

## 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 August 2023 with pre-tax and post-tax NTA decreased **1.64% and 0.99% to \$1.0069 and \$1.0718 respectively**. At the end of August, cash held was 15.73% of the portfolio with net exposure being 85%.

	31 August 2023	31 July 2023	Change
Pre-Tax NTA	\$1.0069	\$1.0237	-1.64%
Post-Tax NTA	\$1.0718	\$1.0825	-0.99%

### MARKET OUTLOOK AND PORTFOLIO CHANGES

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**

**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.**

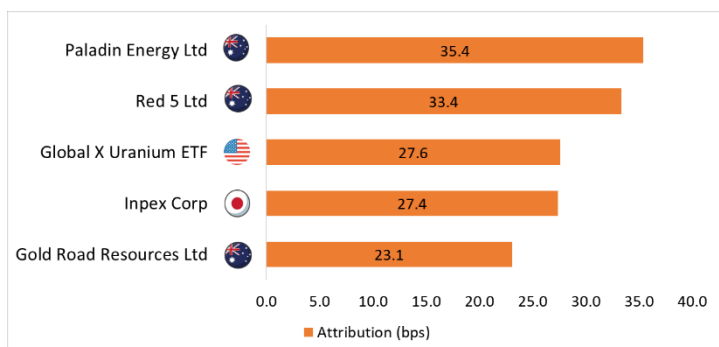
The Fund's modest position in Chinese mega-cap internet stocks that includes **Alibaba, Meituan, Tencent, Baidu** has yet to bear fruit. However, foreign investors now have the lowest exposure in many years and valuations cheap. China/Hong Kong equity benchmarks no longer reacting seem to be reacting 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.**

### KEY METRICS

EOM Gross Assets	EOM Cash	Current Net Exposure (5/09/2023 estimate)
\$30.44	15.73%	85%

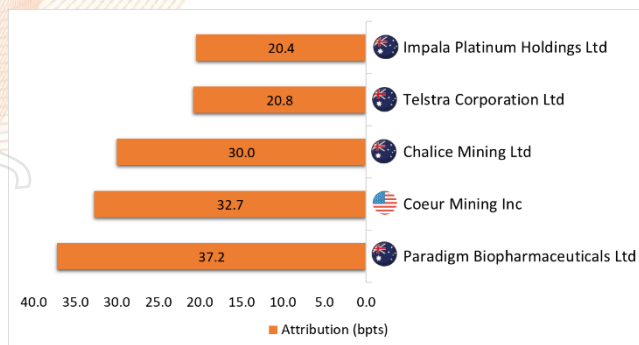
### POSITIVE ATTRIBUTIONS

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.



For personal use only

## 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	9.66%
Evolution Mining Ltd	Australia	5.85%
Resona Holdings Inc	Japan	5.17%
Global X Uranium ETF	United States	5.09%
Northern Star Resources	Australia	4.38%
Mitsubishi UFJ Financial Group	Japan	4.22%
Mizuho Financial Group	Japan	4.20%
Chiba Bank Ltd	Japan	4.18%
Paladin Energy	Australia	4.16%
Inpex Corp	Japan	2.84%



TYO:  
8316



ASX:  
EVN



TYO:  
8308

GLOBAL X

NYSE:  
URA



ASX:  
NST



TYO:  
8306

MIZUHO

TYO:  
8411



TYO:  
8331

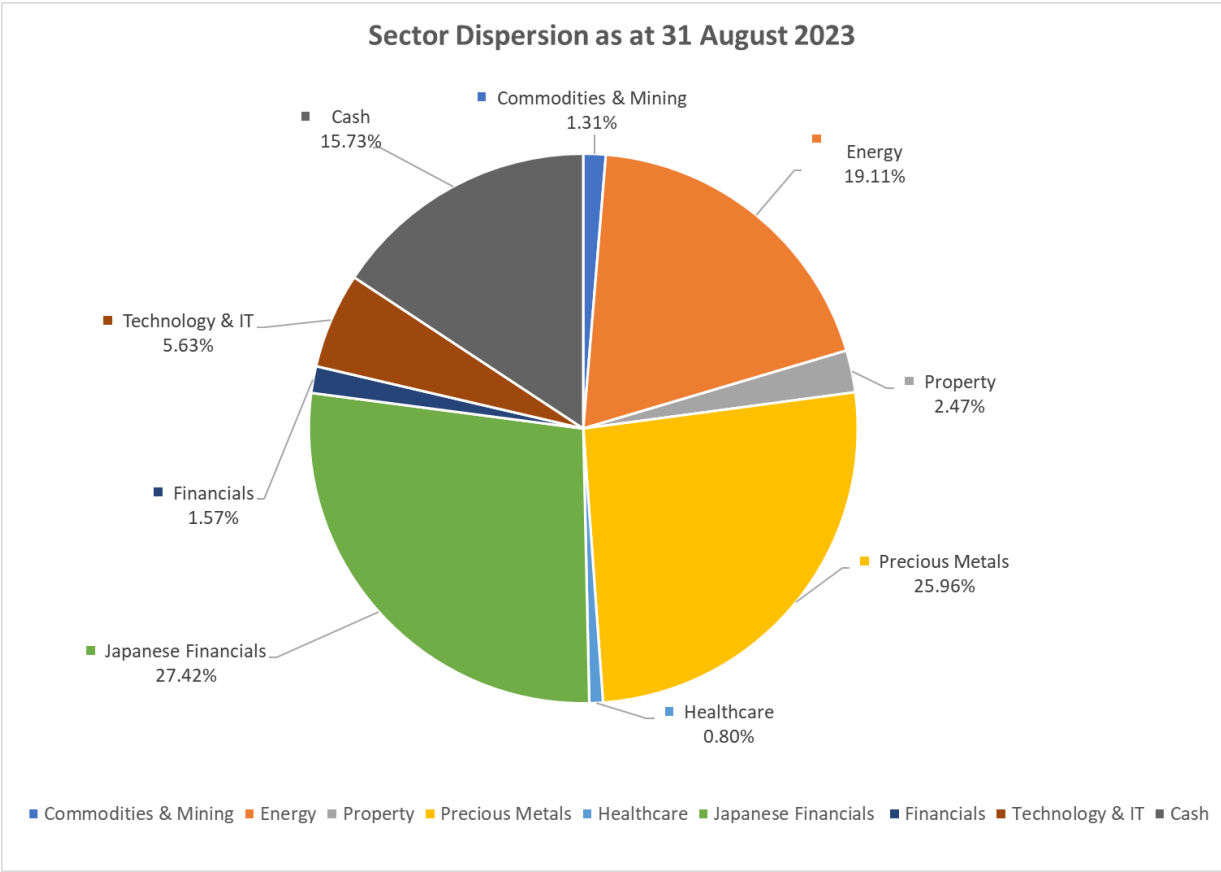
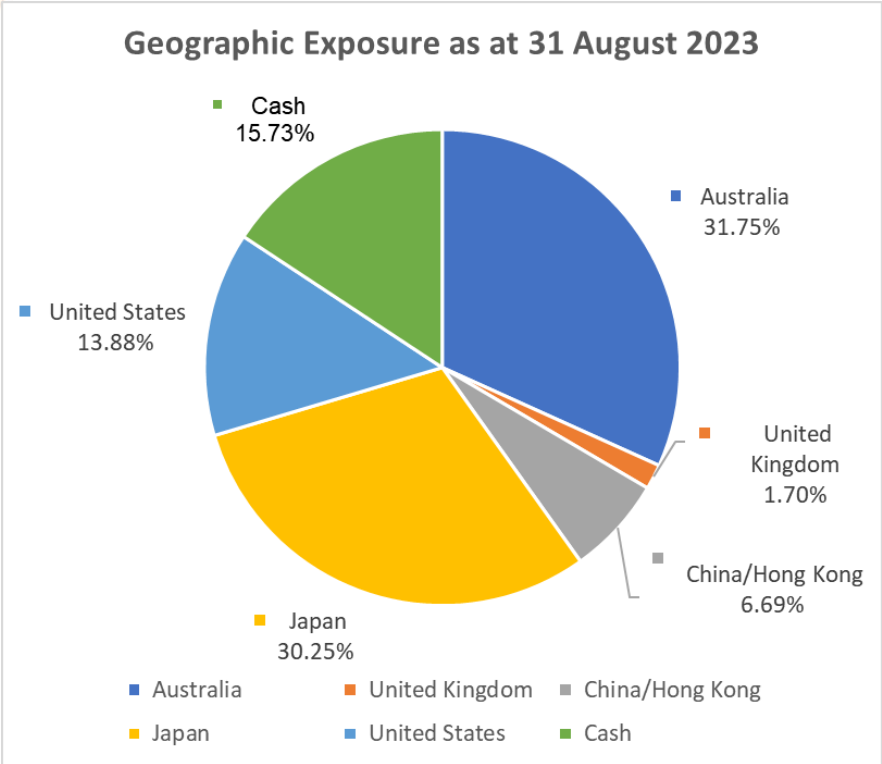


ASX:  
PDN



TYO:  
1605

For personal use only



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



Fat Prophets Global Contrarian Fund  
[www.fpcontrarian.com.au](http://www.fpcontrarian.com.au)  
[invest@fatprophets.com.au](mailto:invest@fatprophets.com.au)  
Ph: 1300 881 177

ACN: 615 414 849  
3/22 Market Street, Sydney  
NSW 2000