

Fact Sheet

ATI Australian Equity Portfolio

Information as at 28 February 2015

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 2015)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	5.6	10.9	16.1	16.6	9.3	8.4
Benchmark Index	6.9	12.6	14.1	15.8	8.5	6.9
Relative Outperformance	(1.3)	(1.5)	2.0	0.8	(0.2)	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 2015

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)	Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Commonwealth Bank	8.8	9.9	Financials	48.5	47.0
ANZ Bank	8.4	6.5	Materials	11.7	15.4
Westpac Bank	8.2	7.9	Telecommunications	9.4	5.7
Telstra	7.9	5.2	Healthcare	8.3	5.9
National Australia Bank	7.6	6.1	Consumer Staples	5.7	7.0
BHP Billiton	5.5	7.2	Energy	2.7	4.7
Rio Tinto	4.1	1.9	Consumer Discretionary	2.8	4.3
Wesfarmers	3.6	3.3	Utilities	2.5	2.0
CSL	3.1	2.9	Information Technology	2.5	0.9
Insurance Aust. Group	3.1	0.9	Industrials	1.6	7.2

Selected Portfolio Statistics as at 28 February 2015

Inception Date	23-Dec-05	MER (est.)	~ 0.90% p.a.
Number of Stocks	34	Tracking Error (forward estimate)	~ 3% p.a.
ATI Funds Under Management	~ \$400m		

Portfolio Performance

The ATI Equity Portfolio rose 5.6% in February compared with a rise of 6.9% in the benchmark index. Against this benchmark, ATI is producing excess returns on a 1 year, 3 year and since inception (Dec'05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Materials (+11.9%), Energy (+9.2%), and Utilities (+7.8%) whilst the worst performers were Telecommunications (+0.6%), Consumer Staples (+1.0%) and Information Technology (+5.2%).

From a sector perspective, the relative performance of the ATI portfolio was most positively impacted from being underweight consumer staples (5.7% v benchmark of 7.0%) and overweight utilities stocks (2.5% v benchmark of 2.0%) whilst it was most negatively impacted by being underweight materials (11.5% v benchmark of 15.4%) and underweight Energy (2.7% v benchmark of 4.7%) stocks which both outperformed the market.

Attribution of Stocks

The portfolio performance during February was assisted by overweight positions in AMP (AMP), Rio Tinto (RIO), and being underweight Woolworths (WOW); and by not holding Transurban (TCL), Aurizon Holdings (AZJ), and Seek (SEK). The three stocks in the portfolio that contributed most to its relative performance during February were:

AMP (AMP) (+16.1%) outperformed the market in February after it delivered a much improved FY14 result, with NPAT of \$884m being up 32% on FY13. AMP seems to have now turned the corner with the troublesome life protection division and this has resulted in a rather rapid market re-rating over the last month. If the recent strength in equity markets is maintained, this is only likely to result in some market upgrades for the wealth division which remains the biggest earner for the Group. With this in mind, net inflows in FY14 of \$2.3bn were slightly up on FY13 (\$2.2bn net flows) and total funds under management continued to grow and was \$128.4bn at 2H14, up from \$117.0bn in FY13 and \$121.7bn in 1H14. Despite the recent share price rally, AMP's current ranking in the ATI universe still justifies our overweight position and we may even add to this over the coming half if we see any relative share price weakness.

Rio Tinto (RIO) (+11.9%) outperformed both the resources sector and the broader market during February, and more than recaptured the underperformance from January. RIO exceeded the market's expectations for net earnings, cash flow, and capital management when delivering its FY2014 financial result during the month. The company reported NPAT of US\$9.3bn, well ahead of consensus expectations of US\$8.9bn, and reduced net debt by US\$3.6bn over just the December half, due to strong operating cash flows, a reduction in working capital of US\$1.5bn, and translation benefits from a lower A\$ and C\$. The progressive dividend was lifted by 12% and the company announced a US\$2bn buyback, all remarkable achievements in a six month period when the realised iron ore price received by RIO fell by US\$28/t. With regard to portfolio positioning, we remain underweight Materials, however remain comfortable with our overweight position in Rio Tinto (and underweight in BHP Billiton) on relative valuation, and given RIO is a material net beneficiary of lower oil prices, which we expect to continue to lead to ongoing downgrades to BHP's earnings and cash flows.

Woolworths (WOW) (-3.4%) underperformed the market in February following a profit downgrade at the 1H15 result. FY15 NPAT was downgraded "towards the lower end" of 1.8% to 6.6% NPAT growth", from the 4% - 7% announced at the FY14 result and reiterated at its November AGM. The company also announced management changes with departure of the MD of Australian Supermarkets and Petrol, Tjeerd Jegen, being replaced by the current head of Liquor, Brad Banducci. Our underweight position in WOW generated relative outperformance. We have maintained this underweight position in the stock on the premise that: 1) there is further downside earnings risk to margin in the F&L business as the reinvestment in price is an admission that margins have peaked 2) there is no evidence that the losses in the Masters hardware business have stabilised 3) Big W will come under further pressure in 2H15 as they clear inventory and compete against a recovering Target business 4) there is risk that the May strategy day will contain downgrades to the longer term margins as the company seeks to deliver sustainable profit growth.

Positions that detracted most from the portfolio's performance during the month were from being overweight Insurance Australia Group (IAG), Telstra (TLS), and Ardent Leisure Group (AAD); and from not holding Toll Holdings (TOL), QBE Insurance (QBE), and Macquarie Group (MQG). Stocks in the portfolio that detracted most from relative performance during the month included:

Insurance Australia Group (IAG) (-4.7%) underperformed during January IAG reported 1H15 cash NPAT of \$653m which was ~3% above the market consensus, but the upside came entirely from a lower tax rate due to one-off benefits relating to a change in the Christchurch earthquake provisions. NPAT actually came in ~8% below consensus due to a lower than expected margin. The result reflected the combination of higher than budgeted catastrophe claims (Brisbane hailstorm) & falling premium rates being offset by supportive investment markets and additional reserve releases that still combined to produce a 1H15 insurance margin of 13.4%. Despite IAG having a below consensus 1H15 result, it has still remained confident of achieving its FY15 GWP and margin guidance which is certainly positive. We have lowered our FY15 earnings by ~5% after the interim and remain slightly above the broker expectations. Whilst the attractive ranking in the ATI universe post-result still warrants an overweight position, it is essential to point out that our forecasts are still highly dependent on the ability of IAG to remain near or only slightly over the cat budget for FY15 after the \$71m overrun in 1H15.

Telstra (TLS) (-2.0%) underperformed the market during February after reporting EBITDA of \$5,317 which was in line with market expectations and guidance for 1H15 EBITDA to be "broadly flat" on the pcp. TLS reported strong mobile growth and

added ~366k net additional mobile subscribers with APRU growth of 4.4% in the half. TLS's guidance for FY15 remains unchanged, with the company expecting continued low-single-digit income and EBITDA growth. TLS's management reiterated their focus on a sustainable increase in dividends. During the month David Thodey also announced his retirement and he will be succeeded by Andy Penn, the current CFO. TLS remain relatively attractive in the ATI universe and the overweight portfolio position is expected to be maintained whilst also providing good yield and an earnings profile that is quite transparent when compared with many other stocks in the investment grade universe.

Ardent Leisure Group (AAD) (-13.7%) underperformed in February after it disappointed the market with a below expectation 1H15 NPAT result of \$32.2m, down 9% on pcp, most impacted by a very poor performance from the Goodlife (health clubs) division as a result of much higher than expected member churn rates. Despite the hiccup in the 1H15 result for Goodlife, we are comfortable that management initiatives to address the churn issues and reinvigorate the business will stabilise the business in 2H15. The US operations (Main event) and Bowling both performed well, whilst the Theme parks business was impacted by wet weather in the key Christmas holiday trading period. Whilst we have lowered our overall FY15 earnings following the result, the stock still ranks attractively in ATI universe and has an above market yield which should underpin the share price. We have maintained our overweight portfolio position.

Portfolio Construction

The main portfolio weighting changes during February were quite minimal and included: top-ups for our portfolio holdings in AMP (AMP), ANZ Banking Group (ANZ), IAG, Seven West Media (SWM) and TLS; and slight portfolio reductions for our holdings in BHP Billiton (BHP), Brambles (BXB) and Westfield Group (WFD). Cash at the end of February was 4.3% and is just below the 5% maximum threshold, similar to the 4.1% in January, reflecting our view that equity markets are not exactly cheap.

The ATI portfolio, with regard to its market capitalisation exposures, is only slightly differentiated to the benchmark index with ~88% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~9% in the next 100 (benchmark ~14%), and ~3% in the last 150 stocks (benchmark ~3%). The 10 largest holdings constitute ~63% of the portfolio (benchmark ~53%), the dividend yield is 4.3% (benchmark 4.2%) and the portfolio's historic or trailing PE is 15.5x (benchmark of 17.1x).

Whilst the portfolio's market cap bias remains tilted to the larger stocks, its underlying active sector positioning is not the same as that of the benchmark index. The main points of differentiation are that the portfolio remains underweight the industrial and material sectors and overweight the financial, healthcare and telecommunication sectors. We remain comfortable holding positions in some specific resource stocks, particularly BHP, Fortescue Metals Group (FMG) & RIO, and copper exposure, Sandfire Resources (SFR), whose expected return is sufficiently attractive to justify some additional portfolio risk at this stage.

We also continue to 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 BXB, Computershare (CPU), CSL, and Resmed (RMD) in combination with other opportunities that we feel have fundamental valuation support, such as CarSales.Com (CRZ), M2 Group (MTU), Suncorp Group (SUN), Virtus Health (VRT) and Wesfarmers (WES).

Portfolio Risk

The current forecast tracking error of ~2.3% is similar to last month (~2.2%). We are continuing to be presented with a number of stock opportunities in the financial, materials, industrial and consumer staples sectors as a result of some recent relative market underperformance. At this stage we still feel that any overweight positioning in the resource stocks is unlikely in an environment with ongoing profit 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, RMD, MTU, RIO, Lend Lease (LLC), IAG, and TLS.

General Market Commentary

The Australian equity market continued calendar 2015 on a very strong note with the S&P/ASX300 Accumulation Index rising +6.9% in February and recording its best monthly performance since October 2011. Resource stocks rallied strongly, aided by a strong rise in the price of oil and a stabilisation in the price of iron ore and not surprisingly the materials and energy were the best performing sectors while the more defensive sectors like telco's, property trusts and consumer staples were the worst performing.

While reporting season results on average were broadly in line with consensus expectations, earnings revisions over the month saw overall FY15 estimates edging further down. While aggregate consensus revisions have been trimmed less than 1% over February, there has been some significant movement in earnings at the stock level. Overall market earnings growth is now expected to be close to zero in FY15, although market ex-resources EPS growth is still on track for a robust 9% after being helped by the fall in the Aussie dollar and ongoing cost-out initiatives.

Some of the key themes of reporting season were ongoing cost-out momentum, continued dividend surprise and capital management. Cost-out has been a recurrent theme in recent reporting season results and some examples in this period where it helped improve earnings included Asciano (AIO), Ansell (ANN), Aurizon Holdings (AZJ), BHP Billiton (BHP), Boral (BLD), Computershare (CPU), Orora (ORA), and Sims Metal Management (SGM). A number of firms surprised the market and announced

either special dividends including Leighton (LEI), Tabcorp (TAH) and Oilsearch (OSH) or buy-backs such as Seven Group Holdings (SVW), RIO, Amcor (AMC), Fairfax Media (FXJ), Nine Entertainment (NEC), and Orica (ORI).

While only a few companies materially lifted their cost-out targets, a strong performance on costs was the most common reason explaining why firms beat market analysts' estimates, with gross profit margins being maintained despite still soft revenues. Some examples of well received results included Adelaide Brighton (ABC), Crown (CWN), Flight Centre (FLT), Orora (ORA) and Sims Metal Management (SGM) whilst some notable poorly received results included IAG, Transpacific Industries (TPI), Woolworths (WOW) and Worley Parsons (WOR). The three largest resource stocks – BHP Billiton, RIO and Woodside Petroleum (WPL) – reported well received results. Additionally, the board Toll Holdings (TOL) unanimously recommended the acquisition of all TOL shares for \$9.04 from Japan Post Co. Ltd as.

In a somewhat of a market surprise the RBA cut the official interest rate by 25bps to 2.25% in February, the first move since Aug-13. The RBA now expects the period of sub-trend growth in the economy to be 'somewhat longer' and that the peak in the jobless rate will be 'a little higher'. In addition to delivering a policy rate cut at the RBA's February meeting, in the post meeting statement Governor Glenn Stevens described the AUD, despite falling "noticeably", as remaining above most estimates of fundamental value. Notwithstanding the policy move and accompanying comments from Glenn Stevens, the Aussie rose against the USD (+0.6%) and finished the month at US\$0.7809, compared to the previous month's close of US\$0.7626.

Regarding domestic economic releases in February: the NAB business confidence index rose one point to +3, while the NAB business conditions index slide two points to +2; the Westpac-MI consumer confidence index rose 8% m/m, with the index reaching above the pivotal 100 point level; among the sub-indexes, gains in the outlook for the economy over the next one and five years were most impressive, at 10% m/m and 13% m/m respectively; the economy shed 12.2k jobs in January (consensus -5.0k), resulting in the unemployment rate climbing to 6.4%, the highest level since June 2002; the participation ratio was steady at 64.8% (consensus 64.8%); retail sales rose 0.2% m/m (exp. +0.3%) and among the categories, food was up 0.3% m/m, while household goods and department stores fell 0.4% m/m and 0.9% m/m respectively; building approvals declined 3.3% m/m in Dec-14 (consensus -5.0%); the volume of new housing finance commitments to owner occupiers rose 2.7% m/m (consensus +2.0%) and the value of such loans rose 3.8% m/m for the same month; the value of housing loans to investors rose 6.0% m/m.

The oil price finally stopped falling as the Brent oil price recorded its first monthly increase since June-14, possibly aided by the largest strike of oil workers in the US since 1980 as well as a plunging US oil rig count. The Baker Hughes US oil rig count fell by 237 over the month bringing the total count to 986, down 31% on Feb-14, and the lowest level since June-11. The benchmark spot iron ore price rose firmly to mid month, but subsequently faded into month-end, resulting in the commodity price roughly unchanged for the month (+0.6%). The prospect of higher iron ore prices in the near-term faded as China's steel PMI eased further to 43 in Jan-15 (44.1 in Dec-14) and new orders less inventories, a key lead indicator, fell to a four month low. Base metals as measured by the LME index rose 1.4%. Of the six primary index members, copper was the only base metal to post a gain for the month (6.9%), while aluminium (-2.8%), lead (-7.1%), zinc (-3.4%), tin (-5.6%) and nickel (-7.1%) all lost ground. Spot gold fell 5.5% over February, giving back most of the gains made last month as falling speculative positions and a firmer USD likely weighted on the commodity price.

Outlook

The Australian equity market has made a very strong start to calendar 2015, however this has more to do with low interest rates than the earnings backdrop in our view. It seems that with interest rates low, evidence of moderate earnings growth in industrials & banks, and smaller falls in resources than expectations, has been a sufficiently good reason for investors to bid up equities. The absence of an improved earnings outlook means ongoing market momentum from here seems reliant on lower for longer interest rates and/or further commodity strength which would provide some support for resource stocks. Certainly the cut in the local cash rate is helping the relative case for stocks, particularly the high yielders and heavily retail-investor-owned bank sector.

The market PE ratio has now risen above 16 times, buoyed by the increasing demand for risk assets with the ongoing quantitative easing actions being undertaken by global central banks, including the RBA. Our view is that the Australian market's superior relative yield advantage should continue to be the recipient of investor support and this in turn is expected to limit the downside for our equity market in the year ahead. This essentially underpins our ongoing bias towards greater earnings certainty, sustainable yield and growth outside domestic sources as we feel that EPS growth will be hard to achieve for many stocks in 2015. We remain of the view that the major banks still remain attractive relative to many other sectors and are some of the only large cap stocks likely to see upgrades for FY15 - driven by lower funding costs, benign asset quality and reasonable asset growth.

Whilst we are aware that higher yielding stocks remain susceptible to further increases in global interest rates, the historically low interest rate levels mean that we will remain overweight the financials sector in the near term and it continues to offer us a higher level of earnings certainty than many industrial and resource names. Our decision to remain underweight the materials sector still seems appropriate at this stage as consensus aggregate EPS expectations for FY15 have continued to trend lower with commodity prices and composite sector earnings growth expectations for resources in FY15 still remain negative.

We also remain positioned with a number of stocks having USD earnings exposure that are likely to benefit from any weakness in the Aussie dollar and we also expect a stronger US economic outlook will continue to put pressure on the gold price and this is why the portfolio still has no direct exposure to gold. Other specific active sector positioning includes being underweight the industrials (including holding no mining services stocks), consumer staples and energy stocks. Outside of the financials, we also remain overweight the healthcare, telecommunications and utilities sectors.

PORTFOLIO RISK SUMMARY

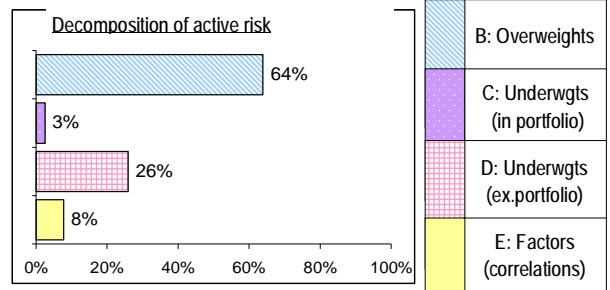
Portfolio Name:	MyPort
Benchmark:	ASX300
Date of Data:	28-Feb-15
Sector Type:	GICS1

		Active Exposures:	%
Historic portfolio alpha	6.9%	Total:	73.3% 100.0%
Historic portfolio beta	0.94	Across sectors:	27.7% 37.8%
Raw return	15.2%	Within sectors:	45.6% 62.2%

Forecast
Tracking
Error

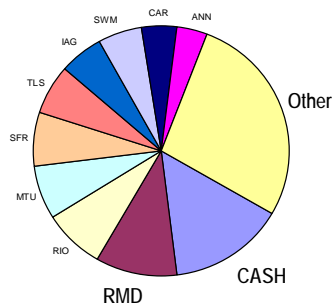
2.29 %
(active risk)

Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A Stocks held in portfolio (B+C)	66%	1.9	3.5
B Overweight positions	64%	1.8	3.3
C Underweight positions	3%	0.4	0.1
D Stocks not held in portfolio	26%	1.2	1.4
E Factors (correlations between stocks)	8%		0.4
F Total (A + D + E)	100%	2.3	5.2



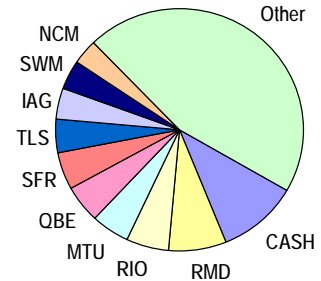
Top 10 sources of risk: Stocks held in the portfolio (A)

- CASH 15%
- RMD 10%
- RIO 8%
- MTU 7%
- SFR 7%
- TLS 6%
- IAG 6%
- SWM 5%
- CAR 5%
- ANN 4%
- Other 27%



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

- CASH 11%
- RMD 7%
- RIO 5%
- MTU 5%
- QBE 5%
- SFR 5%
- TLS 5%
- IAG 4%
- SWM 4%
- NCM 3%
- Other 46%



Active Weights

