

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 October 2023, with pre-tax and post-tax NTA down by **-0.6% and -0.37% to \$1.0324 and \$1.0907 respectively**. At the end of October, cash held was 7.57% of the portfolio with net exposure being 85%.

	31 October 2023	30 September 2023	Change
Pre-Tax NTA	\$1.0324	\$1.0386	-0.60%
Post-Tax NTA	\$1.0907	\$1.0947	-0.37%

MARKET OUTLOOK AND PORTFOLIO CHANGES

The Fund finished October down marginally which contrasted favourably with global benchmarks which fell sharply. Rising geopolitical risks that followed the Hamas attacks on Israel saw risk off in markets during the month. Portfolio hedging that in place insulated the Fund against a broader fall in the market. **Gold and energy also performed well with a war premium quickly priced in following the attacks.**

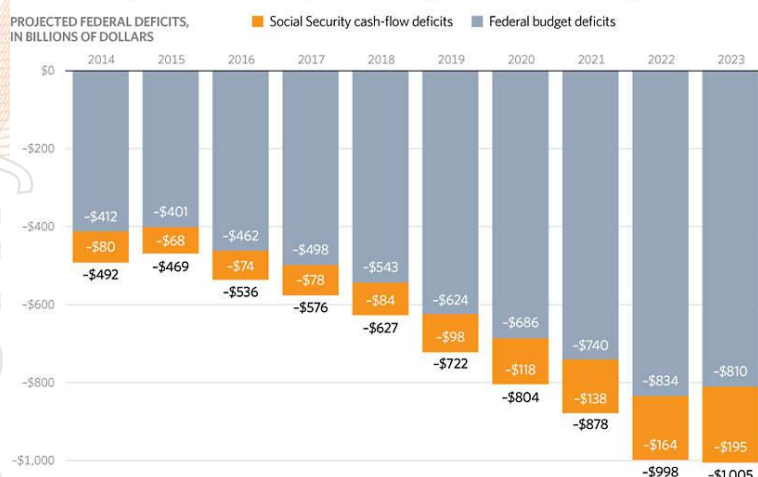
Australian gold miners performed strongly during the month with A\$ spot gold prices hitting a record level near \$3200oz. Australian gold miners are generating strong free cashflow at current levels whilst maintaining better control over costs. We still see value in precious metal producers generally with many trading well down on the highs seen a few years ago. Rising geopolitical tensions have been one driver where we believe risks could remain elevated for some time.

Another driver of precious metals and commodities generally over the medium term was a decline in the US dollar. Recently, Moody's joined Standard & Poor's in downgrading US government debt due to a deteriorating fiscal position. Moody's said in a statement that "continued political polarization in Congress raises the risk that lawmakers will not be able to reach consensus on a fiscal plan to slow the decline in debt affordability. Any type of significant policy response that we might be able to see to this declining fiscal strength probably wouldn't happen until 2025 because of the reality of the political calendar next year." We would add that next year is shaping up to be a volatile one for US politics with the nation deeply divided on outcomes.

Fiscal responsibility is therefore likely to not be at the centre of next year's election, nor politically for some time to come. Political commitment to fiscal responsibility is going to prove tough in the years ahead given rising interest costs as a % of GDP is set to overtake military spending for the first time. Future unfunded social security and Medicare liabilities also lie directly in front of the US and is the giant elephant at the back of the room, that will be difficult for any political side to navigate. In this environment, we anticipate precious metals to thrive.

CHART 1

Social Security Deficits Place Large and Growing Strain on Federal Budget



Sources: Congressional Budget Office, "Updated Budget Projections: Fiscal Years 2014 to 2024," April 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/45229-UpdatedBudgetProjections_2.pdf (accessed July 28, 2014); and Social Security Administration, *The 2014 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, July 28, 2014, Table VI.G9, <http://www.ssa.gov/oact/tr/2014/tr2014.pdf> (accessed July 28, 2014).

BG 2936 heritage.org

During October, the **Bank of Japan further relaxed YCC measures** allowing the cap on the JGB10yr to rise to higher than previous cap. The lift in longer duration bond yields benefited Japanese banks and financials during the month where we continue to hold overweight exposure. We added **Japanese insurer Dai-ichi Life** to the portfolio given our constructive view on Japan's stock market. Additionally, we now anticipate complete removal of the Bank of Japan's yield curve control measures by the middle of next year as monetary policy is normalised.

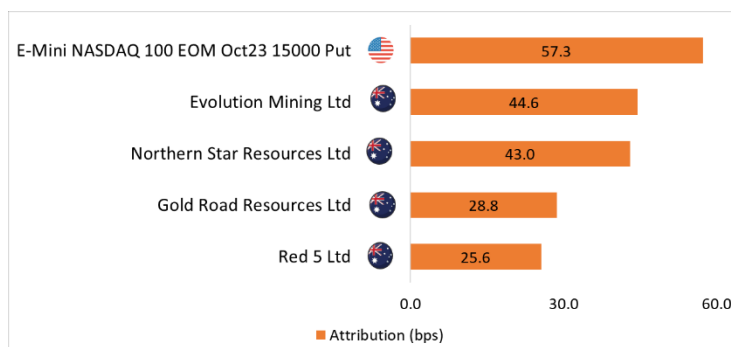
Dai-ichi Life has high interest rate sensitivity and will benefit from rising yields due to income derived from the Japanese bond market. Additionally, Dai-ichi is likely to implement new share buybacks in the year ahead and raise shareholder returns and improve capital efficiency. The decline in the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

KEY METRICS

EOM Gross Assets	EOM Cash	Current Net Exposure (7/11/2023 estimate)
\$31.02M	7.57%	85%

POSITIVE ATTRIBUTIONS

The Fund was insulated from a decline in the major equity benchmarks through hedging via **put options on the Nasdaq100**. Sharply higher A\$ spot gold prices boosted **Australian gold miners**, which continue to generate strong free cashflow. **Northern Star and Evolution** are the Fund's larger two holdings, but **Gold Road and Red 5** performed better in absolute terms.



NEGATIVE ATTRIBUTIONS



A risk-off environment saw widespread profit taking in the uranium sector after a strong run over recent months. **Paladin** consequently retreated from 10-year highs. Profit taking also impacted the Japanese banks after a big run recently with **Sumitomo Mitsui Financial Group** being the portfolio's largest holding. **FPC** sold down on higher bond yields which generally impacted the broader REIT sector.

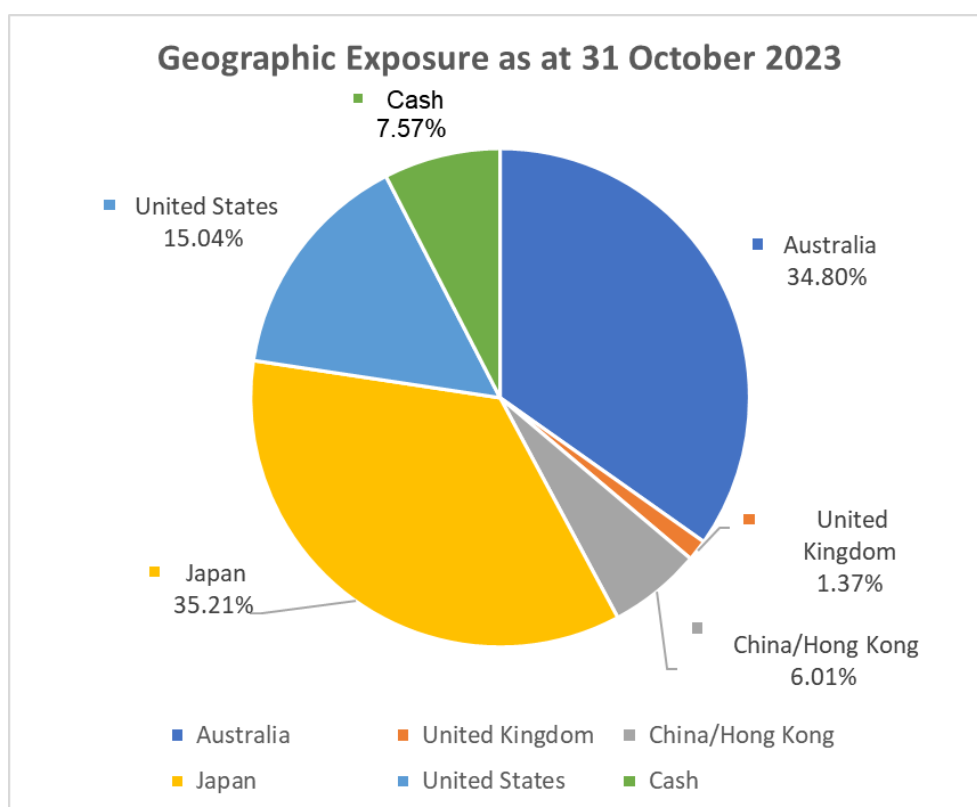
TOP 10 HOLDINGS

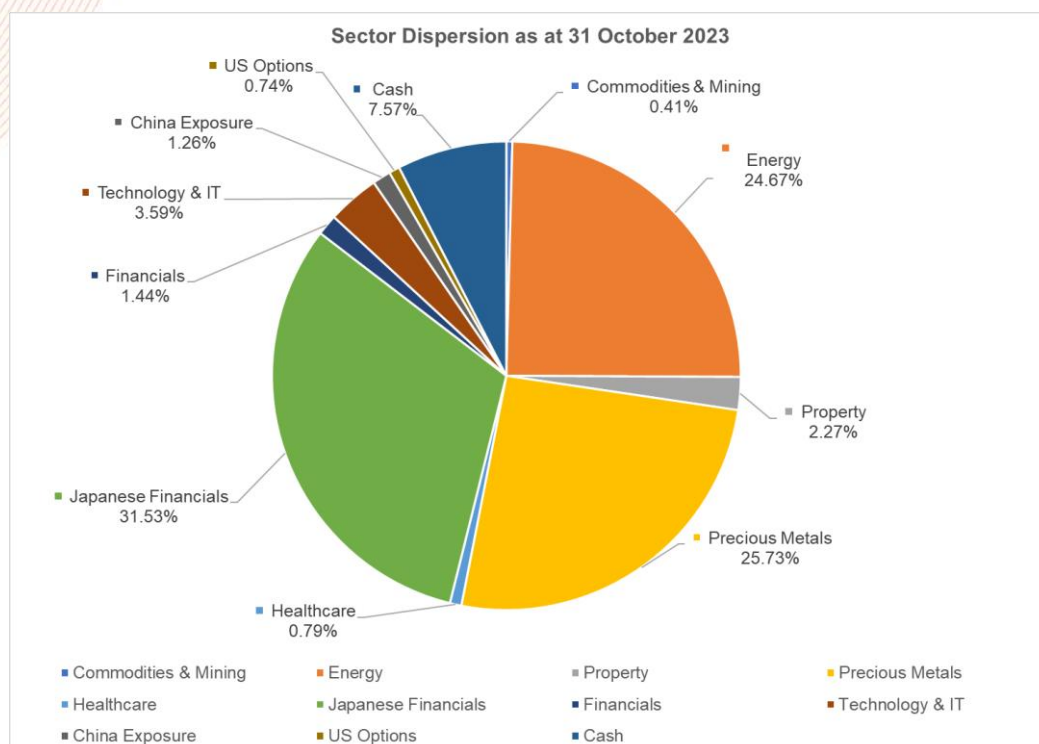
Top 10 Holdings	Country	31 October 2023
Sumitomo Mitsui Financial Group	Japan	10.10%
Paladin Energy	Australia	5.82%
Global X Uranium ETF	United States	5.73%
Evolution Mining Ltd	Australia	5.54%

Resona Holdings Inc	Japan	5.20%
Whitehaven Coal Limited	Australia	4.78%
Mitsubishi UFJ Financial Group	Japan	4.41%
Chiba Bank Ltd	Japan	4.34%
Mizuho Financial Group	Japan	4.29%
Northern Star Resources	Australia	4.23%



TYO: 8316	ASX: PDN	NYSE: URA	ASX: EVN	TYO: 8308	ASX: WHC	TYO: 8306	TYO: 8331	TYO: 8411	ASX: NST
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Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund