ASX Announcement – 14th August 2024

fatPROPHETS GLOBAL CONTRARIAN FUND

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 July with pre-tax and post-tax NTA 2.8% to $1.2440 and 1.82% to $1.2408 respectively. At the end of July, the Fund had drawn borrowings of 25.2% reflecting portfolio leverage which lifted net exposure to 125.2%.

	31st July 2024	30th June 2024	Change
Pre-Tax NTA	**$1.2440**	**$1.2101**	**+2.80%**
Post-Tax NTA	**$1.2408**	**$1.2186**	**+1.82%**

MARKET OUTLOOK AND PORTFOLIO CHANGES

The Fund experienced a positive month in July, boosted by sharply higher precious metal prices. However, since the end of July, this has been completely overshadowed by volatility making a sudden return to financial markets with a vengeance. Two key events precipitated a risk off environment. The first event was the higher-than-expected unemployment print in the US that raised fears the US economy was headed for recession. The second event was the big unwind of the short yen carry trade against the US dollar which was triggered by the BOJ decision to hike interest rates for the first time in over a decade.

The VIX spiked to levels above 65 not seen since the pandemic crash and the GFC, establishing one of the four highest peaks over the past 25 years. While gold made a new record high, the risk off environment was constraining for precious metal equities. In short, every risk asset came under big pressure in the last week.

The Japanese stock market witnessed a huge unwind with the TOPIX having the biggest decline since 1987. The sell-off on Monday 5 August was then followed by a near record surge in Japanese equities which continued through the week. In the US, the S&P500 also had the biggest rebound since 2022 following a better than anticipated labour market print which was a push back to the recession narrative.

The Fund experienced a sharp drawdown in value since in the last couple of weeks amidst the volatility and market turmoil. The drawdown in the portfolio was centralised on Japanese exposure to the financial stocks, and mainly the banks. The sell-off occurred despite Japan's banks all recently reporting very strong results and many having ongoing share buybacks in place. Markets have continued to rebound as has the Fund. Japan's equity market is now priced for recession on a forward PE of around 12 times, which we believe is an overreaction for the following reasons.

Firstly, JP Morgan estimates that around 75% of the huge yen short position has now been unwound. The dollar/yen should now settle down within a new trading range. Secondly, the BOJ indicated that no more rate hikes would be forthcoming whilst financial markets remain volatile – which had the immediate impact of stabilising the dollar/yen. Thirdly, the growth scare seems premature given that the labour market is still resilient. Fourthly, the VIX had the sharpest retracement of the previous four big volatility spikes seen in the past 25 years. This points to an overreaction in financial markets.

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Whilst there are always risks, and we believe certain sectors in the US market are overvalued, we believe the market reaction to date has been excessive. We anticipate a sharp recovery in Japanese equities over coming months with the Fed now cognisant of making another policy error and holding rates too high for too long. In our view, the Fed is now on the cusp of aggressive easing into year end which will be supportive of markets.

Since July and our last weekly NTA release with a value date of 7th August, the Fund has continued to recover with the drawdown narrowing to less than 10% at time of writing. We have reduced gearing significantly within the portfolio by reducing predominantly China/Hong Kong exposure (which held up relatively well amidst the volatility) and precious metal equity exposure to platinum and silver. We did not reduce our Japanese holdings and see strong recovery potential ahead for Japanese equities.

Japanese equities remain deeply oversold in our opinion with a forward valuation for the TOPIX recently near 12 times, which is more in line with a recession. Our bull case for Japanese equities is based on three key foundations. First, Japan is now sustaining consistent nominal GDP growth, inflation and wage growth, which in turn is driving consumption and resurgent corporate capital spending.

Second, shareholder governance has changed dramatically in recent years, with reforms beginning to unlock returns for shareholders. Shareholders are being rewarded through higher dividends, and buybacks. Companies are unlocking cross shareholdings and disposing of superfluous assets and boosting returns to shareholders. We expect this trend to continue. Share buybacks continue to be adopted and are running at roughly four times the average of the past decade.

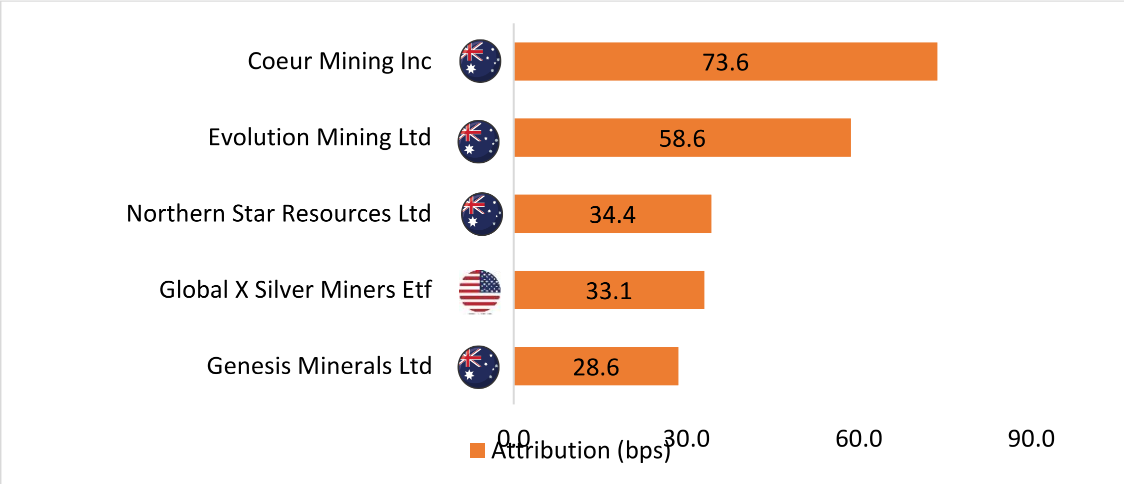
A final consideration is the Japanese government policies to stimulate domestic savings in equity linked investments such as tax-deferred retirement accounts. These policies will drive new flows into the domestic stock markets that have struggled for decades to attract domestic capital from consumers. Notwithstanding last week's volatility and largest decline in the TOPIX since 1987, we continue to see Japan as a low risk/high reward equity opportunity particularly now that the PE multiple has derated lower to that normally applied during recession.

KEY METRICS

EOM Gross Assets	EOM Cash	Current Net Exposure (31/07/2024 estimate)
$35.92M	**-25.23%**	**125.2%**

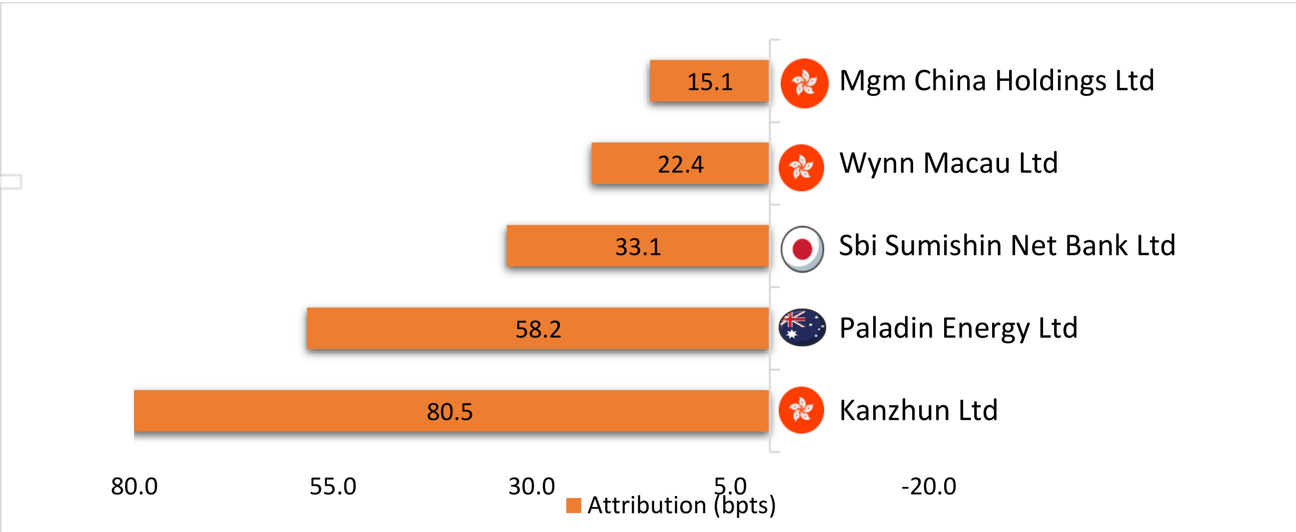
POSITIVE ATTRIBUTIONS

Precious metal exposure to gold and silver provided the largest positive attribution to the portfolio in July. North American silver producer **Coeur Mining** performed with higher silver prices, but also as production is ramped up at the Rochester Mine in NA. **Evolution Mining, Northern Star and Genesis Minerals** also performed strongly following a weakening in the US dollar and firmer gold prices. The Fed is likely on the cusp of an extended easing cycle, which could narrow rate differentials and weaken the US dollar that could drive gold higher in the 2nd half.



NEGATIVE ATTRIBUTIONS

Our Chinese equity exposure underperformed as investors question the growth in the world's 2nd largest economy. **MGM China and Wynn Macau** reported softer than expected gaming numbers for the June quarter. While questions around the job market impacted online recruiter **Kanzhun. Paladin Energy** was the second biggest negative attribution after uranium contract prices continued to move lower. The company commenced production during the quarter.



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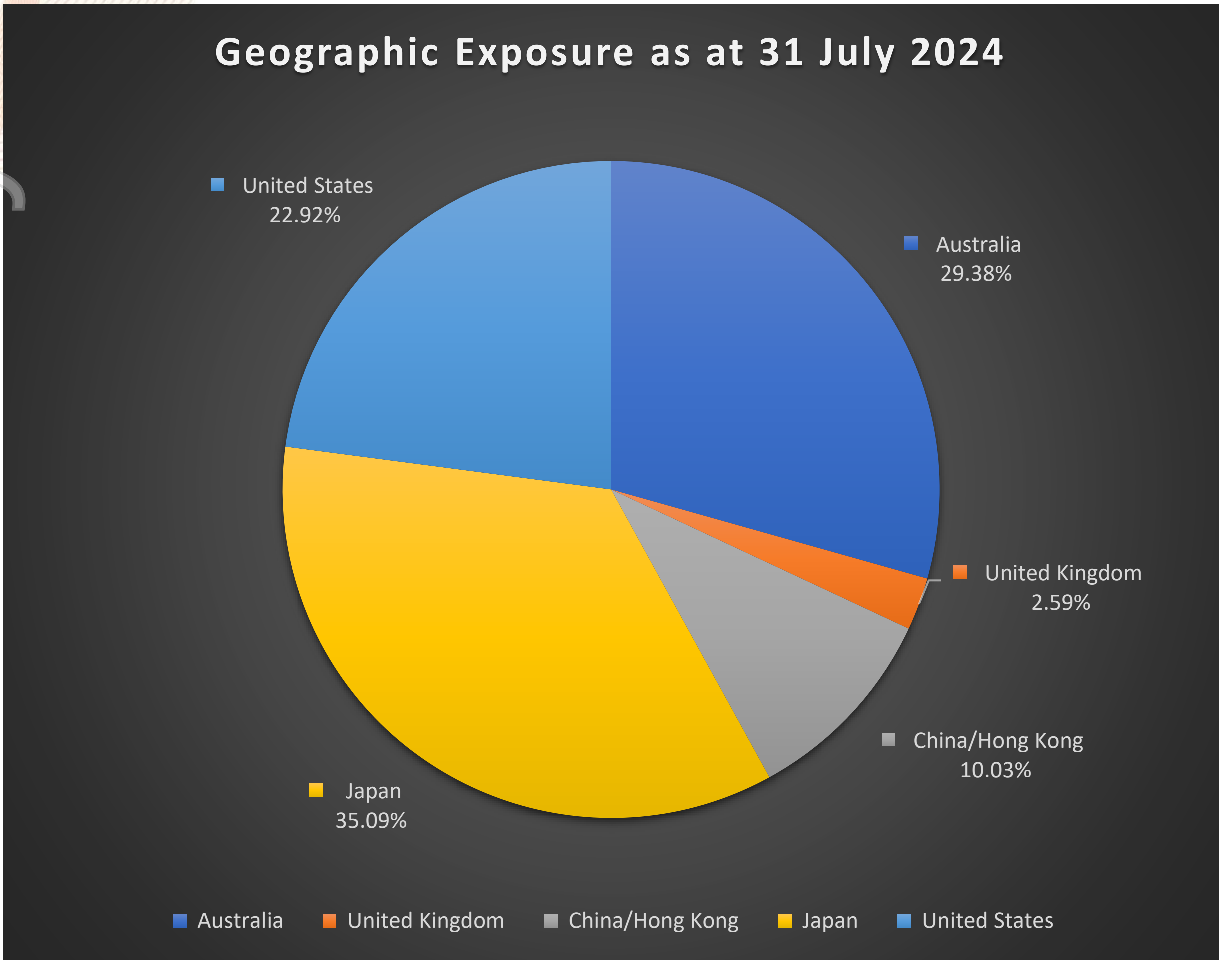
TOP 10 HOLDINGS

Top 10 Holdings	Country	31st July 2024
Sumitomo Mitsui Financial Group	Japan	12.91%
Paladin Energy	Australia	6.09%
Coeur Mining Corp	United States	5.57%
Evolution Mining Ltd	Australia	5.28%
Mitsubishi UFJ Financial Group	Japan	5.19%
Global X Uranium ETF	United States	5.08%
Mizuho Financial Group	Japan	4.91%
Northern Star Resources	Australia	4.42%
Whitehaven Coal Limited	Australia	4.32%
Dai-ichi Life Holdings Inc	Japan	3.96%

TYO 8316	ASX PDN	NYSE CDE	ASX EVN	TYO 8306	NYSE URA	TYO 8411	ASX NST	ASX WHC	TYO 8750



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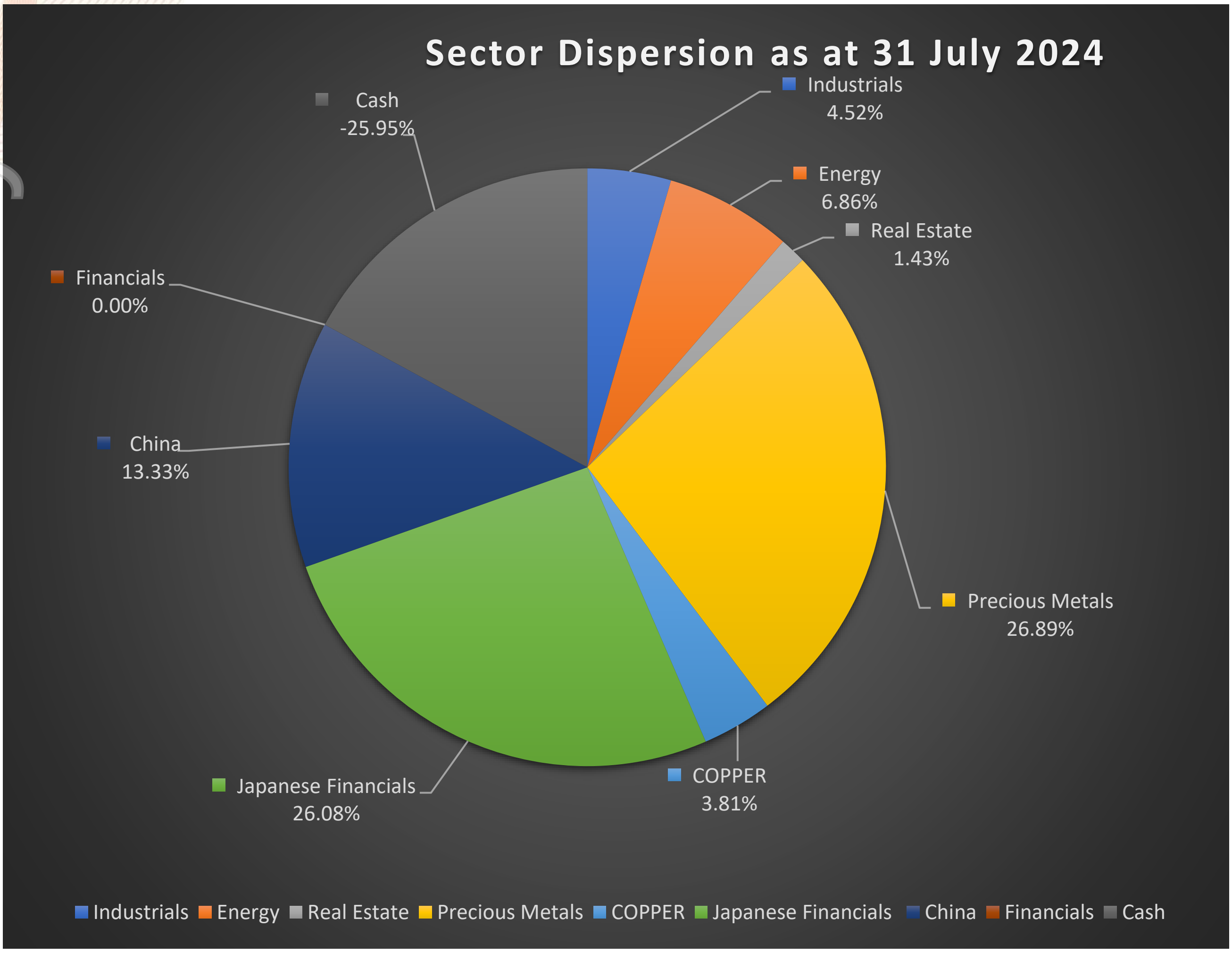

Angus Geddes
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Fat Prophets Global Contrarian Fund