

Fat Prophets Global Contrarian Fund (ASX Code FPC)

Estimated Pre-Tax NTA 20th March 2024

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at 20 March 2024 is as follows:

	Amount (\$)
Pre-Tax NTA (as at 20th March 2024)	1.1039
Pre-Tax NTA (as at 29th February 2024)	1.0539
Change in NTA (31st January 2024 - 7th February 2024)	4.74%

The Fund added to gains in estimated pre-tax NTA since the last update. Since the calculation cutoff date on Wednesday, **there have been further gains driven primarily by a rally in precious metals, copper and Japanese financials.** The BOJ removed NIRP and raised interest rates by 0.1%, which marks a sea change for Japan and global financial markets. Future rate hikes are probable in the year ahead in our view with domestic inflationary pressures reasserting. This will benefit Japan's bank and insurance sectors in our view, with the rerating that has ensued over the past year likely to continue. Additionally, Japan's banks and insurance stocks continue to screen cheap on a global basis.

Following a dovish FOMC meeting, precious metals rallied which we attribute partially to the Fed's decision to taper the runoff of bond holdings (quantitative tightening). Whilst elevated inflation might push back on the mid-year rate cut narrative this year, **we see serious potential for a second wave induced by higher commodity prices.** The deflationary pressure that came from falling commodity prices is no longer a tailwind for inflation, but now potentially a headwind. **We see record gold prices reflecting concerns around the US dollar. Ongoing diversification of central banks (and investors generally) into precious metals is likely to continue.** We selectively added to key silver, platinum and palladium exposures.

Our base case is for the US dollar to enter a bear market this year. There are particular risks around Japan given interest rate differentials are likely to narrow. There is also the potential for capital repatriation with Japan a key holder of \$4 trillion in assets, including significant exposure to the US bond and equity markets. Given the upside extension in the S&P500 and other key benchmarks in recent months, **associated risks of a potential correction have risen.** We believe there is risk around the mid-year rate cut narrative being delivered, and accordingly reduced exposure to US small/mid cap names.

The Board notes that that FPC **continues to trade at a significant discount of c22% to estimated pre-tax NTA which is now attractive to value focused investors.** The discount is proving to be highly NTA accretive for the ongoing buy-back program which continues to operate.

Angus Geddes
 Chief Investment Officer

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