fatprophets™ australia fund limited

November 2007 NTA Release

1. Details of Performance and Net Asset Backing at Month end

The net asset backing ("**NTA**") of Fat Prophets Australia Fund Limited ("**Fat Fund**") at 30 November 2007 was **$1.4229 per share** on a before tax basis, calculated in accordance with ASX Listing Rule 19:12, and represents a decline of 3.06% over the month. By comparison, the Fat Fund's benchmark, the S&P/ASX 300 Accumulation Index declined 2.89% in November 2007.

After adjusting for the impact of taxation on both realised and unrealised gains, the Fat Fund's after tax NTA at the end of November 2007 was **$1.3387 per share**, undiluted for the $1.00 strike price options which can be exercised until 20 April 2008.

If all of the remaining 30,020,150 April 2008 options were exercised at $1.00, the **fully diluted** pre tax NTA would be **$1.2189 per share** and the after tax NTA would equate to **$1.1753 per share**.

2. Performance Commentary

The major influences on the Fat Fund's performance versus the benchmark during the month of November 2007 were as follows:

Positive Influences			Negative Influences		
Company	*% move*	*Position*	*Company*	*% move*	*Position*
Aust. Worldwide Exp.	12%	Overweight	National Aust Bank	-11.1%	Overweight
Brambles	-13%	Underweight	UXC Limited	-15.8%	Overweight
Lion Selection	2.6%	Overweight	Mundo Minerals	9.1%	Overweight
Coffey Int.	3.9%	Overweight	Westpac	-7.2%	Overweight
Westfield	-6.2%	Underweight	Fortescue Metals	13.2	Underweight

The Fat Fund performed in line with overall benchmarks during the month of November 2007. This was a little disappointing in that our portfolio has been relatively resilient in market downturns. The benefit of holding 12% cash was negated by our large scale overweights in smaller company securities, where liquidity showed genuine signs of drying up, and resulted in some volatile individual share prices. We suspect this will be a feature of the Fat Fund portfolio in the near term. Our brokerage paid during the month, other than for the share buyback – which was quite active - would hardly have paid for a stockbroker's lunchtime sandwich (not that many of them have sandwiches at this time of year...).

The theme of our AGM presentation (this morning) was the Four R's: risk, rapacity, resources and re-rating. Our key conclusions were:

- there is more repricing of risk to take place – high yield credit spreads versus Treasuries in the USA are barely back to long term averages, despite the likely economic damage to come;
- the secondary impact of the sub-prime debt crisis has yet to realistically start playing out – we know it will be significant because of the raw panic of US investment banking chiefs and their willingness to accept new capital at virtually any price from sovereign wealth type funds;
- the greed factor prevalent earlier this year has played its course, except in the resources sector where junk floats and overpriced development properties suggest caution is required;

- there is significant unwinding of certain facets of the "greed economy" yet to occur – debt default of over-geared LBO structures but more positively, the emergence of growing price to net asset backing discounts for cashboxes and other investment funds floated by entrepreneurial investment bankers over the past three years. These represent an emerging attractive opportunity;
- our main target in the resources sector remains smaller oils which are very cheap on most bases and have underperformed the mid-tier bulk producers – at some cost to the Fat Fund; there are new emerging opportunities in pure base metals after the recent fall out of share prices; mining services companies, however, appear far too expensive;
- earnings expectations in the one third of the market occupied by non bank industrials are weakening and are far too high for 2009 – at over 18x forward earnings, this part of the market is expensive - we remain overweight banks where the biggest divergence with the US occurs;
- we hold a number of asset plays, falling into four categories – fallen angels/cashboxes, smaller focused (geared) property, mature and, of course, our own shares;
- we are cautious but likely to be more opportunistic than "theme" driven; and
- we will continue to manage our capital, and have a significant level of franking credits when the 2007 year tax bill is paid – approximating 12c per share.

We look forward to Santa delivering something he doesn't very often – an end of year correction to market values and a New Year stocktake Sale.

3. Top 15 Holdings at 30 November 2007

Company	Symbol	% Weighting
BHP Billiton	BHP	11.0
National Aust. Bank	NAB	7.93
Westpac Banking Corp	WBC	6.55
Commonwealth Bank	CBA	6.01
ANZ Bank	ANZ	5.56
Woolworths	WOW	3.42
RIO Tinto	RIO	3.12
QBE Insurance	QBE	3.03
Soul Pattinson (W.H)	SOL	2.47
Lion Selection	LST	2.31
Publishing & Broadcasting Limited	PBL	2.25
Lihir Gold	LGL	2.18
UXC Limited	UXC	2.01
Everest Babcock & Brown Alt. Inv. Trust	EBI	1.96
Great Southern Plantation	GTP	1.80

Andrew Brown[a] & Steve O'Hanna[a] 14
December 2007
On behalf of Fat Prophets Funds Management Australia P/L

a: Andrew Brown and Steve O'Hanna are employees of Tidewater Investments Limited. A controlled entity of Tidewater Investments Limited, Tidewater Asset Management P/L (AFSL# 302802) currently manages the Fat Fund under a sub-contract agreement dated 24 May 2007.

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