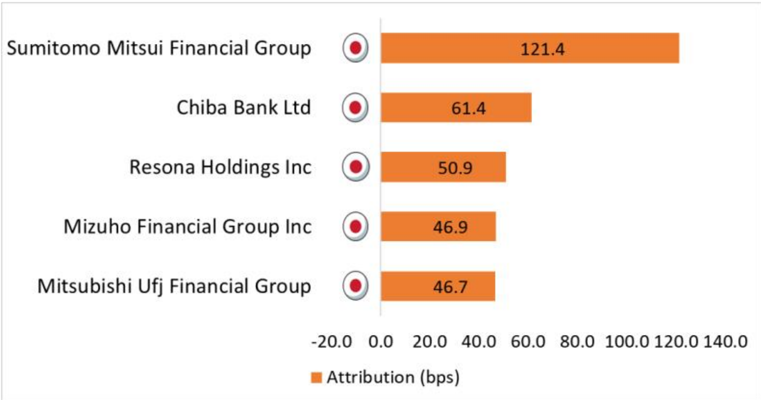
KEY METRICS

Gross Assets	Cash	Current Net Exposure (12/1/23 estimate)
$35.60M	18.64%	42%

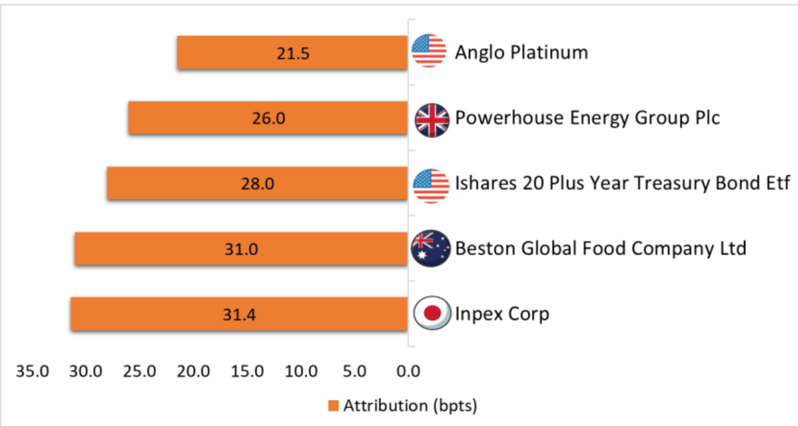
Dividend yield is calculated based on closing share price as of 29/07/2022

POSITIVE ATTRIBUTIONS

Sumitomo Mitsui Financial Group, Chiba, Resona Holdings, Mizuho Financial Group, and Mitsubishi UFJ all contributed the most in terms of positive attribution to the fund in December. The BOJ unexpectedly adjusted their yield curve control policy early, which was the catalyst for a rerating of the sector. Our **short S&P500 futures position** also positively contributed to performance and hedged the portfolio against a decline in the US market.



NEGATIVE ATTRIBUTIONS



Anglo Platinum declined after a disappointing production report. **Powerhouse Energy** continued to exert volatility, although we have reduced the position in the portfolio. The **iShares 20+ Long US bond ETF** declined on rising long term US interest rates. **Beston** continues to be volatile in the aftermath of a heavily discounted rights issue. **Inpex** fell on lower oil prices. We have since closed out the position.

fatPROPHETS™

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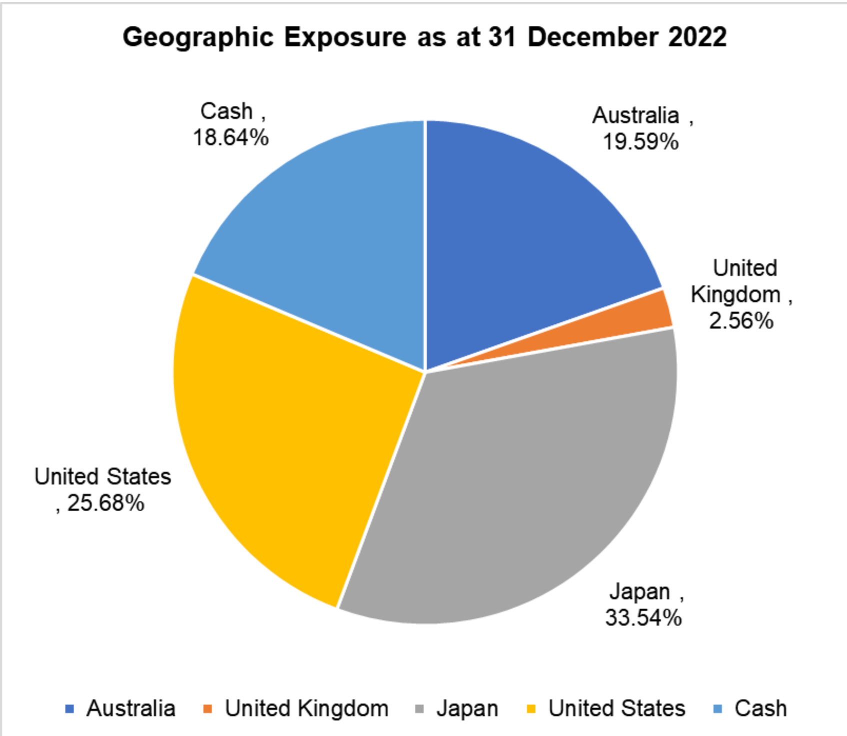
TOP 10 HOLDINGS

Top 10 Holdings	Country	31 December 2022
Sumitomo Mitsui Financial Group	Japan	9.58%
iShares 20+ Year Treasury Bond	United States	9.42%
Mizuho Financial Group	Japan	5.83%
Resona Holdings Inc	Japan	5.45%
Chiba Bank Ltd	Japan	4.34%
Northern Star Resources	Australia	3.68%
QBE Insurance Group Limited	Australia	3.37%
Mitsubishi UFJ Financial Group	Japan	2.90%
Telstra Group Ltd	Australia	2.80%
Newcrest Mining Limited	Australia	2.78%

TYO: 8316	**NDQ: TLT**	**TYO: 8411**	**TYO: 8308**	**TYO: 8331**	**ASX: NST**	**ASX: QBE**	**TYO: 8306**	**ASX: TLS**	**ASX: NCM**



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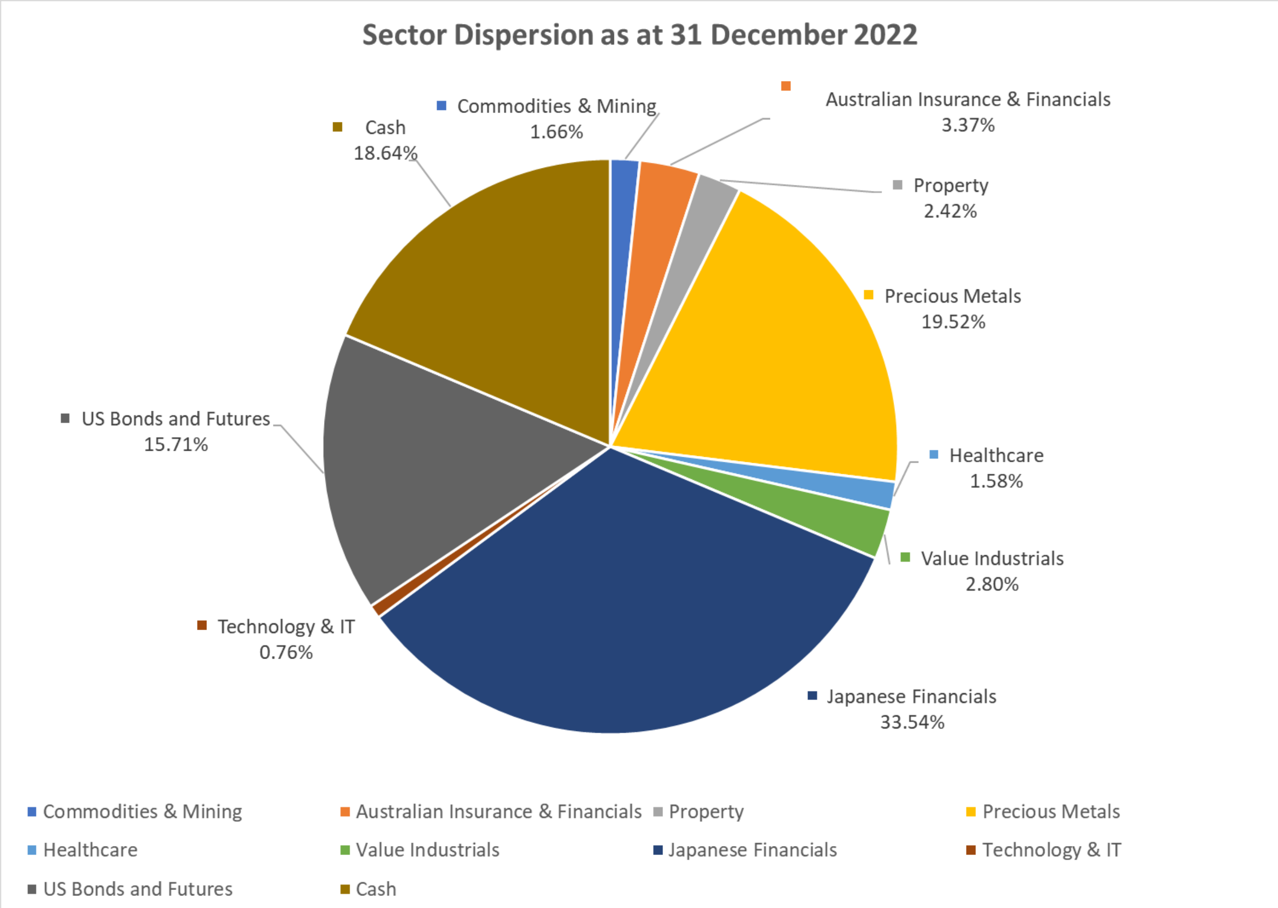

Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund