

Fat Prophets Global High Conviction Hedge Fund (FATP) announces a Disclosure

Dear Unitholders,

The estimated net tangible asset backing of the Fat Prophets Global High Conviction Hedge Fund in July 2022 per unit was \$1.1374 for a decrease of 15.75% since inception. At the end of July, net cash for the Fund was 61.83%.

	31-July-2022	21-Jan-2022 (Inception)	Change
NTA per unit	1.1374	1.3500	-15.75%

MARKET OUTLOOK AND PORTFOLIO PERFORMANCE

The past month has seen a strong rebound in US and global equities from heavily oversold conditions that persisted in June. Despite the rally, we continue to see challenging times ahead over at least the next few quarters for investors despite a “better than feared” US reporting season. We see further volatility directly ahead for financial markets despite the intense debate over whether the US stock market has made a final bottom.

We believe there is a good likelihood that US markets will be challenged again when the third quarter reporting season gets underway. Companies could soon start to grapple with falling sales prices and flattening revenues while at the same time be faced with high labour costs that would likely weigh on profits and margins. The 3rd quarter could therefore be characterised by downward earnings revisions.

Valuations are no longer cheap as they were back in June with the S&P500 now priced on a forward PE at c18x and vulnerable to downgrades. Whilst the first half of the year was one of the worst on record, the rebound underpinned by plentiful liquidity and short covering has mitigated the impact from the recent selloff. We are yet to also see capitulation on scale with previous US bear markets.

Meanwhile the Fed looks to be not done yet on interest rate hikes as evidenced by the overheating labour market, despite easing inflationary pressure. The bond market has diverged prominently from stocks with the yield curve now prominently inverted. In the past 50 years during every single cycle, recession has always ultimately arrived when the curve has inverted. Volatility in bond markets also contrasts with the recent decline in the VIX.

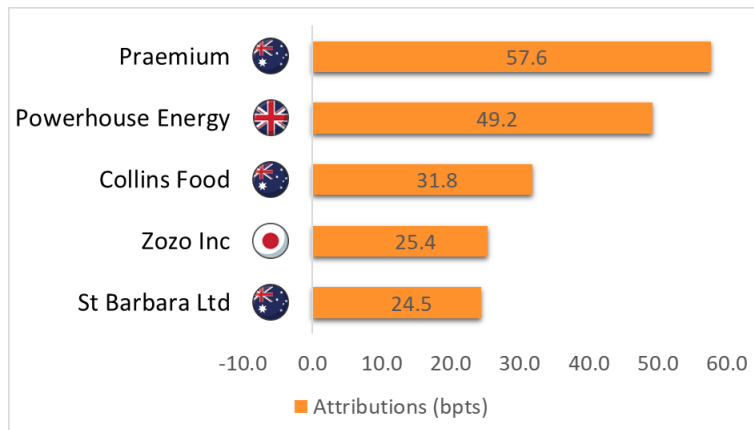
Global growth is slowing in Europe and the UK which appears on the cusp of recession. We continue to see significant downside risks in China which might be underestimated currently by the markets. The property contagion has continued to spread and deepen, with consumers no longer responding as they have in the past to government stimulus. China’s slowdown comes amid persistent lockdowns and restrictive measures enforced by zero covid policies. Covid remains a key risk to China’s widely expected growth rebound over coming quarters.

While zero covid is expected to end when the Chinese leadership is finalised later this year, we have some doubts. China’s growth rate is continuously being buffeted by domestic policies and a global slowdown elsewhere. Geopolitical tensions are also on the rise once again with China at loggerheads with the US over Taiwan, and not likely to subside anytime soon.

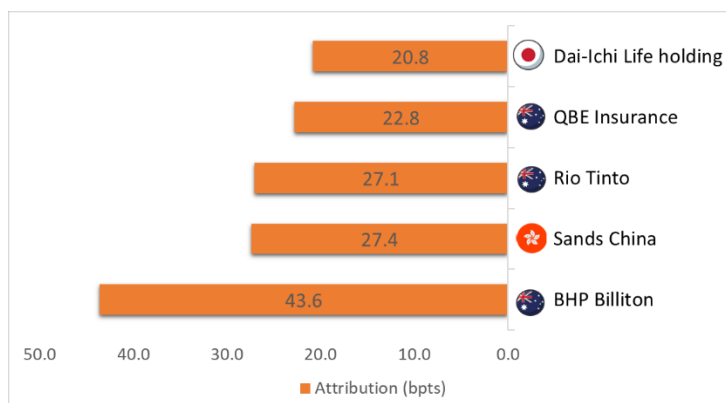
We stay defensive in the portfolio and have prepared for volatility directly ahead but also potential opportunity. We have taken advantage of the recent rebound in stocks to further reduce risk and raise liquidity levels.

POSITIVE ATTRIBUTIONS

The largest positive attribution in July was from **Praemium** after the sale of the UK business facilitated a buyback and special dividend. **Powerhouse Energy** rebounded from oversold levels, whilst **Collins Foods** rallied after solid profit results and a general market rotation back to growth. **Zozo** beat consensus profit estimates.



NEGATIVE ATTRIBUTIONS

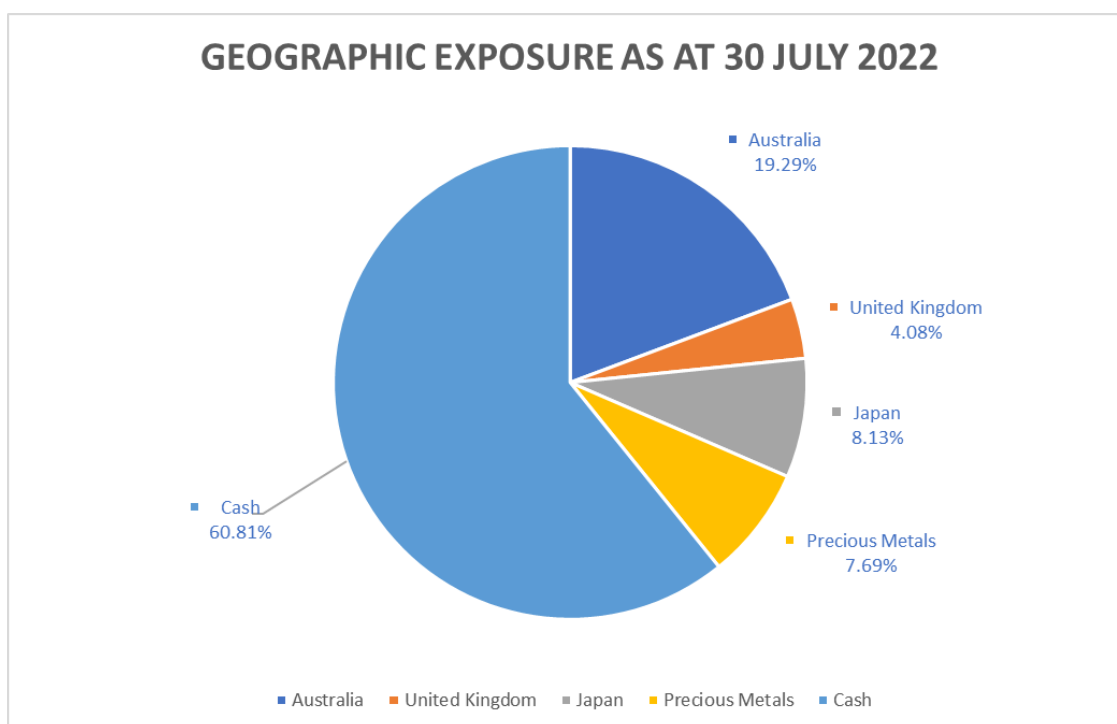


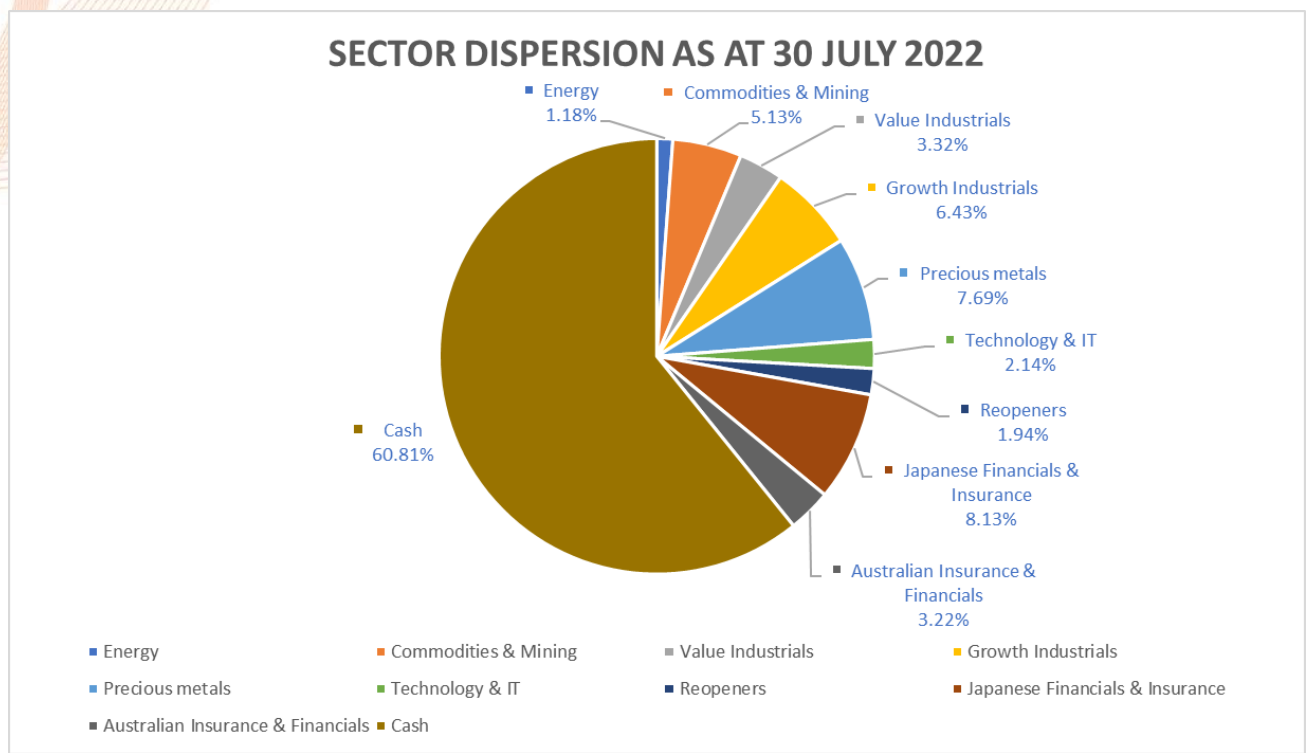
Dai-ichi Life and QBE Insurance weighed on the portfolio after bond yields fell pressuring investment income. **Sands China** was impacted by outbreaks of covid and ongoing restrictions. **Rio Tinto and BHP** traded lower on falling iron ore and copper prices.

TOP 10 HOLDINGS

Top 10 Holdings	Country	31 July 2022
Collins Foods Ltd	Australia	4.75%
Telstra Corporation Limited	Australia	3.32%
QBE Insurance Group Limited	Australia	3.22%
Beston Global Food Co Ltd	Australia	2.70%
BHP Billiton Limited	Australia	2.43%
Sumitomo Mitsui Financial Group	Japan	2.41%
Powerhouse Energy Group PLC	United Kingdom	2.14%
Global X Sil Min ETF	United States	1.95%
SSP Group	United Kingdom	1.94%
Dai-ichi Life Holdings Inc	Japan	1.87%

									
ASX: CKF	ASX: BHP	ASX: QBE	ASX: BFC	ASX: BHP	TYO: 8316	LSE: PHE	NYSE: SIL	LSE: SSPG	TYO: 8750





Angus Geddes
 Chief Investment Officer
Fat Prophets Global High Conviction Hedge Fund

Equity Trustees Limited (“Equity Trustees”) (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the Fat Prophets Global High Conviction Hedge Fund (“the Fund”). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). The Investment Manager for the Fund is Fat Prophets Funds Management Pty Limited (“Fat Prophets”) ABN 92 615 545 536, AFSL 229 183. This fact sheet has been prepared by Fat Prophets to provide you with general information only. In preparing this fact sheet, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Fat Prophets, Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product.

The Fund’s Target Market Determination is available here <https://www.eqt.com.au/insto/>. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.