

## Fat Prophets Global High Conviction Hedge Fund (FATP) announces a Disclosure

Dear Unitholders,

The estimated net tangible asset backing per unit of the Fat Prophets Global High Conviction Hedge Fund in August 2023 was \$1.1394, representing a decrease of 1.18% since July 2023. At the end of August, net cash for the Fund was 14.20%.

	31-August-2023	31-July-2023	Return (Monthly)
<b>NTA per unit*</b>	1.1394	1.1530	-1.18%

*\*Past performance is not an indication of future performances*

### MARKET OUTLOOK AND PORTFOLIO PERFORMANCE

August was a volatile month for financial markets which corrected sharply from the highs seen in July. **September has got off to a strong start for the Fund with NTA benefiting strongly from a re-rating of Japanese banks and uranium producers.**

During August, rising bond yields weighed on the tech sector after the big rally throughout the year with real interest rates beginning to impact high valuations. The low investor positioning in the US stock market at the beginning of the year has since recalibrated and reversed.

A recent Bank of America survey found that most are now overweight US stocks. With this year's tech led rally being driven by multiple expansion and consensus expectations now anchored to a soft-landing scenario, much needs to be delivered over coming months to sustain upward momentum. With these risks in mind, we established a portfolio hedge over the Nasdaq100 where expensive valuation has become not only acute, but seemingly impervious to the economic drag that high interest rates will have on the US economy.

The global energy sector has outperformed recently due to rising oil prices. We continue to hold an **overweight position within the energy sector comprising oil & gas, coal and uranium.** All of these commodities have risen in recent months, predominantly because the world simply needs more energy. China has continued to import record amounts of energy despite an ailing economy.

OPEC has regained significant pricing power with production cuts extended to the end of year driving WTI crude oil back up towards \$90. The oil market is already tight and could tighten even further. The US may not be able to ramp up production as quickly as in previous cycles, which exposes the global economy to higher fuel costs. More than half the recent lift in the US headline inflation rate in August was due to higher petrol prices.

The US CPI rose 0.6% in August, which was twice the core rate (which excludes food and energy prices) primarily because consumers are now paying more for fuel. This raises the prospects of a reversal in the downward trend of inflation over coming months that would place additional upward pressure on inflation. We continue to hold significant energy exposure including **Inpex, Woodside, Santos and Whitehaven.**

The global transition to renewables has also seen the uranium spot price eclipse \$60 a pound for the first time in many years. Nations will more than likely have to increase nuclear energy capacity to make up for any shortfall in renewable power generation which could drive uranium prices even higher in the year ahead. We have seen a significant re-rating occur in both **URA (Global X**



Fat Prophets Global High Conviction Hedge Fund

<https://www.fatprophets.com.au/fatp/>

[invest@fatprophets.com.au](mailto:invest@fatprophets.com.au)

Ph: 1300 881 177

ARSN: 649 028 722

3/22 Market Street, Sydney

NSW 2000

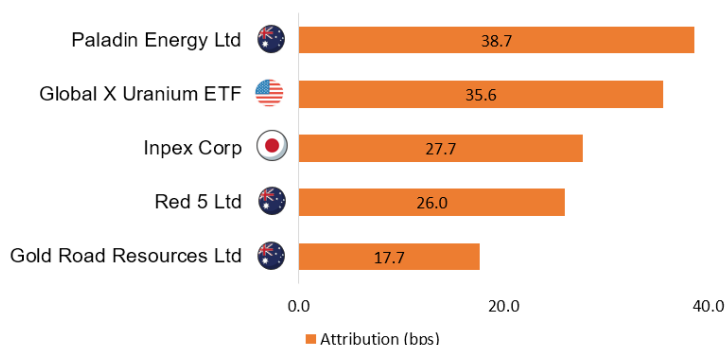
**Uranium producers ETF) and Paladin.** There is however significant scope for additional upside should uranium prices push up towards level US\$100/pound which we believe is a reasonable target.

Japanese financials and banks (our portfolio’s largest sector exposure) have performed strongly since August following comments from the Bank of Japan that monetary policy normalisation is approaching. We anticipate the BOJ to relax yield curve measures or withdraw all together in the coming year which could see the 10yr JGB yield rise towards 1.5%. Japan unlike most other nations is benefitting from inflation and higher interest rates after years of economic stagnation. **We still see further upside for Japan’s banks which are amongst the best capitalised in the world with low PB valuations and real earnings growth.**

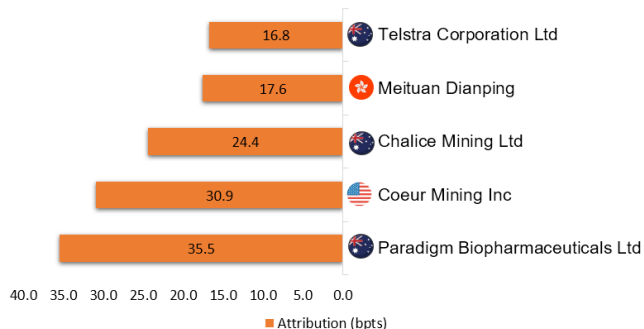
The Fund’s modest position in Chinese mega-cap internet stocks that includes **Alibaba, Meituan, Tencent, Baidu** has yet to bear fruit. However, foreign investors now have the lowest exposure in many years and valuations cheap. China/Hong Kong equity benchmarks no longer reacting seem to be reacting to the constant stream of negative news flow, which is a sign an important bottom is forming. We are of the view that important lows might be approaching for both China and Hong Kong’s stock markets. No doubt considerable challenges remain for Chinese authorities to turn the domestic economy around, but incremental stimulus measures are beginning to add up. **We hold conviction that an important inflection is nearing for China/Hong Kong equity markets following what has been a lengthy bear market cycle.**

## POSITIVE ATTRIBUTIONS

Higher spot uranium prices boosted sentiment towards uranium miner **Paladin** and the **Global X Uranium ETF**, which is a global basket of the largest uranium producers. Gold producers **Red5** and **Gold Road** were rerated after broker upgrades and solid earnings result. Japanese oil and gas major **Inpex** reported a big jump in earnings and raised guidance.



## NEGATIVE ATTRIBUTIONS

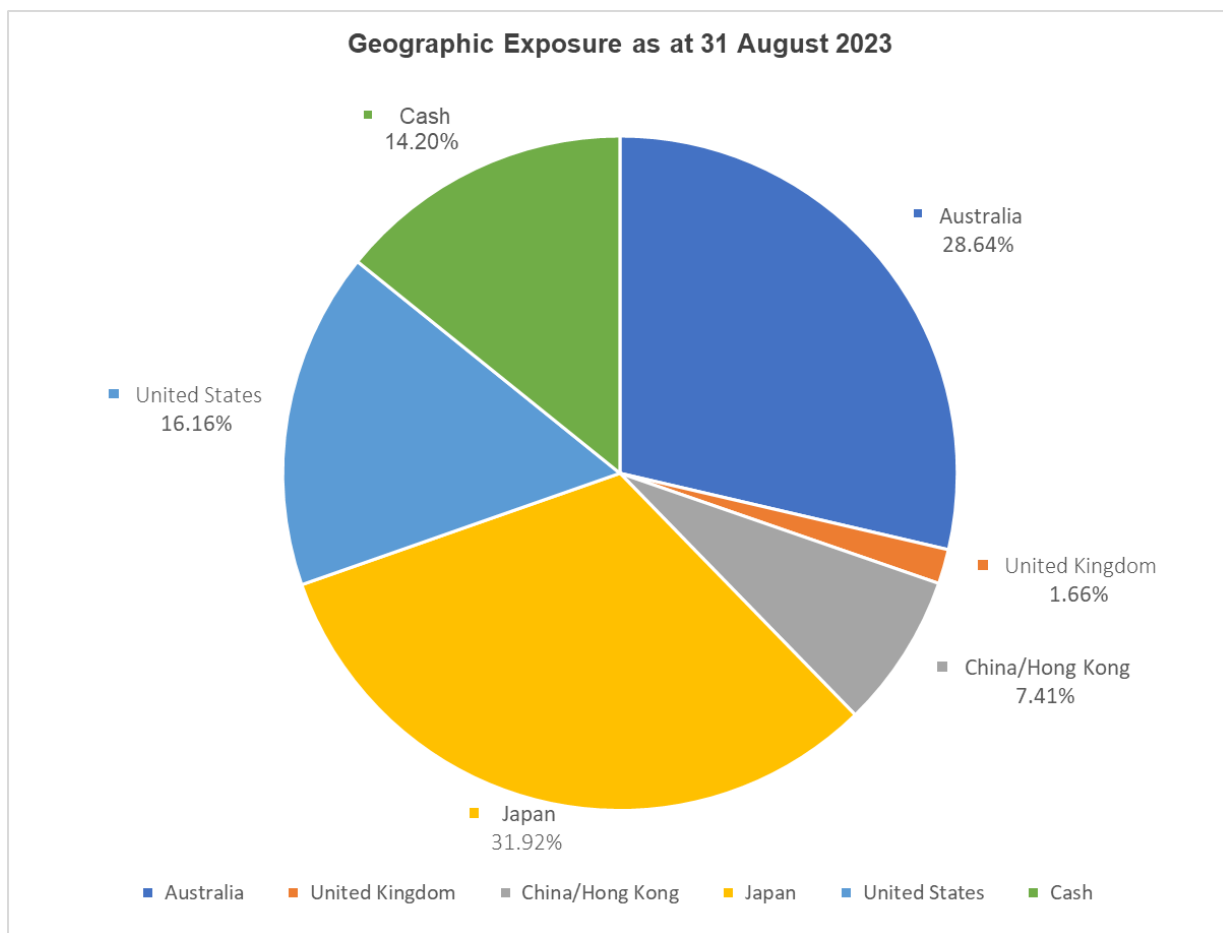


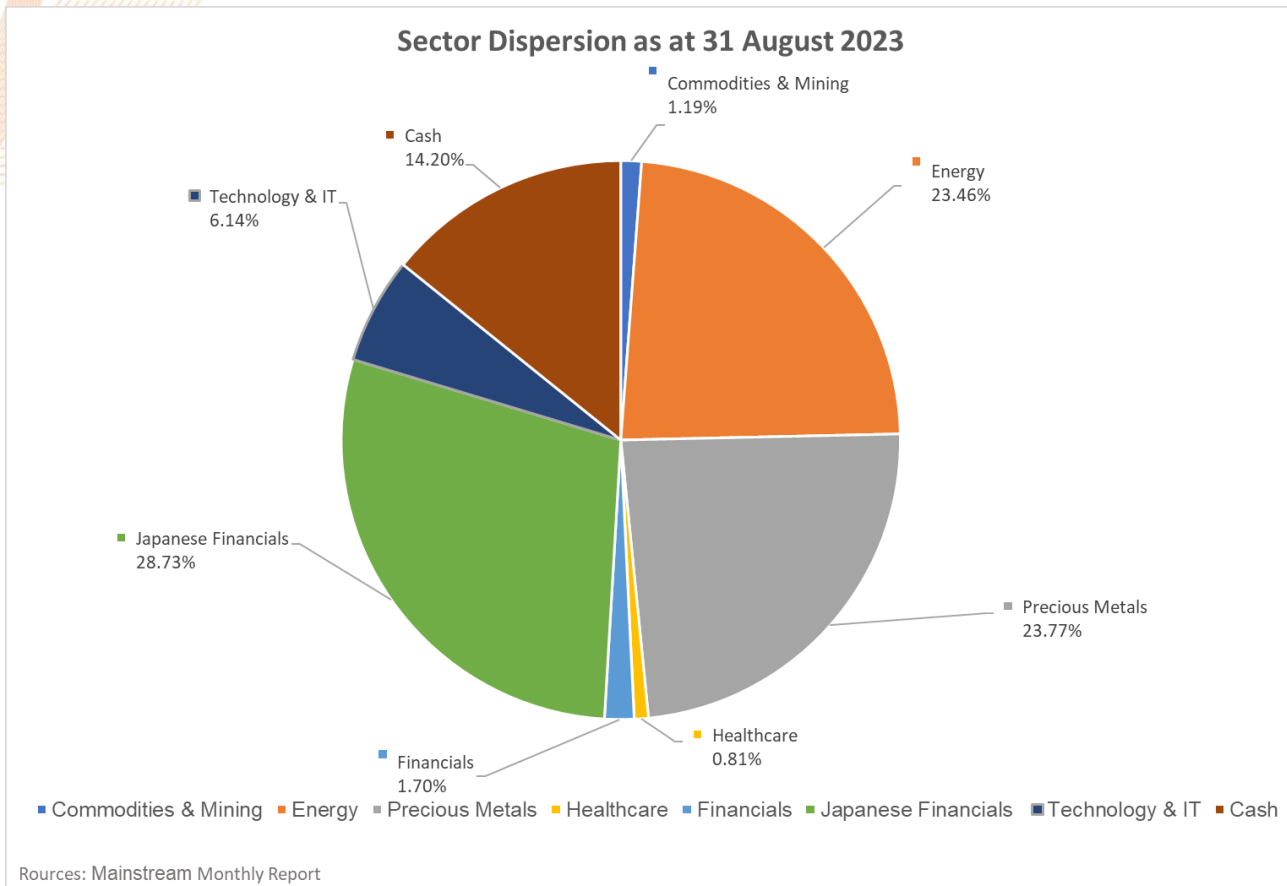
Precious metal exposure detracted from performance in August after **Chalice Mining** released much higher project development costs than the market was expecting. We have since exited the position. **Coeur Mining** reported disappointing earnings due to subdued silver prices. Telstra also reported earnings below consensus. We have since exited this position as well.

## TOP 10 HOLDINGS

Top 10 Holdings	Country	31 August 2023
Sumitomo Mitsui Financial Group	Japan	10.43%
Global X Uranium ETF	United States	7.28%
Resona Holdings Inc	Japan	5.60%
Paladin Energy	Australia	5.05%
Evolution Mining Ltd	Australia	4.90%
Chiba Bank Ltd	Japan	4.55%
Mitsubishi UFJ Financial Group	Japan	4.51%
Northern Star Resources	Australia	3.80%
Mizuho Financial Group	Japan	3.64%
Inpex Corp	Japan	3.20%

 SMFG	 GLOBAL X	 RESONA	 PALADIN	 Evolution	 三井物産	 MUFG	 NORTHERN STAR	 MIZUHO	 INPEX
TYO: 8316	NYSE: URA	TYO: 8308	ASX: PDN	ASX: EVn	TYO: 8831	TYO: 8306	ASX: NST	TYO: 8411	TYO: 1605





**Angus Geddes**  
**Chief Investment Officer**  
**Fat Prophets Global High Conviction Hedge Fund**

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The Fund’s Target Market Determination is available here <https://www.eqt.com.au/insto/>. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.



Fat Prophets Global High Conviction Hedge Fund  
<https://www.fatprophets.com.au/fatp/>  
[invest@fatprophets.com.au](mailto:invest@fatprophets.com.au)  
 Ph: 1300 881 177

ARSN: 649 028 722  
 3/22 Market Street, Sydney  
 NSW 2000