



# fatPROPHETS™

## CHANGE TO MANAGEMENT ARRANGEMENTS

The Directors of Fat Prophets Australia Fund Limited (“**the Fund**” or “**the Company**”) have today consented to the assignment of the management rights to the Fund from the incumbent manager, Fat Prophets Funds Management Australia Pty. Limited (“**FPFMA**”) to Merricks Capital Pty. Limited† (“**Merricks**”).

This consent has been granted after due enquiry, and in keeping with the requirements of the management agreement governing the relationship between FPFMA and the Fund dated 8 February 2005. The transfer of these rights, negotiated between FPFMA and Merricks, will be accompanied by the resignation of FPFMA’s Chief Executive Officer, Angus Geddes, as a Director of the Fund. A replacement for Mr. Geddes will be appointed in the next week. Additionally, a resolution will be put to shareholders in due course, to change the name of the Company to recognise the cessation of the relationship with “Fat Prophets”.

### Reasons for transfer

Conditions within the listed investment company market have changed significantly since the successful launch of the Fund in 2005. The significant growth in funds replicating specific equity or asset benchmarks is impacting upon the trading prices of externally managed “closed-end” funds which are benchmark aware (such as the Fund) rather than benchmark replicating or unaware. As has been the case with the Fund, the manager’s achievement of positive portfolio returns relative to benchmark is being diluted in the hands of shareholders by this factor. FPFMA has worked closely with the board of Directors to examine various alternatives to address this issue. After very careful consideration, FPFMA has decided that its investment expertise is better suited to “open-ended” investment vehicles such as unit trusts or individually managed accounts, where the pricing of investor’s holding relative to net asset value is not an issue. Both FPFMA and the board of Directors believe that it would be in the best interests of shareholders to transfer the management contract of the Fund to an organisation better placed to examine alternative strategies and fulfil the potential of the “closed-end” structure.

### Merricks

Merricks, who are the Fund’s largest shareholder, with a relevant interest of 18.5% of the Company’s capital, are a Melbourne-based funds manager, focused on the developed markets of Asia.

Merricks was established in 2007 by Adrian Redlich (Chief Investment Officer) and Adam Lindell (Chief Operating Officer). Merricks’ investment ideas are generated through detailed bottom up fundamental research by analysts who have specialised industry and sector knowledge and experience. In all market conditions since inception, Merricks has produced positive annual returns for investors by being able to take advantage of outstanding opportunities in shares, bonds and commodities. Merricks has built a robust institutional grade platform to assist in generating positive returns whilst mitigating operational risk, and currently run a number of funds on behalf of both high net worth and institutional investors. Further information can be obtained at [www.merrickscapital.com](http://www.merrickscapital.com)

† Merricks Capital Pty Limited ACN 126 528 005 is regulated by the Australian Securities & Investments Commission and is the holder of an Australian Financial Services Licence 319477

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### **Future Directions**

The Fund will continue to be managed with an Australian equities mandate for the time being, but the board of Directors of the Company are likely to examine other alternatives, within the Fund's Constitution, which should result in a more permanent closure of the previously prevailing gap between the traded price of the Company's securities and net asset value per share. The Directors of the Company believe that Merricks has the capability to offer such strategies to the Fund, for the benefit of all shareholders. It is anticipated this review will be completed and communicated to shareholders in the coming eight weeks.

The Directors of Fund wish to place on record their thanks to Angus Geddes and Steve O'Hanna from FPFMA for the professional manner in which they have managed the Fund. The current composition of the invested portfolio is attached.

### **For further information:**

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## FAT PROPHETS AUSTRALIA FUND LIMITED: INVESTED PORTFOLIO AS AT 28 JULY 2010

The table below excludes two holdings with nil value, and is solely a listing of the invested component of the Fund. It excludes cash, accrued income or liabilities, tax assets or liabilities, creditors and debtors.

	shares held	market value	weighting
Atlas Iron Limited	113,000	\$229,390	0.77%
ANZ Banking Group	100,880	\$2,343,442	7.82%
Austar United	370,000	\$375,550	1.25%
BHP Billiton	104,817	\$4,213,643	14.06%
BT Investment Management	136,730	\$367,804	1.23%
Catalpa Resources	196,985	\$295,478	0.99%
Commonwealth Bank.	44,200	\$2,324,920	7.76%
Charter Hall Office	900,000	\$234,000	0.78%
Carsales.Com Limited	59,003	\$295,015	0.98%
CSL Limited	24,600	\$811,554	2.71%
Coeur D'Alene Mines.	8,830	\$146,578	0.49%
Dexus Property Group	500,000	\$417,500	1.39%
Galileo Japan Trust	612,000	\$20,808	0.07%
Healthscope Limited	77,981	\$467,886	1.56%
Kingsgate Consolidated	55,720	\$542,156	1.81%
Lihir Gold Limited	284,000	\$1,153,040	3.85%
Macquarie Telecom Group	30,000	\$155,700	0.52%
MacArthur Coal	26,000	\$337,480	1.13%
Magellan Financial Group	547,534	\$635,139	2.12%
Mirvac Group	320,300	\$437,210	1.46%
M2 Telecommunication	177,184	\$338,421	1.13%
National Australia Bank	74,600	\$1,890,364	6.31%
Newcrest Mining	25,500	\$835,890	2.79%
Platinum Australia	160,000	\$124,000	0.41%
Premier Investments	71,144	\$459,590	1.53%
QBE Insurance Group	58,500	\$978,120	3.26%
Rio Tinto Limited	15,881	\$1,128,186	3.76%
Ramelius Resources	279,000	\$132,525	0.44%
Sedgman Limited	262,000	\$406,100	1.36%
Sonic Healthcare	33,500	\$348,400	1.16%
South Boulder Mines	174,000	\$116,580	0.39%
Santos Limited	44,000	\$607,640	2.03%
Transurban Group	67,000	\$300,160	1.00%
Telstra Corporation	305,000	\$988,200	3.30%
Westpac Banking Corp	95,295	\$2,301,374	7.68%
Westfield Group	40,000	\$500,400	1.67%
Wesfarmers Limited	35,500	\$1,105,115	3.69%
Woolworths Limited	37,650	\$971,370	3.24%
Woodside Petroleum	14,950	\$630,292	2.10%
<b>INVESTED PORTFOLIO</b>		<b>\$29,967,021</b>	<b>100.00%</b>