FAT UPDATE

FAT PROPHETS CONCENTRATED AUSTRALIAN SHARE MODEL PORTFOLIO – MARCH QUARTER 2011

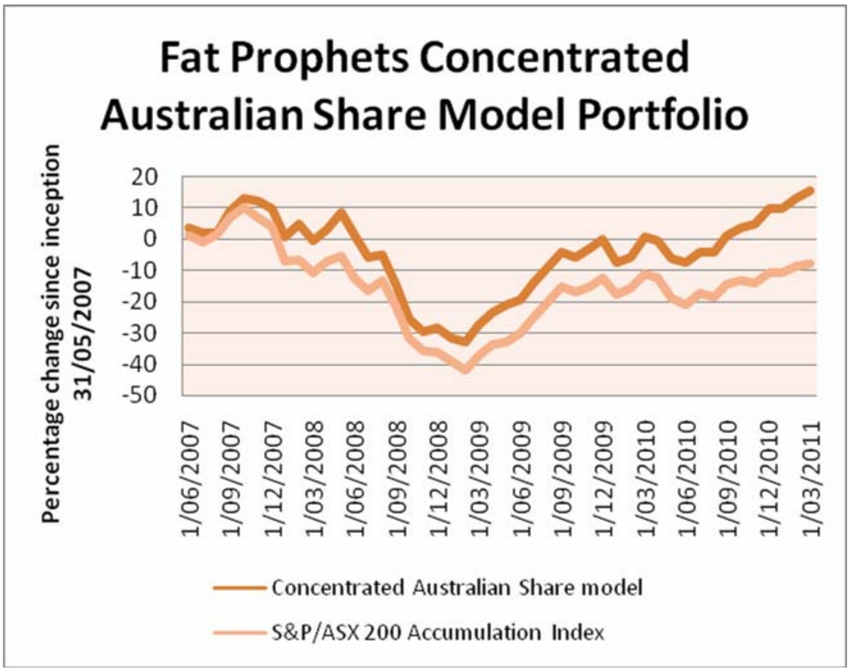
Investment Objective

The Fat Prophets Concentrated Australian Share Model Portfolio (the 'Model) seeks to outperform the total return (both income and capital growth) of the S&P/ASX 200 Accumulation Index, before taking into account Model fees and expenses.

Model data

Performance as at 31/03/2011	Gross	S&P/ASX 200 Accumulation Index	Outperformance*
1 Month	2.12%	0.67%	1.45%
3 Months	5.00%	3.23%	1.77%
6 Months	14.26%	7.75%	6.51%
1 Year	14.63%	3.44%	11.19%
2 Year (%pa)	26.09%	21.07%	5.02%
3 Year (%pa)	5.82%	1.09%	4.73%
Since Inception (%pa)^	3.72%	-2.45%	6.17%

*Shows the difference between Portfolio Gross Return and Benchmark Return
^Model Performance inception date 31/5/2007



Top 10 Stocks as at 31/03/11

1. BHP Billiton
2. ANZ Banking Group
3. Newcrest Mining
4. Rio Tinto
5. Woodside Petroleum
6. National Australia Bank
7. Westpac Banking
8. Oil Search
9. Commonwealth Bank of Australia
10. Bathhurst Resources

Fund Managers Report

Dear Investor

Equity markets across the globe have remained remarkably resilient despite the abundance of negative news over the period. Unrest in North Africa, the devastating earthquake and tsunami in Japan and further concerns about sovereign debt on the European periphery would be considered by any observer to be considerable challenges for markets to digest. Yet they did and rebounded with vigour. In March alone, the key ASX 200 index was down over 6% at its low but managed to close the month virtually unchanged.

Markets continued to gain confidence in the strength of the US recovery as the data suggests the momentum is to the upside. The key data point here is US unemployment. It is crucial for confidence in the US recovery story that this trend continue as it is still very early days.

In an Australian context, the ASX200 index on a Price Earnings basis has been trailing its long term average by approximately 15%. There are several reasons for this in our view. Firstly, the Aussie dollar reaching unprecedented highs versus the USD has created the perception it is overvalued. Secondly, the federal government has introduced an element of sovereign risk with the proposed mining tax, flood tax and now the carbon tax. Lastly, US equities have represented even better value relative to US bonds where the earnings yield/bond yield gap is more pronounced.

The main challenges ahead for equity markets remain two fold in our view. Massive global stimulus created by US Fed policy potentially winding down at the end of June is a key headwind for equities. The need for austerity programs in the US remains a critical requirement as deficit blowouts and debt levels reach unsustainable levels. We are seeing these austerity programs implemented across Europe as we speak. They are not popular and certainly not growth friendly. It is a fine balancing act that needs to be struck, to maintain what is still anaemic growth whilst dramatically reducing spending.

Lastly, a further challenge for local markets is the falling USD. If the Aussie dollar remains at current levels then the repercussions for many industrial companies will be significant in coming quarters, especially as many boards and CEO's have abandoned significant hedge programs some time ago.

Concentrated Australian Share Model Portfolio

Positive Influences			Negative Influences		
Company	*% Move*	*Position*	*Company*	*% Move*	*Position*
Bathurst	+66%	Overweight	Kingsgate	-20%	Overweight
M2 Telecom	+28%	Overweight	Catalpa	-11%	Overweight
Austar	+37%	Overweight	Macarthur	-9%	Overweight
Graincorp	+15%	Overweight	Newcrest	-2%	Overweight
Ramsay	+7%	Overweight	Iluka	45%	Underweight

The portfolio outperformed it's benchmark over the quarter by approximately 1.7%. The strategy remains to focus on quality, undervalued resource names, and strong domestically focused industrial companies. Several of these ideas contributed to our outperformance over the quarter with M2 Telecommunications and Austar being such examples. To this end we added Silver Chef to the portfolio.

We would characterise Silver Chef as a very niche play. The company is in the equipment rental finance business, primarily focused on the hospitality sector. Their products include commercial ovens and fridges, refrigerated display cabinets etc. The key tenet of the business model is that by renting equipment to restaurants and food outlets they can retain more of their working capital to grow their business. Silver Chef has a 24 year history of strong and sustained earnings growth and approximately 70% of its revenue is recurring. It's customers number 7500 nationally and include among others, Subway, Nandos and Coffee Club. Importantly, no one customer represents more than 1% of revenue. Equally impressive are the valuation metrics. It generates a Return on Equity of around 28% and its EBITDA margins are in the vicinity of 60%. We acquired the stock on a Price Earnings ratio of 11 times which we believe is reasonable given the track record and favourable outlook.

Elsewhere, as we mentioned in our last update, our timing on the purchase of Equinox was unfortunate given that it preceded a debt funded bid for Lundin Mining of Canada. However,this was then followed by a bid for Equinox by China's Minmetals for C$7 a share. Predator had become prey in this instance. The Minmetals bid was predicated on the Lundin transaction NOT proceeding. We hoped that this would be the case given the debt required for it to proceed which would alter the risk profile of the company enormously. This has now all become academic with a final twist in this story we could not have imagined, Barrick Gold trumping the Minmetals bid with C$8.15 (A$7.95 approx)cash bid which is a 16% premium to the previous. Copper has become the new gold it seems! As we believe the copper market is likely to remain in deficit for the next couple of years, in addition to the premium paid by Barrick, there is perhaps some merit to this thinking. We believe this is a good result for all shareholders.

The markets anticipation of the end of Fed stimulus or quantitative easing in coming months will likely see increasing volatility for equities. We remain somewhat cautious and we continue to take profits in commodities and build cash reserves so as to fully take advantage of opportunities that tend to arise more often in this environment.

Angus Geddes and Steve O'Hanna

Mint Financial Group Pty Ltd

FAT PROPHETS CONCENTRATED AUSTRALIAN SHARE MODEL PORTFOLIO

Model Portfolio name	Fat Prophets Concentrated Australian Share
Code	FP0001
Model inception date	31/5/07
Principle investment objective	To invest in a small sample of securities taken from within and outside the S&P/ASX 200 Accumulation Index ('Index')
Can derivatives be used?	No
Indicative number of stocks	10-30
Minimum Model investment	$20,000
Model Provider fees* **Investment fee** **Performance fee applicable?** **Brief description**	 0.50% Yes 15% of any outperformance of the benchmark index
Benchmark Index	S&P/ASX 200 Accumulation Index

*Please refer to the Fat Prophets Separately Managed Account Product Disclosure Statement for further details

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