

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 April 2023, with pre-tax and post-tax NTA increasing by **0.63% and 0.45% to \$1.0110 and \$1.0626 respectively**. At the end of April, cash held was 35.57% of the portfolio with net exposure being 37% due to hedging in place via a short S&P500 futures position.

	30-April-2023	31-March-2023	Change
Pre-Tax NTA	\$1.0110	\$1.0047	0.63%
Post-Tax NTA	\$1.0626	\$1.0578	0.45%

MARKET OUTLOOK AND PORTFOLIO CHANGES

Since our last ASX update and despite deteriorating fundamentals and evidence of recession approaching for the US economy, the S&P500 has managed to climb the proverbial “wall of worry”, albeit with very narrow breadth. A better than feared reporting season combined with upbeat developments on artificial intelligence helped the tech sector outperform and push US equities higher in April and this month.

Despite the Fed maintaining a hawkish stance, inflation remains elevated while the US labour market is still highly resilient. Unemployment has fallen to 3.4% and which is proving an obstacle to bringing inflation down quickly. While the March quarter was better than feared, the hurdle rate was low with consensus earnings forecasts revised sharply lower beforehand. There was also wide dispersion with many companies missing earnings expectations and lowering guidance. The US banking system continued to be volatile with other regional banks being buffeted by outflows of deposits.

Despite the confluence of negative factors, the S&P500 managed to lift through April and May defying the **prevailing market bias to the downside. The path of least resistance for now seems to be higher for the S&P500, and we see risk of a short covering rally given hedge funds are the most heavily short SPX futures since 2011.** We opted to close out the portfolio hedge earlier this month. Our bearish outlook has not changed, but given a “prevailing bearish bias”, low investor positioning, significant short interest and abundant cash and liquidity on the sidelines, the technical outlook potentially favours further upside in the S&P500 over the near term in our view.

Further upside extension could therefore ensue with a short covering rally and as renewed buying interest is drawn in from the sidelines with near record levels of cash and liquidity waiting for the market to fall. However, under such a scenario where the SPX were to breakout on the upside, risk dynamics would necessarily deteriorate even further raising scope for a greater drawdown later in the year if and when recession does finally arrive.

We therefore continue to hold plenty of cash and Japanese banks that recovered in May and managed to throw off US contagion. We also hold considerable exposure to precious metal equities, and particularly in Australia where producers are generating significant free cash flow and high margins with spot A\$ gold prices above A\$3000oz.

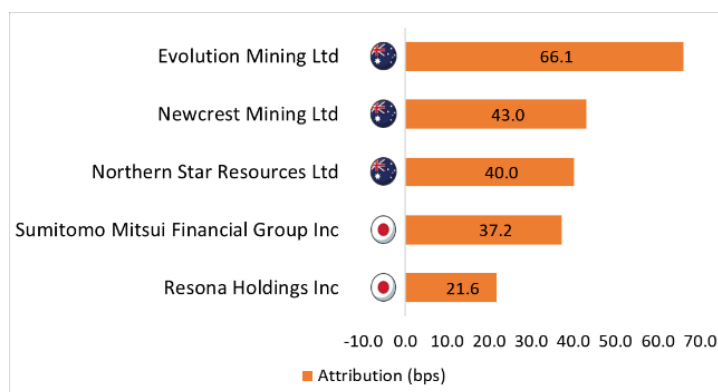
While Washington continues to haggle over the debt ceiling, the gold price has hit near record levels which has drawn some concern as to the sustainability of the rally. Investors seem less enamoured and confident compared to previous peaks – which is a positive factor. Many gold producers sell for prices well down from the record levels of a few years ago. Poor sentiment, low investor positioning and favourable technical factors are therefore all supportive and encouraging.

KEY METRICS

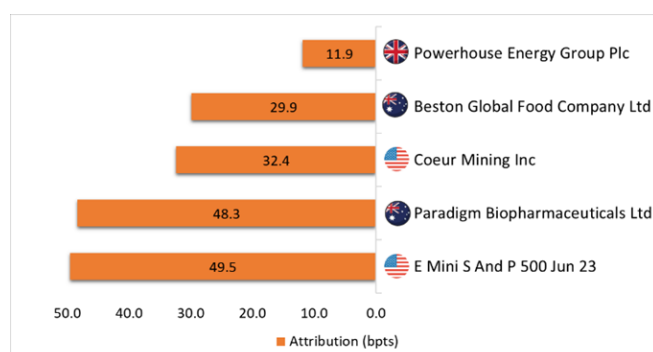
Gross Assets	Cash	Current Net Exposure (4/05/23 estimate)
\$34.44M	35.57%	37%

POSITIVE ATTRIBUTIONS

Precious metal equities performed well with spot gold prices hitting record levels. Catalysts were US dollar weakness, central bank buying and Washington's haggling over the debt ceiling. **Evolution Mining** continued to rebound from oversold levels. **Newcrest** is still vulnerable to takeover by Newmont. **Sumitomo Mitsui and Resona** recovered from oversold levels as confidence returned to the Japanese banking sector.



NEGATIVE ATTRIBUTIONS



The **portfolio hedge (via short S&P500 futures)** detracted from performance again in April as S&P500 rallied back to near 4200. As noted above, we have since closed out the hedge. **Beston Global Foods** disappointed investors with a shock downgrade to earnings guidance. Confidence has been damaged badly.

TOP 10 HOLDINGS

Top 10 Holdings	Country	30 April 2023
Sumitomo Mitsui Financial Group	Japan	8.25%
Evolution Mining Ltd	Australia	6.20%
Newcrest Mining Limited	Australia	6.00%
Northern Star Resources	Australia	5.47%
Resona Holdings Inc	Japan	4.18%
Chiba Bank Ltd	Japan	3.28%
Telstra Group Ltd	Australia	3.17%
Mizuho Financial Group	Japan	3.17%
Global X Sil Min ETF	United States	2.95%
Mitsubishi UFJ Financial Group	Japan	2.86%


 TYO:
8316

 ASX:
EVN

 ASX:
NCM

 ASX:
NST

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8308

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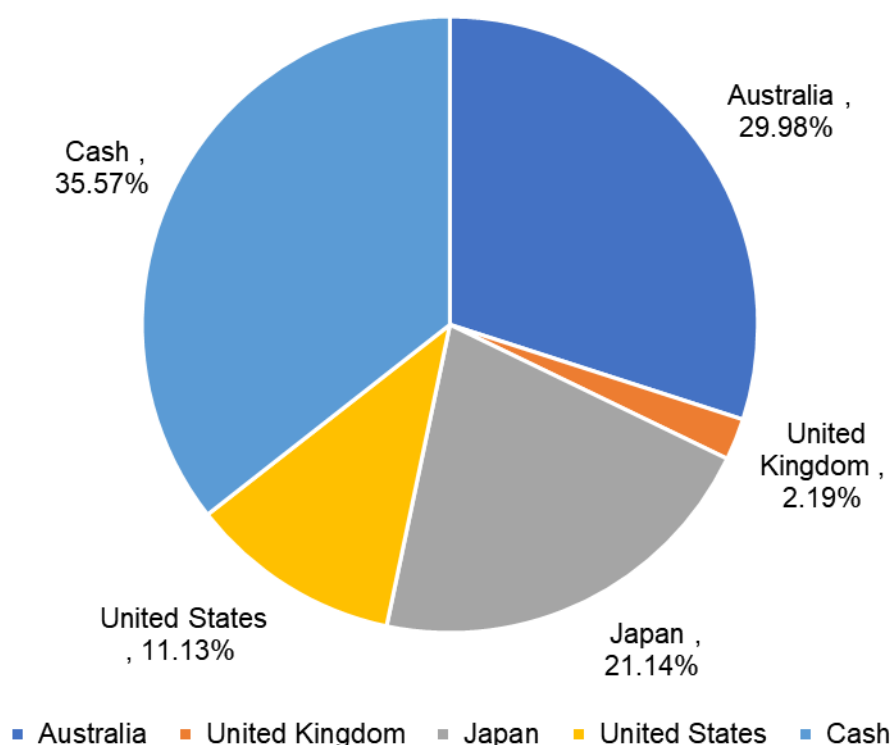
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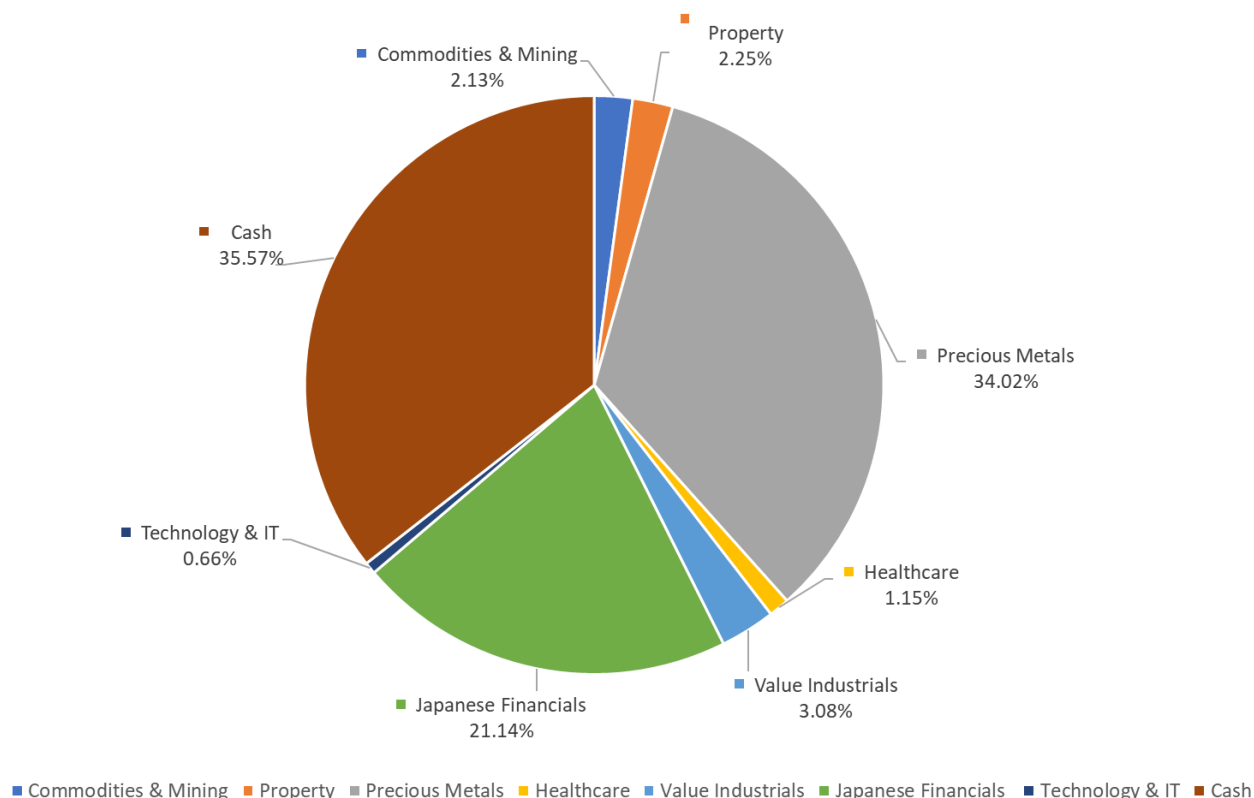
 NYSE:
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 TYO:
8306

Geographic Exposure as at 30 April 2023



Sector Dispersion as at 30 April 2023



Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund