

## 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 September 2023 was \$1.1882, representing a Increase of 4.28% since August 2023. At the end of September, net cash for the Fund was 14.04%.

	30-September-2023	31-August-2023	Return (Monthly)
NTA per unit*	1.1882	1.1394	4.28%

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

### MARKET OUTLOOK AND PORTFOLIO PERFORMANCE

The Fund lifted performance in September due to gains in energy and Japanese banks and also the hedging established back in August. The US yield curve has continued to be volatile with the long end in the midst of trying to establish a new trading range. Bond volatility was transmitted through to the stock market during the month, where most major benchmarks corrected sharply. The narrative for next year continues to be dominated by the argument for a soft landing. We are however less convinced that recession can be avoided given the tighter financial conditions (from the long end of the yield curve). Consequently, we continue to carry plenty of cash within the portfolio along with hedging protection.

In terms of our outlook for the markets, we believe that the US dollar over the medium term could face some serious headwinds given the fiscal deterioration. This factor, along with rising geopolitical risks and the latest developments in the Middle East, could provide an important inflection point for precious metals.

There is currently no political imperative for the US government to rein in spending. According to the International Monetary Fund, the US debt situation “is looking increasingly precarious, and corporate defaults are up as interest rates stay high. **The IMF said this week that the US fiscal situation is the “most worrying” among all world countries**”, citing reasons such as the rapid pace of government spending, with the US already having racked up a \$1.5 trillion deficit in the first 11 months of the fiscal year.

US deficits are elevated and look to be persistent. Under incumbent policies, debt dynamics in the US are very unfavourable. The IMF highlighted that the perpetuation of current policies entails an unsustainable fiscal path. The total US federal debt has blown out past \$33 trillion and for the first time, the interest bill is set to overtake spending on the military. Debt to 2022 GDP is now 121%, which adds to the risk of a default down the track. The US is entering a downward spiral where more indebtedness and rising interest rates means more borrowing and bond issuance. **The stage is set for precious metals to potentially perform much better in the years ahead.**

We added **Japanese insurer Dai-ichi Life Insurance** to the portfolio given our constructive view on Japan’s stock market. Additionally, we now anticipate earlier removal of the Bank of Japan’s yield curve control measures which will likely see longer dated JGB yields rise which will benefit Dai-ichi



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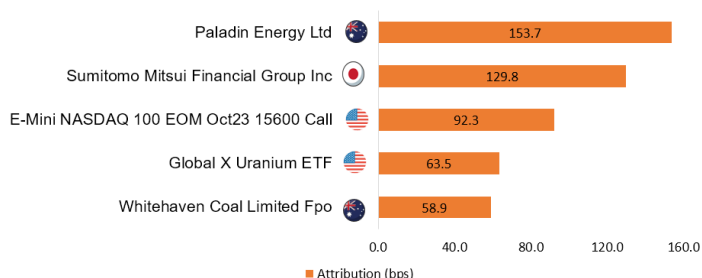
Life Insurance. With the Japanese yen under pressure and inflation on the rise, Japan could quicken down the path to monetary policy normalisation.

Dai-ichi Life has high interest rate sensitivity and will benefit from rising yields due to income derived from the Japanese bond market. Additionally, Dai-ichi is likely to implement new share buybacks in the year ahead and raise shareholder returns and improve capital efficiency. The decline in the shares YTD in 2023 opens a buying opportunity for the insurer which we see as being priced on an attractive price-to-book multiple.

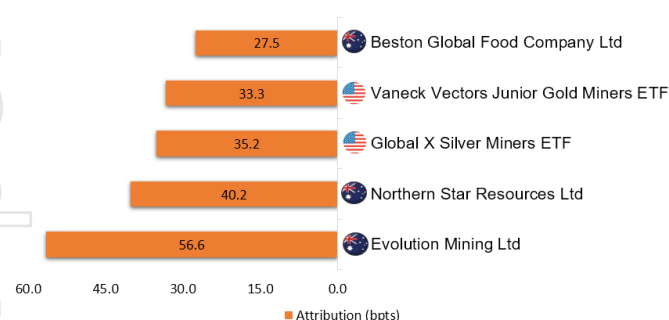
We remain committed to our core investment themes including **energy, precious metals and Japanese financials**. We also note that bearish sentiment towards China is approaching an extreme point. A number of growth upgrades came through in recent weeks from a number of investment banks. China/Hong Kong equities might be approaching an important inflection point with valuations at historically cheap levels. The Fund has a modest exposure to China/Hong Kong.

## POSITIVE ATTRIBUTIONS

Higher uranium prices boosted sentiment towards **Paladin** which will restart operations next quarter. Japanese bank **Sumitomo Mitsui Financial Group** benefited from rising JGB bond yields. **Whitehaven Coal** rose on higher spot prices. The portfolio hedge over the Nasdaq 100 provided insulation from a decline in the US benchmarks



## NEGATIVE ATTRIBUTIONS



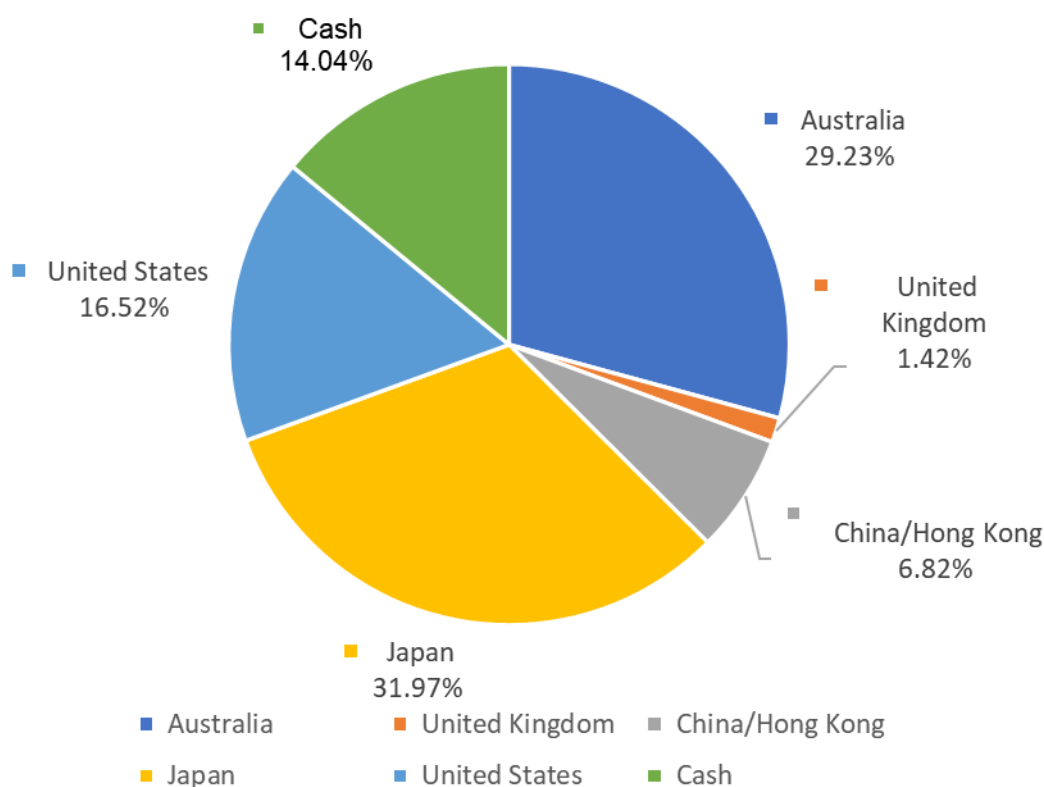
Precious metals exposure detracted from performance in September after spot gold prices came under pressure from a strong US dollar. **Vaneck Vectors Junior Gold Miners ETF** was one of the biggest detractors as US gold stocks underperformed. **Evolution Mining** and **Northern Star** also corrected due to lower spot gold prices. **Beston Global Food** also underperformed.

## TOP 10 HOLDINGS

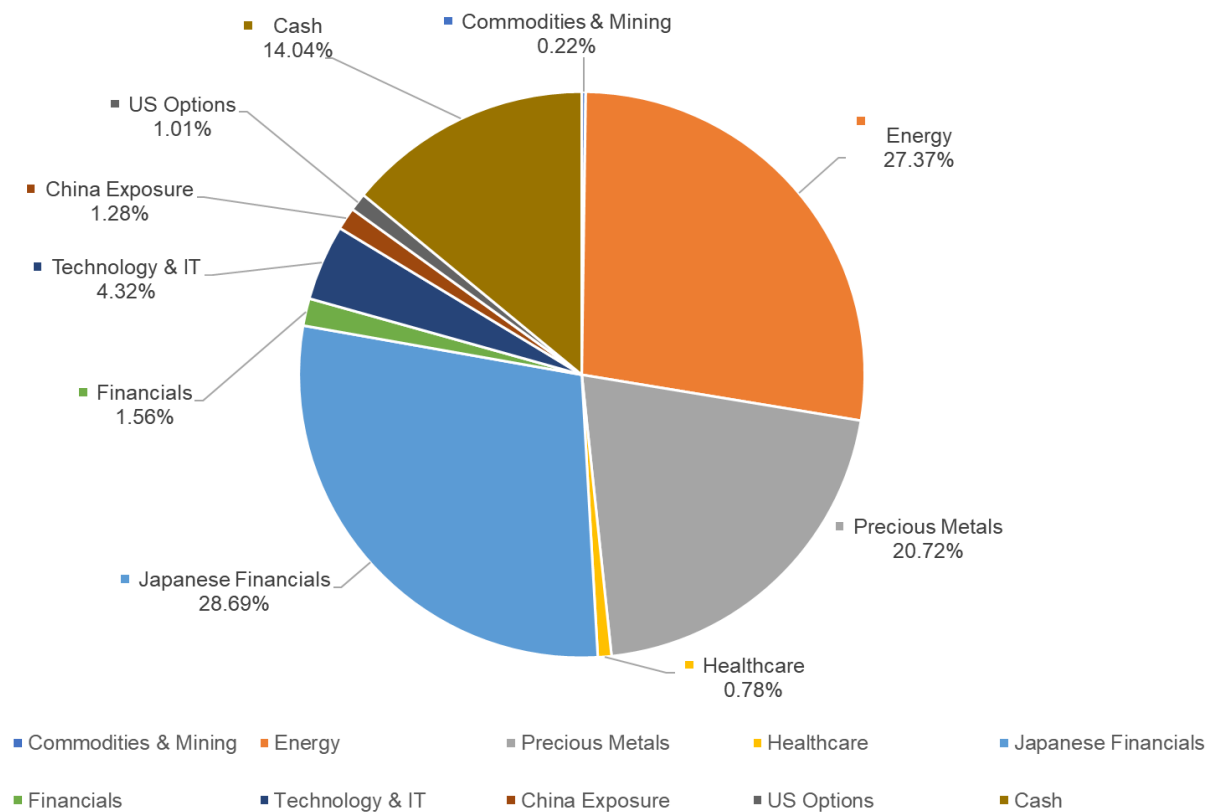
Top 10 Holdings	Country	30 September 2023
Sumitomo Mitsui Financial Group	Japan	10.62%
Global X Uranium ETF	United States	7.78%
Paladin Energy	Australia	6.22%
Resona Holdings Inc	Japan	5.56%
Whitehaven Coal Limited	Australia	4.59%
Mitsubishi UFJ Financial Group	Japan	4.56%
Chiba Bank Ltd	Japan	4.40%
Evolution Mining Ltd	Australia	4.11%
Mizuho Financial Group	Japan	3.55%
Inpex Corp	Japan	3.28%

 SMFG	 GLOBAL X	 PALADIN	 RESONA	 WHITEHAVEN	 MUFG	 SIBURI	 Evolution	 MIZUHO	 INPEX
TYO: 8316	NYSE: URA	ASX: PDN	TYO: 8308	ASX: WHC	TYO: 8306	TYO: 8331	ASX: EVn	TYO: 8411	TYO: 1605

## Geographic Exposure as at 30 September 2023



Sector Dispersion as at 30 September 2023



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

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the Fat Prophets Global High Conviction Hedge Fund ("the Fund"). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). The Investment Manager for the Fund is Fat Prophets Funds Management Pty Limited ("Fat Prophets") ABN 92 615 545 536, AFSL 229 183. This fact sheet has been prepared by Fat Prophets to provide you with general information only. In preparing this fact sheet, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Fat Prophets, Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement [here](#) before making a decision about whether to invest in this product.

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.



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