Fact Sheet

Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 28 February 2013

Portfolio Objective

The ATI Australian Equity Portfolio seeks to achieve total returns (includes income and capital appreciation, before the deduction of fees and taxes) that exceed those on the S&P/ASX300 Accumulation Index by 3% p.a. over rolling five-year periods.

Performance Update

(*Returns to 28 Feb 2013)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	4.7	14.3	25.5	7.3	5.2	7.4
Benchmark Index	5.3	14.2	23.4	7.8	2.6	5.4
Relative Outperformance	**(0.6)**	**0.1**	**2.1**	**(0.5)**	**2.6**	**2.0**

*Past performance is not a guarantee of future results and may not be indicative of them. The gross returns are calculated using the Portfolio's net asset value of a model mandate within the OneVue SMA product. Performance assumes reinvestment of all income. Inception date is 23 December 2005.

Portfolio Details as at 28 February 2013

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
BHP Billiton	10.1	9.4
National Australia Bank	8.6	5.6
ANZ Bank	7.8	6.3
Westpac Bank	6.9	7.7
Telstra	5.8	4.5
Rio Tinto	5.0	2.3
Commonwealth Bank	5.0	8.7
Woodside Petroleum	3.5	1.9
Woolworths	3.4	3.5
Lend Lease	2.9	0.4

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	36.6	42.7
Materials	29.1	19.8
Consumer Staples	5.3	8.8
Consumer Discretionary	6.8	3.8
Telecommunications	5.8	4.8
Industrials	3.2	6.9
Healthcare	2.3	4.4
Energy	3.5	6.4
Utilities	2.2	1.7
Information Technology	1.8	0.7

Selected Portfolio Statistics as at 28 February 2013

Inception Date	23-Dec-05
Number of Stocks	33
ATI Funds Under Management	~ $400m

MER (est.)	~ 0.90% p.a.
Tracking Error (forward estimate)	~ 4% p.a.

Suite 1202, Level 12, 135 Macquarie St, Sydney NSW 2000 | T: 8259 7500 | F: 02 9251 4799 | E: info@atiam.com.au | www.atiam.com.au

Portfolio Performance

The ATI Equity Portfolio rose 4.7% in February compared with a rise of 5.3% in the ASX300 Accumulation Index. Against this benchmark, ATI is producing excess returns on a 3 month, 1 year, 5 year and since inception (Dec'05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Consumer Staples (+9.7%), Financials (+7.3%) and Industrials (+6.0%); while the worst were Information Technology (-0.8%), Materials (-0.2%), and Property Trusts (+2.5%).

From a sector perspective, the relative performance of the ATI portfolio was negatively impacted from being overweight Materials stocks (29.1% v benchmark of 19.8%), but was positively impacted from being underweight Property Trusts (2.8% v benchmark of 4.0%) and overweight Consumer Discretionary stocks (6.8% v benchmark of 3.8%).

Attribution of Stocks

The portfolio performance during February was assisted by overweight positions in National Australia Bank (NAB), Insurance Australia Group (IAG) and Pacific Brands (PBG); and by not holding Macquarie Group (MQG), Origin Energy (ORG) and Cochlear (COH). The three stocks in the portfolio that contributed most to its relative performance during January were:

National Australia Bank (NAB) (+10.4%) outperformed the market in February after it released its 1Q13 trading update with cash earnings coming in at $1.45bn, which was in line with consensus expectations. On a positive note, NAB highlighted the expansion of customer margins during the quarter which was viewed by the market as a good outcome in the current environment. Additionally, collective and specific provisioning levels improved in the period and NAB said it had seen improving trends with lower bad and doubtful debt expenses across the group, though these were partially offset by a seasonal increase in personal banking arrears. It was also evident that NAB has not had to increase the provisions for its problematic UK banking division in the period. NAB remains relatively attractive and an overweight portfolio holding.

Insurance Australia Group (IAG) (+13.4%) outperformed during the month after reported an extremely strong 1H13 interim result that included an insurance margin of 19.9% compared to the consensus expectations of 16.2%. The result was helped by a number of beneficial factors including lower credit spreads, better equity markets and relatively benign catastrophe claims activity. The 1H13 NPAT came in at $461m which was well ahead of the consensus, being ~$350m, and IAG increased its full year margin guidance to 12.5-14.5% (from 11-13%). This resulted in material upgrades to consensus FY13 earnings estimates whilst including the costs to IAG from exiting its underperforming UK operations. As a result of our upgraded earnings forecast for FY13, IAG remains relatively attractive and an overweight portfolio holding.

Pacific Brands (PBG) (+12.9%) continued its outperformance during February after delivering a solid H13 result and new management has articulated strategic imperatives to return the business to positive sales growth and improved profitability. PBG did not provide explicit earnings guidance but stated that they expect 2H13 gross margin % and cost of doing business (CODB) dollars to be broadly in line with 1H13. This was viewed by the market as being a positive outcome. PBG still remains relatively attractive in our rankings despite the stock increasing 20% since the start of 2013. It has valuation support following NPAT upgrades in FY14 and FY15, it has yield support (~6.5% ff), generates strong cash flow and its debt metrics remain robust (net debt of $177m with ND/EBITDA 1.3x and interest cover of 6.0x).

Positions that detracted most from the portfolio's performance during the month were from being overweight Sandfire Resources (SFR), Perseus Mining (PRU) and PanAust (PNA); and from not holding QBE Insurance (QBE), Santos (STO), and Amcor (AMC). Stocks in the portfolio that detracted most from relative performance during the month included:

Sandfire Resources (SFR) (-12.2%) underperformed the market during February due to ongoing concerns over the early performance of the DeGrussa concentrator, which lead to the marginally downgraded production guidance for FY2013 of 67-71kt of copper issued in January. Once again we note that the December quarter represented only a partial quarter of production as DeGrussa ramps up to full capacity, and processes transitional (partially oxidised sulphide) ore which for the next six months will continue to produce lower recoveries (~80%) compared to eventual steady state production from the underground (~90%). We would caution against reading too much significance into one partial quarter of production statistics for an operation with an expected mine life of greater than seven years, and note the significantly improved operating statistics for January and February which were disclosed early in March. SFR remains attractive in the ATI rankings and an overweight portfolio holding.

Perseus Mining (PRU) (-12.2%) was progressively added to the portfolio during January and February as the company underperformed the market due to a falling gold price and operational issues at the company's first operation, Edikan in Ghana. The gold price declined ~5.5% during February to US$1,576/oz, with the decline largely attributed to comments from some Federal Reserve board members questioning the duration of QE programs. These comments, and ensuing US$ strength, lead to significant gold ETF outflows, and were enough to outweigh Japanese moves to devalue the Yen and stimulate inflation in the Japanese economy. Perseus' first operation, Edikan, commenced commercial production in early 2012, and produced 195koz in 2012. Whilst a commendable performance in its first year of operation, the processing plant operated below nameplate capacity late in 2012 due to availability issues with the primary crusher. We do not view such issues as unusual for the early stages of a mining operation, which have subsequently been rectified, and took advantage of the de-rating opportunity to establish a portfolio position in PRU.

PanAust (PNA) (+9.1%) also underperformed during February following the release of the company's FY2012 financial results. Despite delivering FY2012 NPAT of US$142m and EBITDA of US$330m, in line with market expectations, the company guided down expectations for earnings growth in FY2013. PNA disclosed preliminary FY2013 EBITDA guidance of US$320-350m based upon a prevailing copper price of US$3.60/lb. This guidance implied a material downgrade versus ATI (and market) expectations, largely due to higher costs associated with lower grade ore sources at Phu Kham, the result of a previously undisclosed geotechnical event in the open pit. Following this period of underperformance the portfolio weighting of PNA has been increased and PNA remains an overweight portfolio holding.

Portfolio Construction

The main portfolio weighting changes during February included a new position in the diversified mining services company Ausdrill (ASL), top-ups for our holdings in BHP Billiton (BHP), Commonwealth Bank (CBA), PRU and Rio Tinto (RIO), Wesfarmers (WES) and Woodside Petroleum (WPL); and some slight portfolio weighting reductions for Flight Centre (FLT), Newcrest Mining (NCM), and Woolworths (WOW). Australian Infrastructure Fund (AIX) and Emeco Holdings (EHL) and Metcash (MTS) were removed from the portfolio during the month. Cash at the end of February was 2.8% (January 2.8%).

The ATI portfolio, with regard to the market capitalisation exposures, remains similar to the benchmark index with ~85% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~12% in the next 100 (benchmark ~14%), and ~3% in the last 150 stocks (benchmark ~3%). ATI's 10 largest holdings make up 61% of the portfolio (benchmark 54%), the dividend yield is 4.0% (benchmark 4.1%) and the portfolio's historic PE is 15.3x (benchmark of 15.8x).

Whilst the portfolio's market cap bias is similar to the benchmark index, its underlying sector positioning is not. ATI has maintained its portfolio position of being overweight the Materials and underweight Financials sectors. We remain comfortable holding a number of smaller resource stocks with iron ore and copper exposure that have become sufficiently attractive for their relatively high expected return profile to justify some additional portfolio risk. These stocks include Atlas Iron (AGO), Fortescue Metals Group (FMG), PNA, SFR and PRU. We continue to remain overweight in consumer discretionary stocks we view as having structural advantages such as News Corporation (NWS) and Flight Centre (FLT) or value opportunities with fundamental value support such as PBG, Toll Holding (TOL) and Fairfax Media (FXJ).

Portfolio Risk

The current forecast tracking error of ~3.9% is slightly above last month ~3.7%. Post the reporting season we will continue to assess the portfolio positions with regards to any earnings changes in our forecasts that have resulted from company profits and outlook where relevant.

We continue monitoring opportunities in oversold Materials and domestic cyclical stocks (such as single mine/commodity operations or mining contractors), but do not currently feel that the risk/return profile of taking on the additional risk is justified in an environment with minimal earnings clarity and continued reductions in the expected mining capex spend over 2013.

At present the main sources of portfolio risk are from overweight positions in SFR, PBG, FMG, AGO, Lynas Corp (LYC) and PNA and Lend Lease (LLC).

General Market Commentary

Equity markets continued their recent strong momentum for most of February before retreating somewhat towards month end as concerns about the duration of the US monetary easing program and an inconclusive Italian election took hold. Australia was one of the best performing equity markets globally as investors digested a fairly positive reporting season which, on balance, seemed to meet or beat consensus expectations. Our market made further gains in February, surpassing the 5,000 level not seen since mid-2008, with the ASX300 Accumulation Index up 5.4% for the month and now having had positive gains for nine consecutive months (and 12 of the last 13 months).

The December half domestic earnings reporting season provided some form of market support by virtue of the fact that many companies managed to meet or beat their consensus earnings expectations. Whilst overall headline profit growth in the results was generally stronger than what had been seen in recent times, some of this had actually been driven by cost reduction programs and slightly lower interest / tax expenses which are not actually indicators of a growing top-line revenue trend. This point was reiterated by many company outlook comments which remained cautious and while some companies pointed to a stabilisation in their end markets, few pointed to any material improvement in their expected trading conditions over 2H13. This cautionary theme was, however, clearly not a deterrent as the market action seemed to indicate that with the worst of the recent poor earnings growth trends behind us, things are likely to get better from here.

With the Australian equity market focused on reporting season, the better than expected results overwhelmingly came through in the industrials space. Some examples of company results being well received by the market included Bluescope Steel (BSL), CBA, Downer EDI (DOW), Harvey Norman (HVN), IAG, JB Hi-Fi (JBH), and Toll Holdings (TOL). Some examples of poorly-received results included Ansell (ANN), Aurizon Holdings (AZJ), COH, Iluka Resources (ILU), Oz Minerals (OZL), Sonic Health Care (SHL), and UGL

(UGL). In somewhat of a market surprise, BHP Billiton (BHP) announced the departure of CEO Marius Kloppers for Andrew Mackenzie at their results and this followed on from the departure of Rio Tinto's CEO last month.

The RBA left the official cash rate unchanged at 3.00% in February and Governor Stevens noted that the current inflation outlook "would afford scope to ease policy further, should that be necessary to support demand". The RBA appears to be taking a 'wait and see' approach as it looks to see whether there is a positive economic response to the 175bp of rate cuts so far this easing cycle. At this stage, the domestic signs remain mixed with the ongoing risk of a slower response to rate cuts by the cyclical sectors of the non-mining economy being highlighted by the softer than expected building approvals and retail data during the month. Australian residential building approvals for December were -4.4% mom (consensus expecting +1.0% mom), while nominal retail sales in December of -0.3% mom also included some downward revisions to the previous months' data. On the other hand, the Australian unemployment rate was better than expected at 5.4% (market consensus of 5.5%) and February consumer confidence surveys suggested an improving outlook. The AUDUSD finished the month slightly lower at US$1.028 (-1.5c), being almost a 2.0% fall against the US dollar which was stronger on a broader currency basis.

The vast majority of commodity prices went lower over the month with nickel (down 9%) the worst performer. The benchmark spot iron ore contract, Tianjin 62% fines, failed to build on two months of gains, falling 0.5% in February as inventory restocking slowed around Chinese New Year. However, Chinese port inventories remain at a low not seen since January 2011. The LME index of base metals gave back January's gains with interest, down 4.1% on the month and 1.2% year to date. Prices were hit by US industrial production numbers showing a January drop after two months of solid growth and a weaker-than-expected China PMI also kept sentiment subdued. Copper ended the month down 3.2% (LME spot) and aluminium followed suit, down 5.5%. Spot Brent oil (-4.0%) prices reached a 9-month high in the middle of February before retreating to end the month lower. US inventory data showed a sixth straight week of growth, the longest streak since May 2012. Gold (–5.0%) was weak over the month as some large scale exchange traded fund (ETF) selling weighed on both the market and sentiment for bullion.

Outlook

With a potential end in sight to the earnings downgrade cycle, enhanced income prospects and a reduction in the global macro headwinds that have dominated markets recently, our equity market seems well positioned to benefit from ongoing investor support. We note that during reporting season (23 Jan – 28 Feb) ~41% companies beat expectations, ~33% missed and ~26% were in line. The market was up +6.6% during this period driven by Financials (ex REITS) +3.7% and a late run from Consumer Staples +3.3%. We now note that consensus FY14 market EPS growth (post reporting season) is expected to be ~10.7%.

Downgrades came mostly from the Resources space with Industrials seeing more upgrades than downgrades. Given that many commodity prices have now recovered from their December half lows, our view remains that earnings growth and consensus upgrades are still expected over the course of 2H13 for many of the materials sector stocks that were laggards this time around. As equity markets generally like upgrade cycles, any reversal of the current consensus opinions on materials stocks could indeed help support the next leg up in the market from here.

We have previously discussed the fact that with low interest rates locally and globally, the compelling dividend yield of equities has seen investors providing market support over the last year despite earnings not rising. Obviously noting this, many companies this reporting season have embraced the theme and responded with higher payout ratios and /or bigger dividends. Given that corporate balance sheets are still quite healthy, with historically low levels of gearing amongst industrial stocks, further capital management via higher dividends now seems more anticipated than at any other time in the last few years. This perception, in turn, provides another level of market support as investors remain encouraged to seek the relatively superior income returns still offered by the equity market.

The ATI portfolio remains positioned with a mix of high yielding, large capitalisation Financial, Telco and Consumer staples stocks combined with an overweight exposure to the Materials sector via the two large diversified miners and some smaller commodity specific positions. The portfolio is also balanced by a mix of strategic Consumer Discretionary and Industrial stocks that we feel are capable of improving our expected return over the coming year.

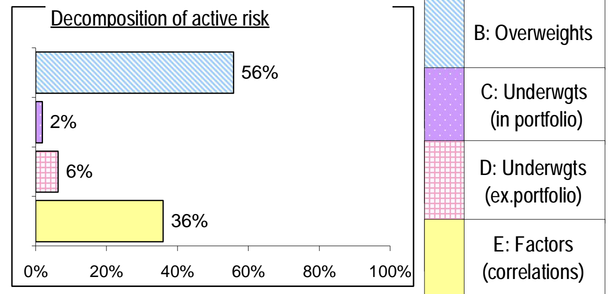
PORTFOLIO RISK SUMMARY

Portfolio Name:	MyPort
Benchmark:	ASX300
Date of Data:	28-Feb-13
Sector Type:	BGICS

		Active Exposures:		%
Historic portfolio alpha	8.5%	Total:	82.1%	100.0%
Historic portfolio beta	1.11	Across sectors:	41.5%	50.6%
Raw return	23.4%	Within sectors:	40.6%	49.4%

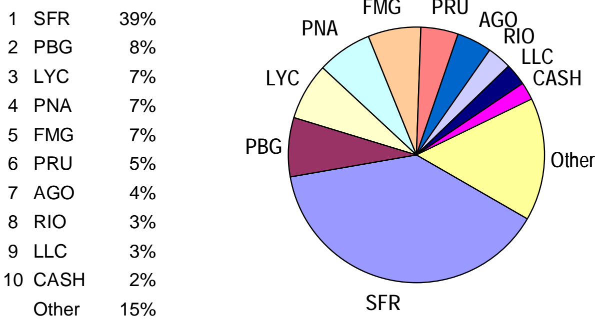
Forecast **Tracking Error**	3.70 %	3.97 %
	(residual risk)	(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	58%	3.0	9.1
B	Overweight positions	56%	3.0	8.8
C	Underweight positions	2%	0.6	0.3
D	Stocks not held in portfolio	6%	1.0	1.0
E	Factors (correlations between stocks)	36%		5.7
F	Total (A + D + E)	100%	**4.0**	15.8
G	Systematic risk (undiversifiable)		1.4	2.1
H	Residual risk definition tracking error (F - G)		**3.7**	13.7



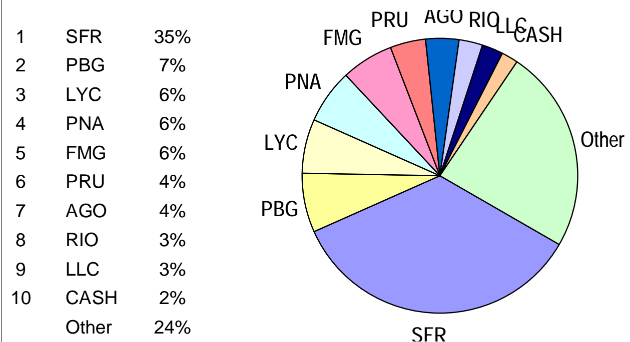
Top 10 sources of risk: Stocks held in the portfolio (A)

1	SFR	39%
2	PBG	8%
3	LYC	7%
4	PNA	7%
5	FMG	7%
6	PRU	5%
7	AGO	4%
8	RIO	3%
9	LLC	3%
10	CASH	2%
	Other	15%

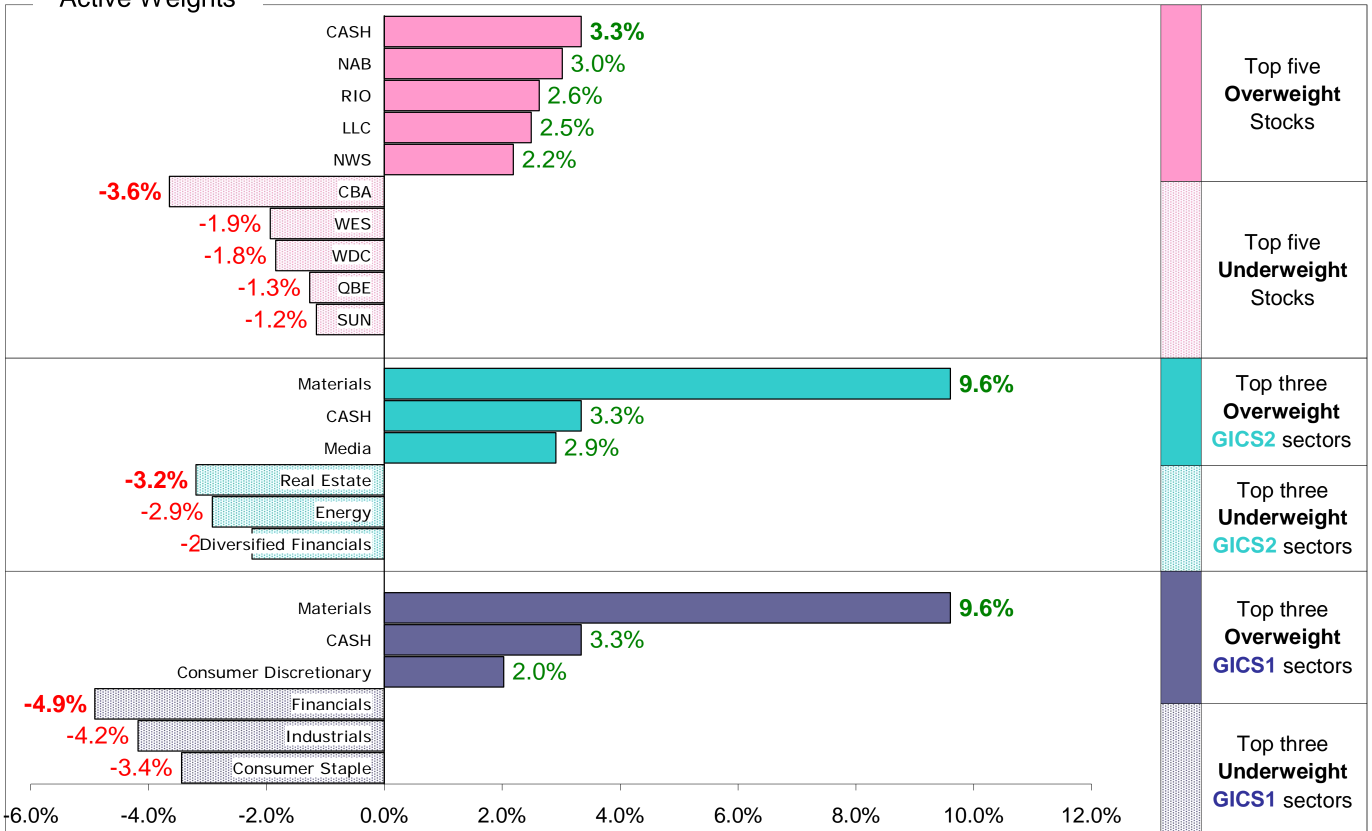


Top 10 sources of risk: All stocks in benchmark (B+C+D)

1	SFR	35%
2	PBG	7%
3	LYC	6%
4	PNA	6%
5	FMG	6%
6	PRU	4%
7	AGO	4%
8	RIO	3%
9	LLC	3%
10	CASH	2%
	Other	24%



Active Weights



Suite 1202, Level 12, 135 Macquarie St, Sydney NSW 2000 | T: 8259 7500 | F: 02 9251 7499 | E: info@atiam.com.au | www.atiam.com.au