

Fat Prophets Global Contrarian Fund (FPC) announces a Disclosure pursuant to ASX Listing Rule 4.12

Dear Shareholders,

Estimated net tangible asset backing increased in January with pre-tax and post-tax NTA lifting **1.85% and 0.2% to \$1.0583 and \$1.0947 respectively**. At the end of January, cash held within the portfolio was 19.36%. Net exposure within the portfolio declined to below 50% due to hedging in place via a short position in S&P500 futures.

	31-January -2023	31-December -2022	Change
Pre-Tax NTA	\$1.0583	\$1.0391	+1.85%
Post-Tax NTA	\$1.0947	\$1.0925	+0.20%

MARKET OUTLOOK AND PORTFOLIO PERFORMANCE

January was a positive month for the Fund considering the high cash carry and hedging within the portfolio. Global benchmarks also had a solid performance however we hold doubts regarding the sustainability of the rally. We remain cognisant of downside risks including the earnings outlook for CY23 and recessionary risks, a hawkish Fed, and sticky inflation accompanied by an impervious labour market. Following the rally from the October lows, equity valuations are now higher, particularly in the US, while positioning is no longer at a bearish extreme.

During the month the portfolio benefited from falling interest rates and a long position in US government bonds, and a further rally in Japanese banks. A weaker dollar also boosted precious metals. The rally in global equities cost the fund in terms of the short hedge in S&P500 emini futures.

The Fund has benefited from the recent narrative of falling inflation, a weaker US dollar and rising bond prices. However, with the 'blow out' US nonfarm payrolls data coming in well above expectations, we believe the "goldilocks narrative" may now be compromised. With unemployment at the lowest level in 50 years amidst ultra-tight labour market conditions, inflation could prove highly stubborn to bring back down to target.

Consequently, the Fed is now expected to lift rates further and hold for longer than expected. This is occurring at a time when corporate earnings are likely to fall. Valuations appear overextended while investor under positioning and poor sentiment has corrected from the bearish extreme that was present in October last year. **We remain of the view that risk resides to the downside following the recent rally.** Tomorrow's CPI print in the US, brings elevated significance for financial markets.

Since December, we profitably sold a position in US Government and corporate bonds with the view that interest rates can extend higher over coming months with a hawkish Fed and inflation still high. We established a long position in the US dollar index, which included short currency positions against the euro, pound, and yen. The DXY has fallen sharply and now looks overdone near term. While we believe the US dollar vulnerable, in the short run it could benefit from higher rates and market volatility.

If a US recession were to arrive later in the year, the case for owning bonds could become more compelling. Near term however, risks remain elevated from still high inflation and the threat posed from rising short duration rates.

KEY METRICS

Gross Assets

Cash

Current Net Exposure
(3/02/23 estimate)

\$36.18M

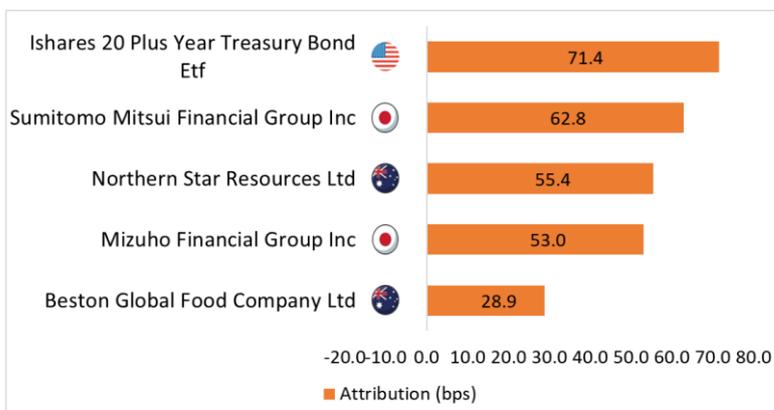
19.15%

47%

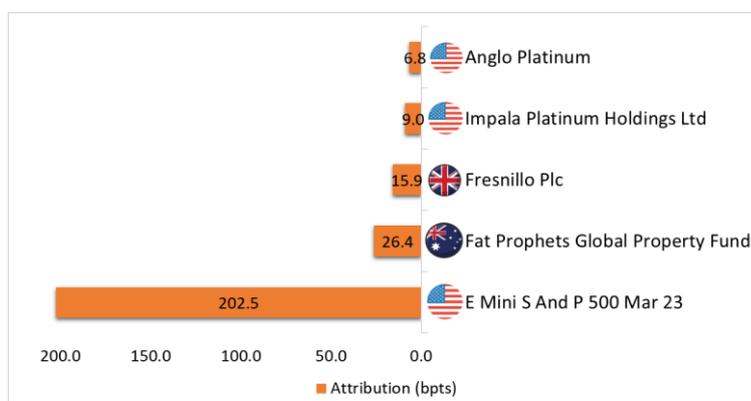
Dividend yield is calculated based on closing share price as of 29/07/2022

POSITIVE ATTRIBUTIONS

The **Ishares 20yr+ US T Bond ETF** was the primary performer portfolio as interest rates declined following the FOMC meeting. We have since closed this position out. Japanese banks including **Sumitomo Mitsui Financial Group** and **Mizuho Financial Group** continued to performed strongly as the sector rerated in the wake of YCC being relaxed and strong earnings results. **Beston Foods** reported strong earnings results and confirmed guidance for this year. **Northern Star** rose on a strengthening gold price.



NEGATIVE ATTRIBUTIONS



The hedge in the portfolio comprising a **short position in S&P500 emini futures** weighed on returns as equities sustained a rally into January. Platinum and silver price declines weighed on producers **Anglo Platinum, Impala Platinum and Platinum Group Metals and Fresnillo**

TOP 10 HOLDINGS

Top 10 Holdings	Country	31 January 2023
Sumitomo Mitsui Financial Group	Japan	9.80%
iShares 20+ Year Treasury Bond	United States	9.59%
Mizuho Financial Group	Japan	6.10%
Resona Holdings Inc	Japan	5.19%
Chiba Bank Ltd	Japan	4.25%
Northern Star Resources	Australia	4.15%
QBE Insurance Group Limited	Australia	3.38%
Mitsubishi UFJ Financial Group	Japan	2.98%
Newcrest Mining Limited	Australia	2.95%
Telstra Group Ltd	Australia	2.81%



iShares

MIZUHO



TYO:
8316

NDQ:
TLT

TYO:
8411

TYO:
8308

TYO:
8331

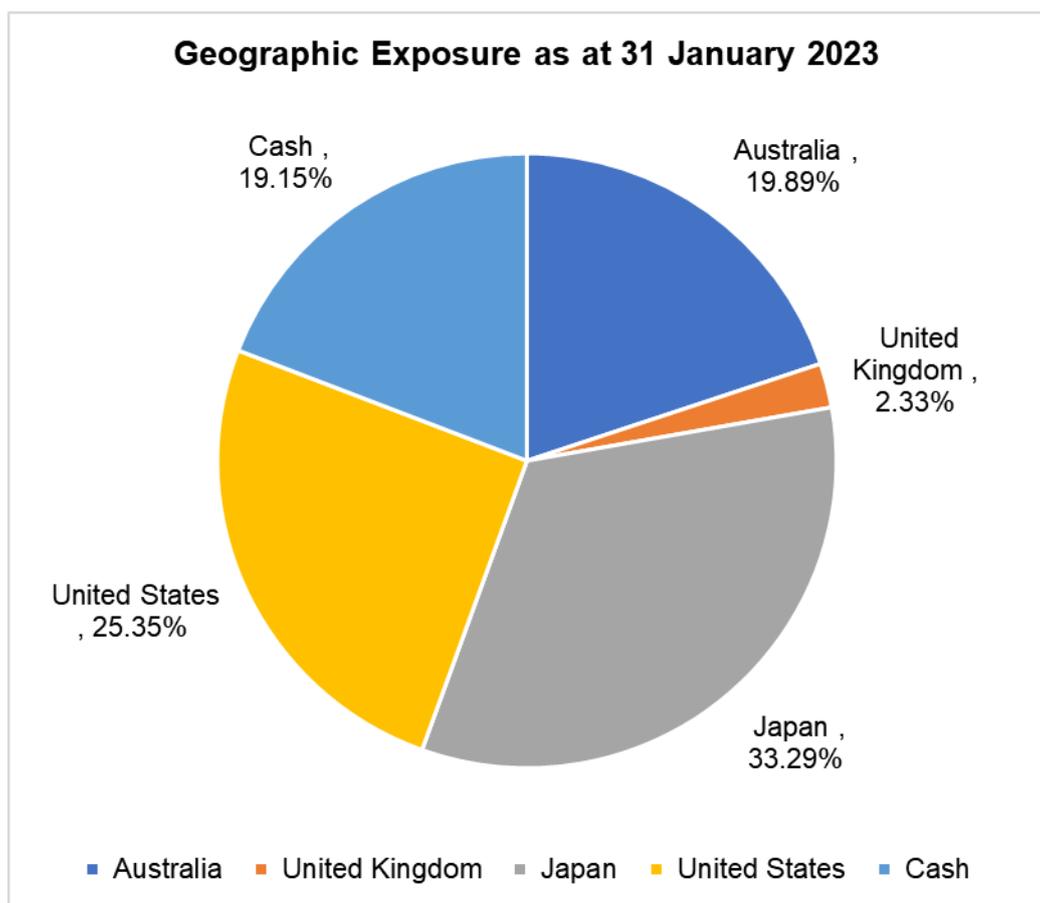
ASX:
NST

ASX:
QBE

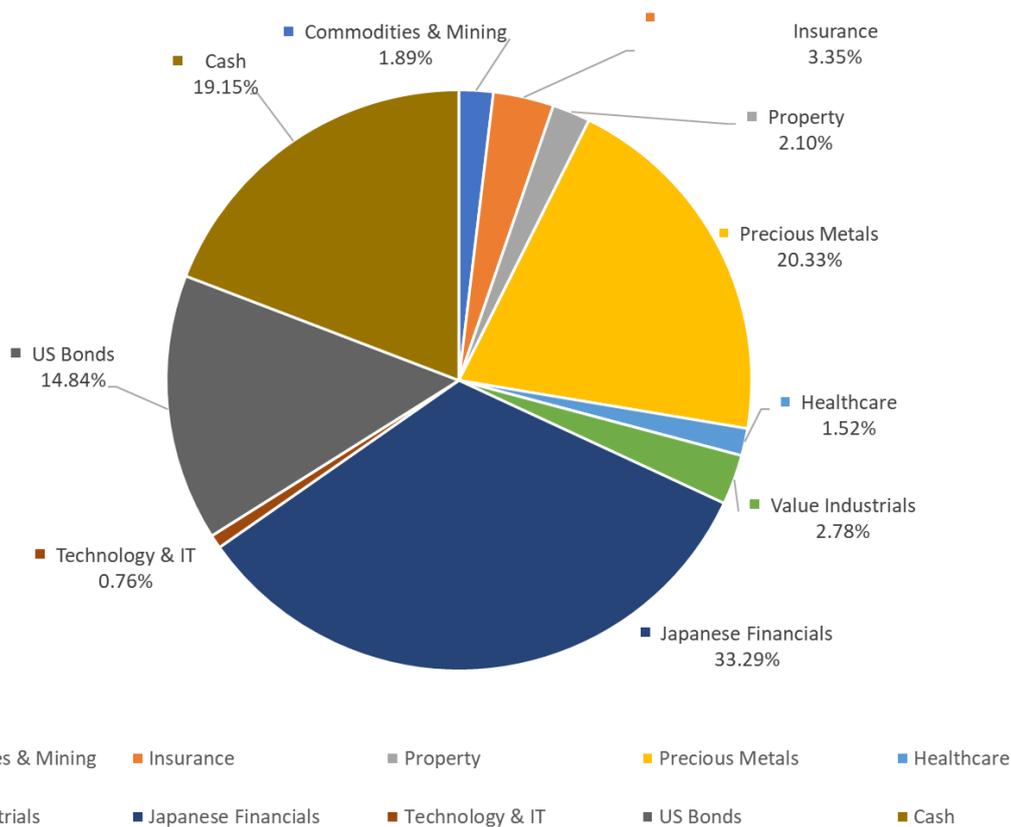
TYO:
8306

ASX:
NCM

ASX:
TLS



Sector Dispersion as at 31 January 2023



Angus Geddes
Chief Investment Officer
Fat Prophets Global Contrarian Fund