

## 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 during March 2024 with pre-tax and post-tax NTA lifting by **+7.78% to \$1.1415** and **+5.2% to \$1.1688 respectively**. At the end of March, the Fund had drawn borrowings of 5.74% reflecting portfolio leverage which lifted net exposure to 104.9%.

	29 <sup>th</sup> February 2024	31 <sup>st</sup> March 2024	Change
Pre-Tax NTA	\$1.0591	\$1.1415	+ 7.78%
Post-Tax NTA	\$1.1110	\$1.1688	+ 5.20%

### MARKET OUTLOOK AND PORTFOLIO CHANGES

During March 2024, the Fund had a **solid performance driven primarily by exposure to commodities, precious metals, energy and Japanese financials**. Spot gold and silver prices broke out of technical ranges following a lengthy consolidation with central bank buying one of the key catalysts. Global investors remain underweight the asset class, so **we believe that reallocation towards the materials sector commodities such as copper, precious metals and energy in particular, could continue for some time**.

We see the materials sector as a **natural hedge against a coming second phase of potential inflation**. This week's uptick in the CPI essentially joins the dots of previous inflation data points where US inflation could accelerate over coming months. Rising oil and commodity prices and an ultra-tight labour market could set off another price spiral like what occurred immediately following the Ukraine invasion.

Commodity prices are breaking out on the upside (as evidenced by the Bloomberg Commodity Index) and **look to be entering a new cycle**. We have already seen strong performances from the likes of copper, silver, gold, coffee, cocoa, and US cattle to name but a few. **We believe therefore the rally in the commodities and resources sector generally has legs where many stocks still screen cheaply and where global fund managers remain underweight**.

This seems to be particularly the case with precious metals. Gold, silver and other PGM miners have been depressed and priced cheaply for some time. The technical breakout in spot prices points to further upside for the sector as valuations catch up. For example, in Australia, the spot \$A gold price hit A\$3600oz this week. Much of the physical gold buying has come from central banks where demand has dwarfed outflows from retail ETFs since last year. **We see this trend of central bank buying continuing and driven by rising global geopolitical tensions, de-dollarisation, and the re-emergence of inflation**.

Whilst weakness is yet to appear, **we believe a bear market is coming for the US dollar this year**, and this is perhaps one explanation for the record gold price highs in every major currency. The US national debt is rising by **an unsustainable \$1 trillion a quarter and where the interest cost is set to balloon** in coming years, particularly as bond yields are ascending once again and challenging the highest levels in two decades. The burden of servicing debt is only to going to rise with neither political side in the US prepared to make fiscal changes anytime soon.

One hedge in the portfolio we see performing against a backdrop of rising inflation and higher interest rates is the Japanese banks, which we have significant exposure to. The recent weakness in the yen against the dollar could potentially antagonise the BOJ/Finance ministry into action sooner rather than later to arrest any further declines. **This might entail earlier and higher rate hikes from the BOJ than the market currently anticipates**, given inflationary pressures are also building in Japan. We believe a major reversal is coming sooner for the dollar/yen as interest rate differentials with the US narrow. ROE is set to rise sharply for the Japanese banks as net interest margins expand after a decade long era of financial repression and negative rates. Japanese banks have been rerated but are still priced on PB ratios of less than 1, which screen cheaply on a global comparative basis.

Since our last update, we have selectively added exposure to China/Hong Kong equities swimming against the global consensus. While the business media continues to be negative towards China/Hong Kong – **the Hang Seng Index today is priced at just 6 times. We are identifying plenty of high quality, fast growing major companies with high ROE that are priced significantly cheaper than a few years ago.** We anticipate an important upside inflection in the China/Hong Kong equity market in coming months, with a technical double bottom most likely now in place. Green shoots are emerging in China, where the economy is still growing faster than most other countries. This fact continues to be overlooked by global investors, most of which have since exited these markets.

We conclude our March NTA update and wish to thank all our shareholders for their ongoing support. **The Board continues to be focused on reducing the share price discount to NTA which is still steep at c20%.** The ongoing buy-back is highly accretive to NTA at the current share price.

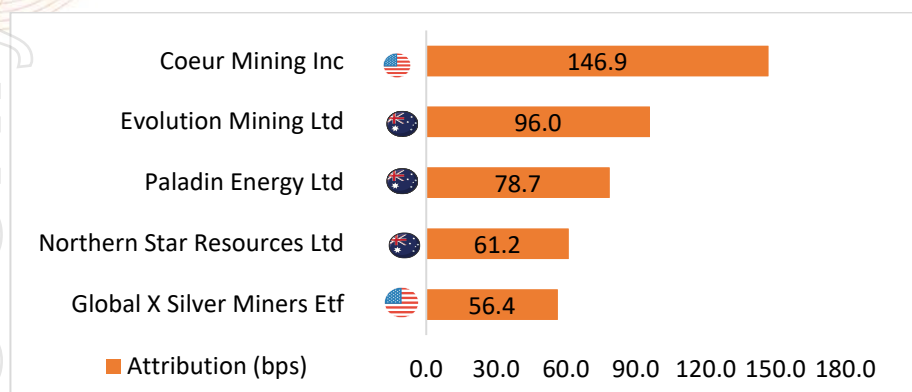
## KEY METRICS

EOM Gross Assets	EOM Cash	Current Net Exposure (31/3/2024 estimate)
\$33.6M	-5.74%	104.9%

## POSITIVE ATTRIBUTIONS

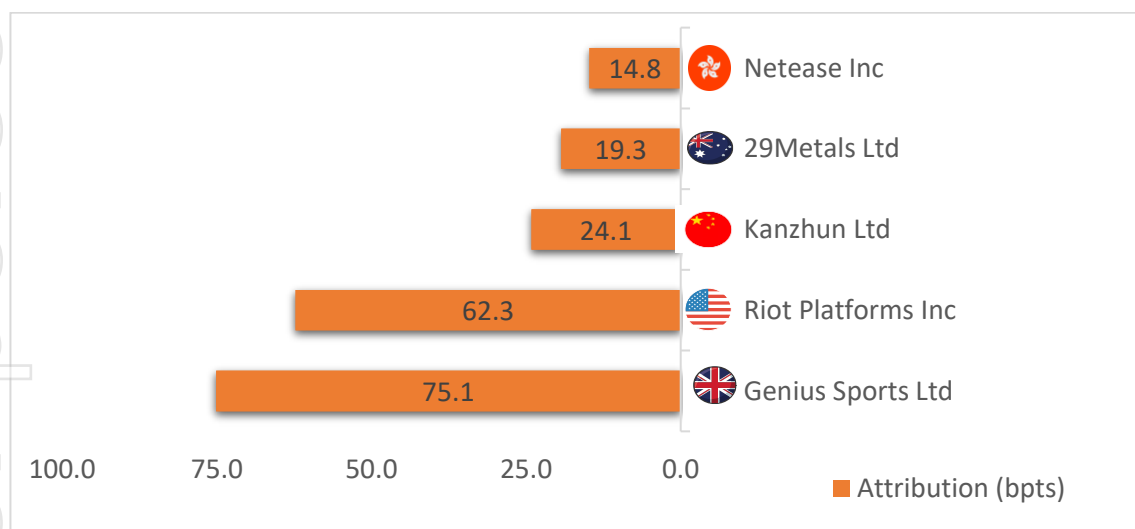
Precious metals contributed most of the positive attribution during the month, with US and A\$ spot gold prices breaking out to new record highs. Australian gold producers including **Evolution Mining**

**and Northern Star** both performed strongly. Silver also performed strongly which led to a rerating in North American silver miner **Coeur and the Global X Silver Miners ETF**. Rebounding uranium prices was the catalyst for **URA Paladin Energy** restarted the Heinrich Langer mine in Namibia.



## NEGATIVE ATTRIBUTIONS

In terms of negative attributions, crypto miner **Riot Platforms** was hit by a local government inquiry into how much electricity is used. Sports betting service provider **Genius Sports** also came under pressure. Both stocks have been since sold from the portfolio, in line with our view that the US market is overvalued. Copper miner **29 Metals** had a negative production downgrade due to flooding. China online gaming software developer **NetEase** slightly disappointed with a recent earnings update.



## TOP 10 HOLDINGS

Top 10 Holdings	Country	31st March 2024
Sumitomo Mitsui Financial Group	Japan	11.13%
Paladin Energy	Australia	7.76%
Global X Uranium ETF	United States	5.49%
Evolution Mining Ltd	Australia	5.11%
Mitsubishi UFJ Financial Group	Japan	4.87%
Northern Star Resources	Australia	4.82%
Mizuho Financial Group	Japan	4.58%
Whitehaven Coal Limited	Australia	4.22%
SBI Sumishin Net Bank Ltd	Japan	3.68%
Dai-ichi Life Holdings Inc	Japan	3.47%



GLOBAL X



MIZUHO



TYO:  
8316

ASX:  
PDN

NYSE:  
URA

NYSE:  
EVN

TYO:  
8306

ASX:  
NST

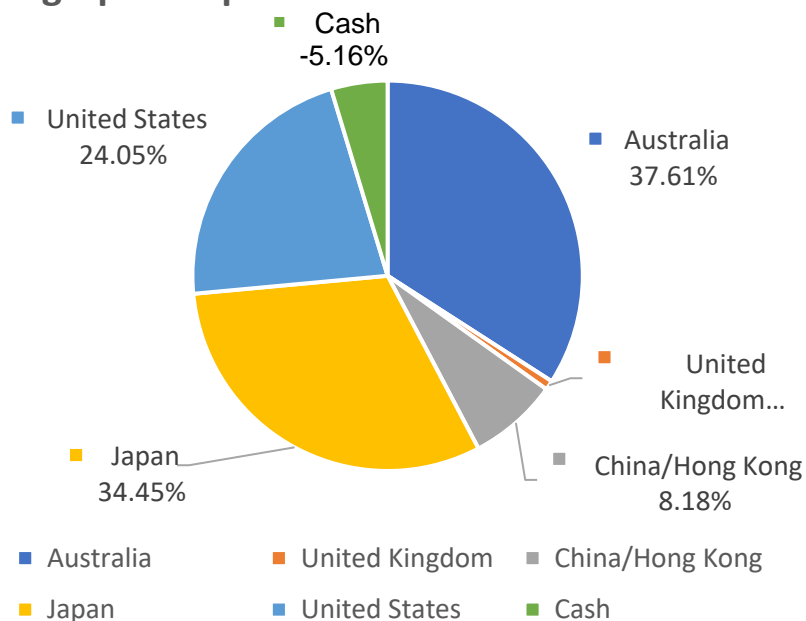
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8411

ASX:  
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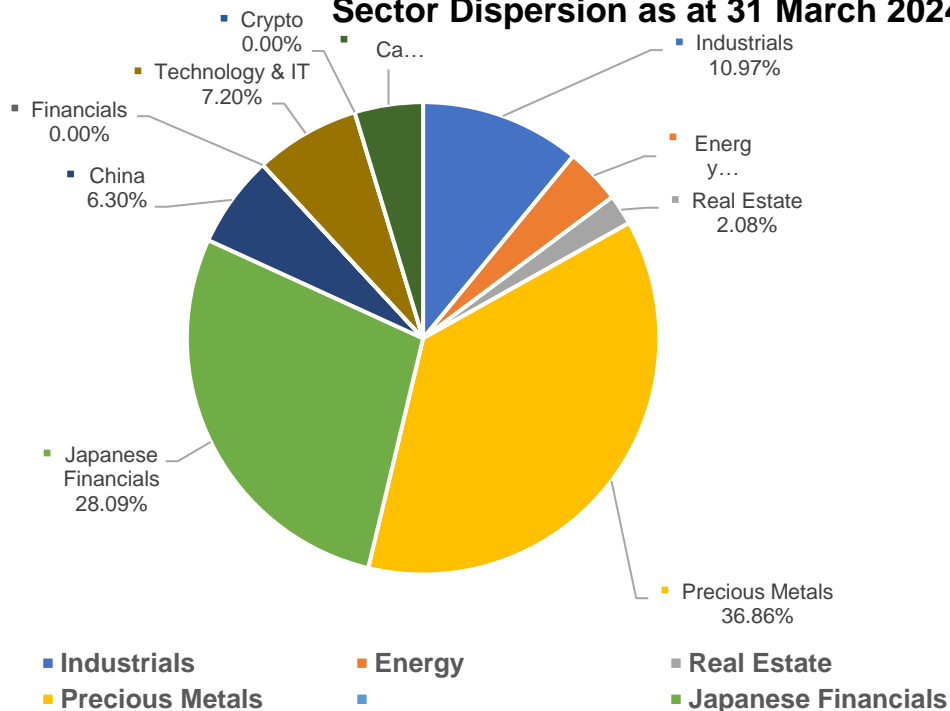
TYO:  
7163

TYO:  
8750

## Geographic Exposure as at 31th March 2024



## Sector Dispersion as at 31 March 2024



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