

Fat Prophets Global Contrarian Fund (ASX Code FPC)

Estimated Pre-Tax NTA 12 October 2022

The estimated pre-tax NTA per share for the Fat Prophets Global Contrarian Fund as at 12 October 2022 is as follows:

	Amount (\$)
Pre-Tax NTA (as at 12 October 2022)	0.9654
Pre-Tax NTA (as at 30 September 2022)	0.9491
Change in NTA (30 September 2022 to 12 October 2022)	1.72%

For the period from 30 September 2022 to 12 October 2022 the Fund recorded a 1.72% increase in estimated pre-tax NTA from \$0.9491 to \$0.9654.

Equities rallied for the first time in four weeks but surrendered most of the gains on labour market strength and signs the economy was not slowing fast enough to meet criteria of the Fed. Inflation worries resurfaced after OPEC announced a 2m BOE per day reduction in target production. Although many expect the actual cutback to be smaller, the WTI crude crossed \$90 for the first time since August.

The yen had rallied midweek against the US dollar, although this was short-lived after Fed reaffirmation of further rate rises. Meanwhile, Japan's Ministry of Finance announced a decline of USD\$54 billion in foreign reserves, due to the government's dollar-selling intervention to arrest the yen's decline. Yield's rallied late in the week, briefly breaching above the 0.25% cap on 10Y JGBs, before settling around 0.245%. **We believe that Japanese monetary policy is unsustainable** which will see the BOJ be forced to relax yield curve control policies in the not-too-distant future, **whereby the Japanese banks will be key beneficiaries. ROE is rising for the Japanese banks while price to book ratios at c0.3/0.4X are amongst the cheapest in the world and dividend yields are attractive – and growing.**

In China, the stock markets were shut for the "Golden Week" national holiday. The weeklong break followed a risk-off September as Chinese equities and bonds sold off and pushed the offshore yuan to a record low against the US dollar. Meanwhile, the onshore yen FX rate ended near levels last seen during the 2008 GFC. **We added to the Fund's short position on the Chinese Renminbi taking advantage of recent dollar weakness.**

Overall, we remain defensive, holding high levels of cash and liquidity with volatility in financial markets yet to subside. Our gold exposure carries a high market beta, **but we see this exposure as insurance to rapidly deteriorating geopolitics, rising government indebtedness, and the yet to be tested mettle of central banks facing the most challenging inflationary fight in a life time.**

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