Fact Sheet

Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 28 February 2014

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 February 2014)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	4.3	1.0	8.8	7.6	16.3	7.5
Benchmark Index	4.9	2.6	10.2	8.2	14.9	6.0
Relative Outperformance	**(0.6)**	**(1.6)**	**(1.4)**	**(0.6)**	**1.4**	**1.5**

*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 2014

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
BHP Billiton	10.2	9.1
ANZ Bank	9.1	6.5
Commonwealth Bank	9.0	8.9
National Australia Bank	8.1	6.0
Westpac Bank	7.1	7.7
Telstra	7.1	4.6
Wesfarmers	3.9	3.6
CSL	3.7	2.6
Woodside Petroleum	3.5	1.7
Insurance Aust. Group	3.2	0.9

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	47.3	43.7
Materials	16.5	18.2
Telecommunications	8.0	5.1
Healthcare	6.3	4.8
Consumer Staples	5.0	8.1
Energy	4.4	5.9
Utilities	2.3	1.7
Industrials	2.3	6.7
Information Technology	1.8	0.9
Consumer Discretionary	1.1	4.9

Selected Portfolio Statistics as at 28 February 2014

Inception Date	23-Dec-05
Number of Stocks	30
ATI Funds Under Management	~ $400m

MER (est.)	~ 0.90% p.a.
Tracking Error (forward estimate)	~ 3% p.a.

Portfolio Performance

The ATI Equity Portfolio rose 4.3% in February compared with a rise of 4.9% in the benchmark index. Against this benchmark, ATI is producing excess returns on a 5 year and since inception (Dec'05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Information Technology (+6.7%), Consumer Discretionary (+6.2%) and Energy (+5.9%); while the worst were Telecommunication Services (+1.4%), Health Care (+2.9%) and Industrials (+4.2%).

From a sector perspective, the relative performance of the ATI portfolio was most positively impacted from being overweight Information Technology (1.8% v benchmark of 0.9%) stocks and underweight Consumer Discretionary (+1.1% v benchmark of 4.9%) stocks, whilst it was most negatively impacted by being overweight Health Care stocks (6.3% v benchmark of 4.8%).

Attribution of Stocks

The portfolio performance during February was assisted by overweight positions in Ardent Leisure (AAD), Lend Lease (LLC) and ANZ Banking Group (ANZ); and by not holding Amcor (AMC), Asciano (AIO) and Coca-Cola Amatil (CCL). The three stocks in the portfolio that contributed most to its relative performance during January were:

Ardent Leisure (AAD) (+17.6%) outperformed during February where it reported above market results for 1H14 including revenue of $251m (+14%), corporate EBITDA of $54.5m (+13%), core earnings growth of $33.5m (+13%) and core EPS of 8.3c (+3.5%). The US business, Main Event, was again the standout division in 1H14 by recording solid growth from portfolio expansion and operating leverage within the constant centres. Part of the leverage was offset by increasing corporate costs, but these are now at levels required to support future portfolio expansion which we expect to be accretive over the next few years. In theme parks, solid cost control saw 5% EBITDA growth off flat revenues, while bowling delivered 9% EBITDA growth off 1% revenue growth. Health clubs benefited from FY13 acquisitions, while constant centres EBITDA grew 4.4% off 2.2% revenue growth. AAD remains an overweight portfolio holding despite the recent period of solid out-performance which has seen us slightly reduce the overall weighting.

Lend Lease (LLC) (+7.1%) outperformed the broader market during the month where it reported 1H14 results including revenue of $6.59bn (up 4% yoy), EBIT of $349.5m (down 10% yoy), and NPAT of $251.6m (down 16% yoy). A stronger than consensus interim dividend of 22c was also announced. As area of concern had been the operating cash flow result which was an outflow of $211m, but LLC clarified that this was due to the ramp-up of development projects that they are funding from their own balance sheet. With this, gearing has risen to ~13% from ~6% in the last reporting period, again due to the current funding status of the development pipeline. Despite the negative cash flow and higher gearing, interest cover still remains at a robust at 5.7x and we remain comfortable with the balance sheet strength that will be required to fund the vast amount of project work-in-hand that LLC has on its books for the next few years.

ANZ Banking Group (ANZ) (+6.7%) outperformed during the month where it reported 1Q14 unaudited cash NPAT of $1.73bn and updated guidance that its FY14 bad-debt charge would be roughly 10% lower than FY13's $1.2bn outcome. Broader FY14 revenue and expense guidance provided at the FY13 result was met, but not exceeded. ANZ has delayed any change in its CET1 management targets and its FY16 ROE guidance until the 1H14 result announcement in May. We retain an overweight portfolio holding in ANZ as it remains relatively attractive in the ATI universe with an above market underlying running yield and it offers the comfort of significant earnings transparency when compared to many other stocks covered in the universe.

Positions that detracted most from the portfolio's performance during the month were from being overweight Resmed Inc (RMD), Telstra (TLS), and Insurance Australia Group (IAG); and from not holding Seek (SEK), QBE Insurance (QBE), and Newcrest Mining (NCM). Stocks in the portfolio that detracted most from relative performance during the month included:

Resmed Inc. (RMD) (-2.6%) underperformed during the month following a benign 2Q14 result released at the end of January that indicated a challenged pricing and volume environment following the commencement of competitive bidding in the US market. In addition the US CMS (Medicare) has called for public comment on pricing methodologies and ideas for payment simplification as it prepares to implement the competitive bidding program across the US. While potential changes to payment structure are unknown and the flow-on effect to RMD are difficult to determine as cost efficiencies and new product launches/mix act as offsets, the uncertainty was treated negatively. We continue to remain overweight in RMD on the thematic that i) it has structural leadership, in an under-penetrated global market, with high barriers to entry. ii) Cost discipline and FX tailwinds continue to assist margin; iii) home sleep testing continues to drive market growth and iv) there is potential longer term opportunities in new indications such as COPD and heart failure.

Telstra (TLS) (-1.8%) underperformed during the month despite delivering their 1H14 result which was at the upper end of market expectations. In highlights from the result, mobiles performed strongly, NAS showed strong growth and fixed line decline appears to be slowing. During the month, Telstra won a case against Optus for misleading advertising, announced they would shed 800 jobs from the Sensis division and launched more aggressive mobile plans. TLS remains attractively ranked in the ATI equity ranking system and remains an overweight portfolio holding.

Insurance Australia Group (IAG) (-1.1%) underperformed the broader market in February despite reporting a very solid 1H14 interim result. IAG produced a 1H14 insurance profit of $758m that also included an underlying insurance margin of

13.9% and headline margin of 17.5%, which was assisted by a greater than expected contribution from reserve releases. Due to the 1H14 margin strength, IAG have provided upgraded guidance for the full FY14 margin to be 14-5-16.5% and this is a peer leading outcome for the Group. The gross written premium growth of 4% (6% ex the Vic fire levy) was slightly below market expectations and IAG have now lowered their expectations for the FY14 premium growth to be in the range of 4-6%, down from the 6-8% level that had been provided at the FY13 results. IAG remains attractively ranked in the ATI equity ranking system and we feel that its earnings transparency also helps justify the current overweight positioning.

Portfolio Construction

The main portfolio weighting changes during February included: portfolio top-ups for our holdings in M2 Group (MTU), Orica (ORI) Worley Parsons (WOR) and Woodside Petroleum (WPL); slight portfolio reductions for our holdings in BHP Billiton (BHP), Fortescue Metals group (FMG), and Rio Tinto (RIO). Cash at the end of February was 4.5% (January 4.2%).

The ATI portfolio, with regard to its market capitalisation exposures, remains differentiated to the benchmark index with ~92% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~6% in the next 100 (benchmark ~13%), and ~2% in the last 150 stocks (benchmark ~4%). The 10 largest holdings constitute ~68% of the portfolio (benchmark ~55%), the dividend yield is 4.4% (benchmark 4.2%) and the portfolio's historic or trailing PE is 15.7x (benchmark of 17.2x).

Whilst the portfolio's market cap bias is currently tilted to the larger stocks compared to the benchmark index, its underlying sector positioning is not too dissimilar to that of the benchmark. After the performance of some resource stocks over the last half of 2013, ATI took advantage of that strength and reduced the portfolios materials sector exposure to slightly underweight and has also moved to a slightly overweight position in the financials sector. We remain comfortable holding a number of resource stocks with iron ore exposure, particularly RIO & FMG, and copper exposure, Sandfire Resources (SFR), whose expected returns are sufficiently attractive to justify some additional portfolio risk. We continue to also remain overweight in stocks we view as having industry structure advantages and/or the expected benefit of USD currency exposure from offshore earnings such as Brambles (BXB), Computershare (CPU), CSL (CSL), Resmed (RMD) and Wesfarmers (WES) in combination with other opportunities that we feel have fundamental valuation support, such as ASX (ASX), Challenger (CGF), MTU and Suncorp Group (SUN).

Portfolio Risk

The current forecast tracking error of ~2.4% is similar to last month (~2.5%). We are continuing to be presented with a number of stock opportunities in the financial, industrial and property trust sectors as a result of their recent market underperformance. At this stage we still feel that any further additional risk in the mining contractor stocks is unlikely to be justified in an environment with ongoing profit warnings and earnings downgrades, minimal forward earnings clarity and continued reductions in the expected mining capex spend of the larger mining companies over the next few years.

At present, the main sources of portfolio risk are from overweight positions in SFR, Lend Lease (LLC), Telstra (TLS), RIO, RMD, IAG, Woolworths (WOW) and AAD.

General Market Commentary

The Australian equity market performance for February was very strong in response to what was generally a positive domestic profit reporting season. The benchmark ASX300 Accumulation Index ended the month up 4.9% as profits generally managed to meet consensus expectations and margins overall improved because of good cost management. Domestically, the main performance pattern was the underperformance of defensive sectors including telecoms, health care and property trusts.

The lack of disappointment rather than an overwhelming improvement in expected earnings over reporting season saw PE multiple expansion remain the dominate driver of equity market performance. Broadly speaking, results were characterized by soft top-line revenue growth being offset by cost out initiatives as companies sought to increase productivity and adapt operations to the new lower growth environment. With companies continuing to focus on cost reduction to drive earnings amid a soft economic backdrop, the net outcome post reporting season has been that market the consensus earnings growth for FY14 have been revised slightly up.

Company comments through the recent reporting season have revealed some themes of note, including; corporate balance sheets are generally stronger, with an improved cash position and lower gearing; the retail environment remains mixed, with continued heavy discounting throughout the sector; online penetration continues to disrupt several industries, most notably in retail and media; the weakening AUD is negatively impacting domestic margins but offshore-focused stocks have grown earnings substantially over the past year - aided by a lower AUD as well as improving US & European growth; the ongoing improvement in bank asset quality trends continues to positively surprise both ourselves and the market and is resulting in upgrades to bank earnings.

In other domestic company specific news: Qantas (QAN) announced 5,000 job cuts as part of a $2bn cost cutting program; David Jones (DJS) agreed to start talks with rival Myer after initially rejecting MYR's nil-premium merger proposal; AGL Energy (AGK) modified its proposed $1.5bn acquisition of Macquarie generation from the NSW Government after the ACCC objected to the bid.

The RBA left the cash rate unchanged at 2.5% but shifted its view to a more neutral stance by removing the easing bias from its commentary, suggesting a lengthy period of more stable interest rates is now likely. In somewhat of a surprise, the RBA also

upgraded its GDP growth forecasts to 2.75% in 2014 (from 2.50% previously) and 3.50% in 2015 (previously 3.25%). The Aussie dollar rose 1.9% over the course of the month against the USD, with the AUD/USD ending the month higher at $0.896 (+2.1c), helped by the RBA's move away from an easing bias to a neutral stance on the cash rate and the lack of its commentary around the unwarranted strength of the currency. We still expect the broader trend in recent months of US dollar strength will continue in the year ahead given the backdrop of flattish domestic growth, lower overall mining investment, rising unemployment levels and local interest rates now expected to be stable in the nearer term. An unexpected official rate rise by the RBA in the next few months remains the most likely variable factor that would reduce our confidence in the expected ongoing weakness in the Aussie dollar over 2014.

Although the domestic economic data released recently had generally been a little more upbeat, the data released during February was more mixed and had a softer tone, including: a higher unemployment rate which ticked up to 6% in January (+20bp to 6.0% vs consensus 5.9%), hitting a 10-year high as the economy has added no net new jobs in 12 months; consumer confidence (Feb -3.0% to a 9 month low); the NAB business confidence survey rose 2pts to +8 in January; the Westpac-MI consumer confidence index slid a further -3% m/m, the third consecutive monthly decline, with the index now tracking 7.5% m/m below the corresponding 2013 level; building approvals fell 2.9% m/m in December (consensus - 0.5%) as single family dwelling approvals plunged 3.2% m/m; housing finance commitments fell 1.9% m/m in December (consensus +0.7%) as the share of new loans to investors swelled to 39.8%, the largest share since October 2003; private sector credit increased 0.5% m/m (exp. 0.5% m/m); private business capital expenditure fell 5.2% q/q in 4Q13 (consensus -1.3%), the worst figure since 2009; December retail sales rose 0.5% m/m (exp.+0.5%), this figure was flattered by a spike in fresh produce prices which led to food sales increasing 2.5% m/m; furniture, hardware, clothing and cafes/restaurants food were strong, while footwear and department stores were weak with electrical sales again moderate; in December Australia produced its second trade surplus since late 2011, printing +$468m (consensus -$200m) which follows November's surplus of $83m (initially reported as a deficit of $118m).

As global tensions rose with the Ukraine situation becoming increasingly problematic, some commodities responded with price rises over February. The LME index of base metals regained some of January's losses, rising 1.4% over the month. Brent crude oil rose 2.0% over the month with supply disruptions in Africa and a weaker dollar helping support the price. The benchmark Tianjin 62% fines spot iron ore price fell 3.7% over the month and dropped below $US120/t for the first time since July 2013, ending the month at US$118.10, as a weaker-than-expected Chinese PMI reading and elevated port inventory levels weighed on the contract price. Spot gold added to January's gains with a 6.6% rally with the price supported by comments from Janet Yellen in her testimony before the U.S. House Financial Services Committee and rising tensions in the Ukraine. Ms Yellen echoed her predecessor with respect to monetary policy settings and attempted to reassure markets that there will be no rate tightening any time soon.

Outlook

The domestic reporting season provided some evidence that earnings growth is capable of being achieved in a low revenue growth environment and this was an essential component for helping support the equity market in 2014. The solid reporting season has provided some welcome relief for markets that have basically moved higher from the PE multiple expanding, rather than improved earnings, for the last couple of years. Interestingly, the improvement in earnings growth was not concentrated to particular sectors and was rather broad-based with the resources, banks and industrials (ex airlines, ex QBE) all recording solid annual growth. As a result of the wider spectrum of improved earnings over the reporting season, for the first time in a few years, analysts are now forecasting quite strong growth for most sectors in the market in FY14. The earnings momentum that had built up in the December 2013 half is now expected to continue into 2H14, with full-year consensus earnings growth rate expectations of over 10%.

One of our key considerations over reporting season was to try and avoid calamities. Despite the observation that results were generally in line over reporting season, the overall PE expansion that has taken many stocks higher looks stretched and we feel a bias to earnings quality and transparency remains one of the keys to navigating the year ahead. This is why we feel more comfortable being positioned with a bias to the large cap stocks that we have a higher level of comfort in being able to deliver on their current earnings expectations. An example of this is the domestic insurers and major banks that are both a means of exposure to above market average yield and are expected to meet or exceed their market consensus earnings estimates. We also remain positioned with a number of stocks having USD earnings exposure that are likely to benefit from a weaker AUD and we expect a stronger US economic outlook will continue to put pressure on the gold price and we still have no direct exposure to gold.

The portfolio's historically low active risk level (tracking error) has resulted from a combination of being more overweight the larger cap stocks and being less actively positioned at the specific sector level exposures. Given the elevated multiple that the equity market is now trading, we feel that this lower risk positioning is appropriate for the current environment where earnings certainty now comes at a premium and the impact of market volatility is expected to best mitigated by being overweight in larger cap stocks. Other specific active sector positioning includes being underweight the industrials (including holding no mining services stocks), consumer staples and energy stocks. We remain overweight the financial, healthcare and telecommunications and utilities sectors.

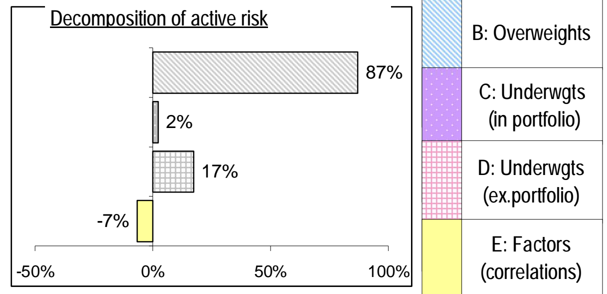
PORTFOLIO RISK SUMMARY

Portfolio Name:	**MyPort**
Benchmark:	ASX300
Date of Data:	28-Feb-14
Sector Type:	BGICS

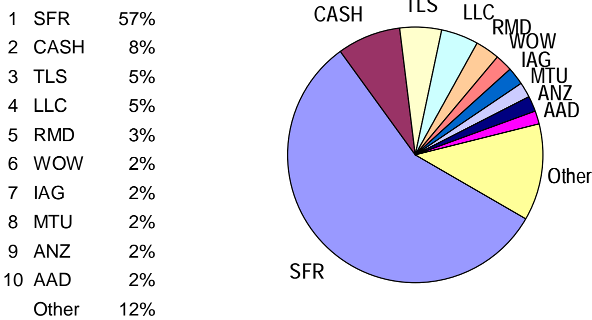
		Active Exposures:		%
Historic portfolio alpha	4.6%	Total:	72.3%	100.0%
Historic portfolio beta	0.98	Across sectors:	36.1%	49.9%
Raw return	17.7%	Within sectors:	36.3%	50.1%

Forecast **Tracking Error**	**2.34 %**	**2.35 %**
	(residual risk)	(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	89%	2.2	4.9
B	Overweight positions	87%	2.2	4.8
C	Underweight positions	2%	0.4	0.1
D	Stocks not held in portfolio	17%	1.0	1.0
E	Factors (correlations between stocks)	-7%		(0.4)
F	Total (A + D + E)	100%	**2.3**	5.5
G	Systematic risk (undiversifiable)		0.2	0.1
H	Residual risk definition tracking error (F - G)		**2.3**	5.5



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



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