

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

Dear Shareholders,

The estimated net tangible asset backing increased in July 2022 with pre-tax and post-tax NTA closing at \$1.0056 and \$1.0355. At the end of July, net cash for the Fund was 54.02%.

	31-July-2022	30-June-2022	Change
Pre-Tax NTA	1.0056	0.9964	0.92%
Post-Tax NTA	1.0355	1.0534	-1.70%

MARKET OUTLOOK AND PORTFOLIO PERFORMANCE

The past month has seen a strong rebound in US and global equities from heavily oversold conditions that persisted in June. Despite the rally, we continue to see challenging times ahead over at least the next few quarters for investors despite a “better than feared” US reporting season. We see further volatility directly ahead for financial markets despite the intense debate over whether the US stock market has made a final bottom.

We believe there is a good likelihood that US markets will be challenged again when the third quarter reporting season gets underway. Companies could soon start to grapple with falling sales prices and flattening revenues while at the same time be faced with high labour costs that would likely weigh on profits and margins. The third quarter could therefore be characterised by downward earnings revisions.

Valuations are no longer cheap as they were back in June with the S&P500 now priced on a forward PE at c18x and vulnerable to downgrades. Whilst the first half of the year was one of the worst on record, the rebound underpinned by plentiful liquidity and short covering has mitigated the impact from the recent selloff. We are yet to also see capitulation on scale with previous US bear markets.

Meanwhile the Fed looks to be not done yet on interest rate hikes as evidenced by the overheating labour market, despite easing inflationary pressure. The bond market has diverged prominently from stocks with the yield curve now prominently inverted. In the past 50 years during every single cycle, recession has always ultimately arrived when the curve has inverted. Volatility in bond markets also contrasts with the recent decline in the VIX.

Global growth is slowing in Europe and the UK which appears on the cusp of recession. We continue to see significant downside risks in China which might be underestimated currently by the markets. The property contagion has continued to spread and deepen, with consumers no longer responding as they have in the past to government stimulus. China’s slowdown comes amid persistent lockdowns and restrictive measures enforced by zero Covid-19 policies. Covid-19 remains a key risk to China’s widely expected growth rebound over coming quarters.

While zero Covid-19 is expected to end when the Chinese leadership is finalised later this year, we have some doubts. China’s growth rate is continuously being buffeted by domestic policies and a global slowdown elsewhere. Geopolitical tensions are also on the rise once again with China at loggerheads with the US over Taiwan, and not likely to subside anytime soon.

We stay defensive in the portfolio and have prepared for volatility directly ahead but also potential opportunity. We have taken advantage of the recent rebound in stocks to further reduce risk and raise liquidity levels.

KEY METRICS

Gross Assets

Cash

Trailing 12 month
Dividend Yield (FF)

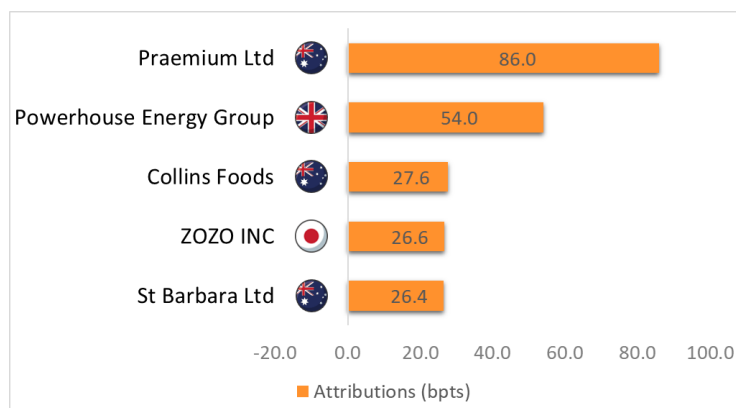
\$39.99M

54.02%

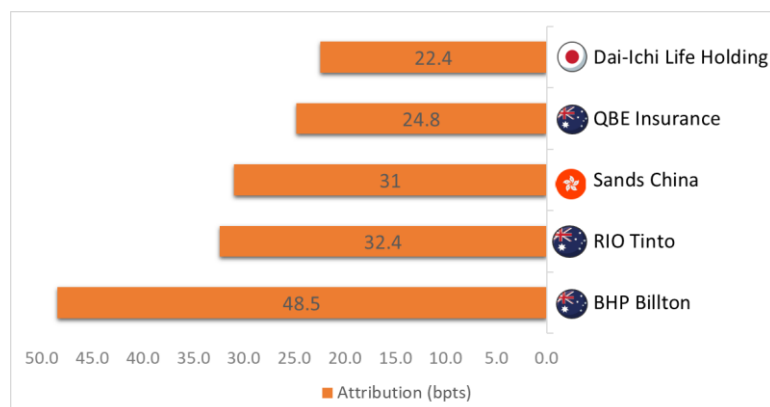
8.33%

POSITIVE ATTRIBUTIONS

The largest positive attribution in July was from **Praemium** after the sale of the UK business facilitated a buyback and special dividend. **Powerhouse** rebounded from oversold levels, whilst **Collins Foods** rallied after solid profit results and a general market rotation back to growth. **Zozo** beat consensus profit estimates.



NEGATIVE ATTRIBUTIONS



Dai-ichi Life and **QBE Insurance** weighed on the portfolio after bond yields fell pressuring investment income. **Sands China** was impacted by outbreaks of covid and ongoing restrictions. **Rio Tinto** and **BHP** traded lower on falling iron ore and copper prices.

TOP 10 HOLDINGS

Top 10 Holdings	Country	31 July 2022
Collins Foods Ltd	Australia	5.18%
Telstra Corporation Limited	Australia	3.62%
QBE Insurance Group Limited	Australia	3.44%
Sumitomo Mitsui Financial Group	Japan	2.64%
BHP Billiton Limited	Australia	2.61%
Beston Global Food Co Ltd	Australia	2.37%
Fat Prophets Property	Australia	2.35%
Powerhouse Energy Group PLC	United Kingdom	2.34%
Global X Sil Min ETF	United States	2.13%
Dai-ichi Life Holdings Inc	Japan	2.02%


 ASX:
CKF

 ASX:
TLS

 ASX:
QBE

 TYO:
8316

 ASX:
BHP

 ASX:
BFC

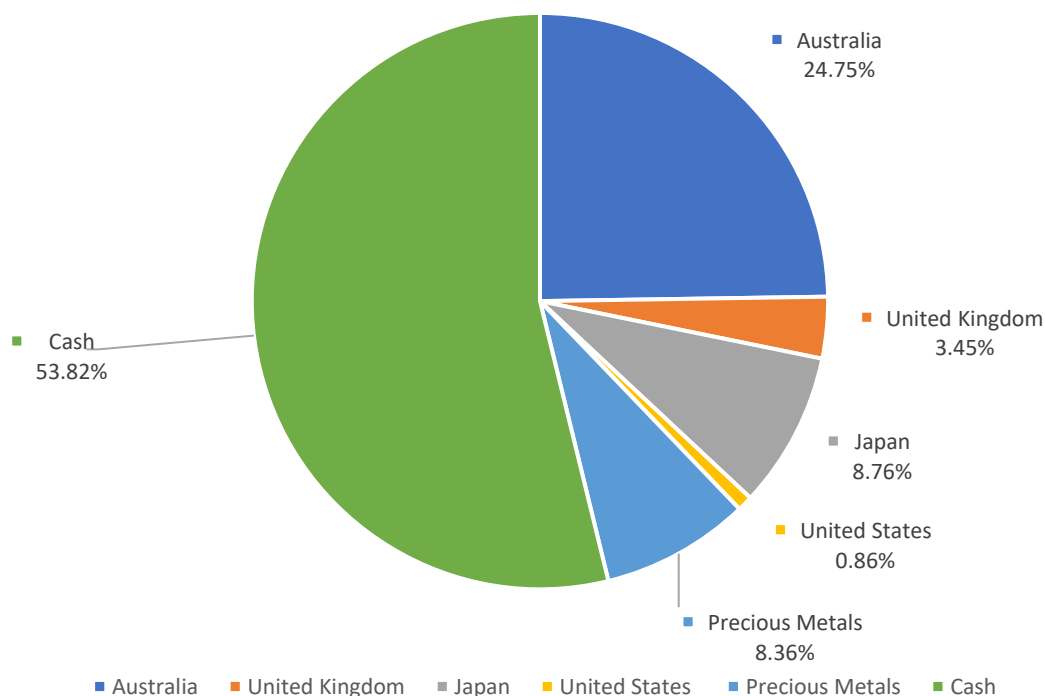
 ASX:
FPP

 LSE:
PHE

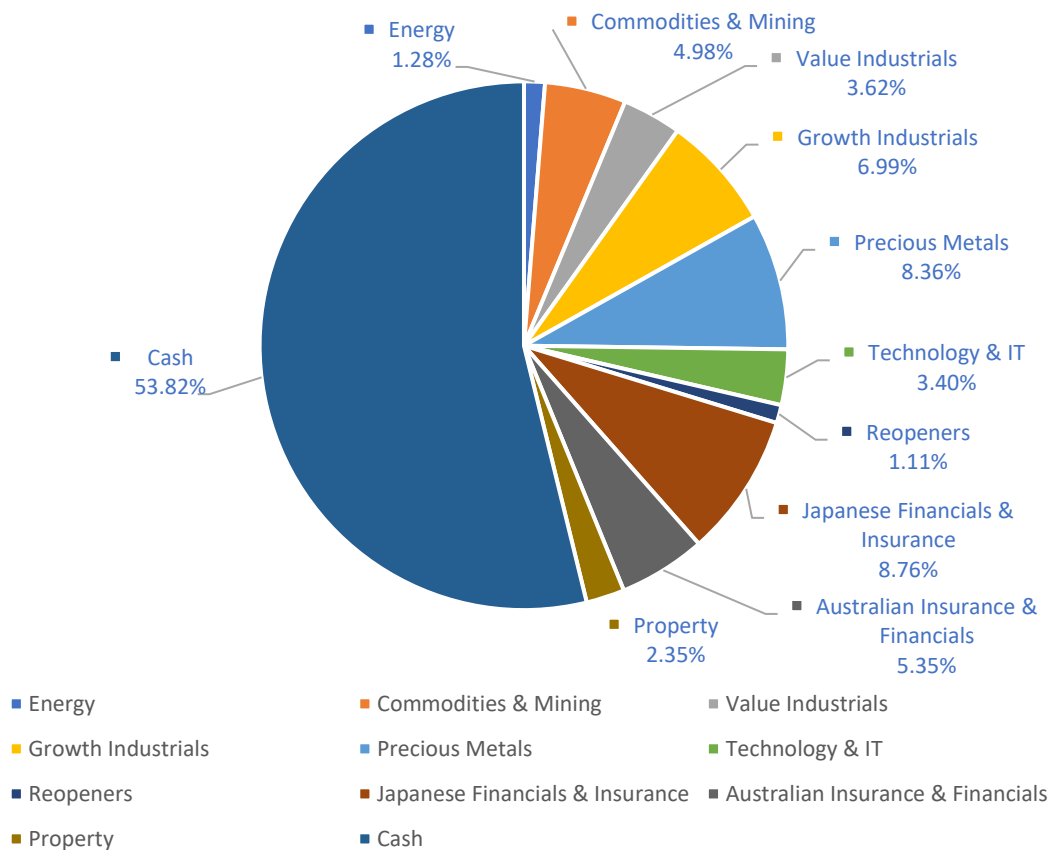
 NYSE:
SIL

 TYO:
8750

GEOGRAPHIC EXPOSURE AS AT 31 JULY 2022



SECTOR DISPERSION AS AT 31 JULY 2022



Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund