Above The Index Asset Management Pty Ltd

Fact Sheet

ATI Australian Equity Portfolio

Information as at 30 April 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 30 April 2013)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	3.3	4.3	21.3	5.7	4.9	7.2
Benchmark Index	4.3	7.3	22.7	7.0	2.8	5.6
Relative Outperformance	(1.0)	(3.0)	(1.4)	(1.3)	2.1	1.6

*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 30 April 2013

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
BHP Billiton	10.3	8.2
National Australia Bank	9.8	6.2
ANZ Bank	8.3	6.8
Westpac Bank	7.4	8.2
Telstra	6.4	4.8
Commonwealth Bank	5.4	9.2
Rio Tinto	4.4	1.9
Woodside Petroleum	3.5	1.8
Woolworths	3.4	3.5
Insurance Aust. Group	3.1	0.9

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	39.9	45.4
Materials	24.1	16.8
Consumer Staples	5.9	9.0
Consumer Discretionary	7.3	4.2
Telecommunications	6.4	5.1
Industrials	3.4	6.7
Healthcare	2.4	4.3
Energy	3.5	5.9
Utilities	2.2	1.7
Information Technology	1.9	0.7

Selected Portfolio Statistics as at 30 April 2013

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

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

Portfolio Performance

The ATI Equity Portfolio rose 3.3% in April compared with a rise of 4.3% 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 Financials (+8.5%), Property Trusts (+8.2%) and Consumer Staples (+1.8%); while the worst were Materials (-3.9%), Energy (-1.2%) and information Technology (-0.4%).

From a sector perspective, the relative performance of the ATI portfolio was most negatively impacted from being overweight Materials stocks (24.1% v benchmark of 16.8%), and underweight Property Trust (2.9% v benchmark of 4.0%) stocks; but was positively impacted from being overweight Consumer Discretionary stocks (7.3% v benchmark of 4.2%) and being underweight Energy (3.5% v benchmark of 5.9%).

Attribution of Stocks

The portfolio performance during March was assisted by overweight positions in ANZ Banking Group (ANZ), National Australia Bank (NAB), and Telstra (TLS); and by not holding Newcrest Mining (NCM), Origin Energy (ORG) and Worley Parsons (WOR). The three stocks in the portfolio that contributed most to its relative performance during March were:

> **ANZ Bank (ANZ) (+11.6%)** outperformed the market in April, being particularly strong on the last day of the month after releasing its 1H13 result. The result exceeded market consensus expectations with an increase in the dividend, and dividend payout ratio guidance, being well received by the market as ANZ shares rose 5.8% on the day of the announcement. Some noteworthy aspects of the 1H13 result were: cash earnings of ~$3.2bn (consensus was ~$3.1bn); an interim dividend of 0.73c per share (consensus was 68c); moving from a targeted 65% payout ratio to targeting the upper end of a 65-70% payout ratio range; a net interest margin of 2.25% which was only down 3bp on the previous half; trading income of $763m compared to a 2H12 outcome of $632m; better than expected credit quality with bad debt charges of ~$600m being ~13% below market expectations; and, further headcount reduction with 800 less full-time employees by the end of 1H13. ANZ remains an overweight portfolio holding.
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> **National Australia Bank (NAB) (+10.3%)** again outperformed its major bank peers and the broader market during April. Whilst there was no specific company news release that supported the share price performance, NAB has continued to be the beneficiary of the market demand for yield and the market would have taken some encouraging signs that came from the composition of the ANZ 1H13 result release before NAB's own interim result release in early May. NAB remains an overweight portfolio holding.
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> **Telstra (TLS) (+10.4%)** outperformed during the month as the appetite for yield and earnings certainty showed no signs of abating. During the month the Coalition released their NBN policy which comprised fibre to the node (FTTN) which requires using Telstra's copper for the connection from the node to the premises. If the Coalition were to win the upcoming election, it would put Telstra in a good position as the Gov't would have to negotiate access to this copper. The policy also allows Telstra (and Optus) to compete against the NBN using HFC cable, potentially providing Telstra with further earnings opportunities. In addition Telstra also won a $1.1bn contract for the Defence Force over a 6 year period. TLS remains an overweight portfolio holding based on fundamental valuation and solid yield.

Positions that detracted most from the portfolio's performance during the month were from being overweight Ausdrill (ASL), Atlas Iron (AGO), and being underweight Commonwealth Bank (CBA); and from not holding Westfield Group (WDC), Suncorp Group (SUN), and Westfield Retail Trust (WRT). Stocks in the portfolio that detracted most from relative performance during the month included:

> **Ausdrill (ASL) (-47.8%)** substantially underperformed during the month after announcing a 15% downgrade to earnings which was attributed to a slowdown in equipment hire (where their most recent acquisition of BTP is exposed) and a weak exploration market. The rest of the downgrade was classified as non-operating (FX loss and a bad debt). The stock was heavily sold off in line with the sector on the back of a falling gold price and the negative sentiment around resource companies in-sourcing services and delaying projects in general. The portfolio position has been maintained however as the company is heavily exposed to the back end of the mining cycle where the production profiles of several resource names are starting to ramp up. ASL continues its expansion into Africa and has ~75% of its earnings coming from long dated production drilling contracts.
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> **Atlas Iron (AGO) (-24.8%)** continued to underperform both the index and iron ore prices during April due to ongoing scepticism over the sustainability of elevated commodity prices. The spot iron ore price (62% Fe, CFR China) declined by a relatively modest ~5% through April to ~US$130/t. We note however that current iron ore prices continue to remain very attractive and highly profitable for all Australian producers. AGO reported record shipments for the March 2013 quarter of 1.86mt, which included six shipments, or ~627kt of "Atlas Value Fines", essentially mineralised waste, and still managed an average price received of US$120/t. Cash operating cost guidance for FY2013 remains at US$46-50/t, whilst "all in" delivered costs to China, including royalties, administration and corporate overheads are closer to US$80/t. Another record quarter of shipments is expected in the current June quarter. AGO continues to progress a feasibility study in conjunction with Aurizon into a rail solution to facilitate the development of the company's Horizon Two assets, however two key developments appear to be slowing progress on the delayed study, which is now due for completion around June 2013. Firstly, the process being run by FMG to sell a minority stake in TPI, the company holding FMG's rail and port assets,

may open up opportunities for the transport of third party iron ore, depending on the terms and indeed the success of the sale process. Secondly, progress by Hancock Prospecting on the development of the Roy Hill operation, which is currently at the financing stage, may also open up opportunities for infrastructure sharing arrangements. Depending of course on the terms, it is possible that more attractive transport options become available to AGO than proceeding with the Aurizon JV to construct a new rail system. Finally, early in May, AGO announced a significant exploration discovery at Corunna Downs, located between the company's existing McPhee Creek and Mt Webber projects, and theoretically within trucking distance of Port Hedland.

Commonwealth Bank (CBA) (+8.0%) again outperformed the broader market during April which resulted in some detraction from overall performance due to the portfolios underweight position. Whilst there was no specific company news release that supported the share price performance, CBA has continued to be the beneficiary of the market demand for yield and the market taking some encouraging signs that came from the composition of the ANZ 1H13 result release. Due to its relatively unattractive expected return, CBA remains an underweight portfolio holding.

Portfolio Construction

The main portfolio weighting changes during April included portfolio top-ups for our holdings in BHP Billiton (BHP), Computershare (CPU), and Wesfarmers (WES); and a slight portfolio weighting reduction for Woolworths (WOW). Cash at the end of April was 3.2% (March 3.6%).

The ATI portfolio, with regard to the market capitalisation exposures, remains quite similar to the benchmark index with ~88% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~9% in the next 100 (benchmark ~13%), and ~4% in the last 150 stocks (benchmark ~4%). ATI's 10 largest holdings make up 64% of the portfolio (benchmark 55%), the dividend yield is 4.0% (benchmark 4.0%) and the portfolio's historic PE is 15.1x (benchmark of 16.1x).

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 AGO, Fortescue Metals group (FMG), PanAust (PNA), and Sandfire Resources (SFR). 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 Pacific Brands (PBG), Toll Holdings (TOL) and Fairfax Media (FXJ), which have outperformed the market over the past 12 months.

Portfolio Risk

The current forecast tracking error of ~3.8% is slightly below last month ~3.9%. Post the reporting season we have continued to assess the portfolio positions with regards to any earnings changes over our forecast years that have resulted from company results and outlook statements where relevant.

We are continuing to be presented with a number of stock opportunities in the underperforming materials sector as a result of their recent underperformance. At this stage we still feel that any further additional risk is unlikely to be justified in an environment with minimal earnings clarity and continued reductions in the expected mining capex spend over 2013. That said, we also feel that the negative reaction of many materials stocks in the iron ore and copper space has been overdone in the last couple of months as recent commodity pricing levels remain well above the lower levels that we saw the second half of 2012 and during the GFC.

At present the main sources of portfolio risk are from overweight positions in SFR, FMG, AGO, Lynas Corp (LYC), PNA, Rio Tinto (RIO), and Lend Lease (LLC) and an underweight position in CBA.

General Market Commentary

With the buying focus for investors remaining firmly centered on yield, defensive sectors outperformed as the domestic equity market recaptured the falls of the previous month to finish up quite strongly. The benchmark ASX300 Accumulation Index managed to finish April up 4.3%, despite the fact that the materials sector was dragged down by weaker-than-expected economic data from China and softer commodity prices, particularly gold. Those stocks in the sectors offering the relatively highest dividend yields, being telecommunications, banks and property trusts, were consequently the best performing in Australia during the month.

Weaker than consensus forecast growth in China and a collapse in the gold price weighed heavily on the underperforming materials sector. China's March quarter GDP growth came in at +7.7% yoy (consensus +8.0%), driven by some weakness in consumption trends. Meanwhile, fall out from the Cyprus bailout, political tensions in North Korea and Japan's new QE policy did not seem to help gold, with selling pressure mid month seeing the precious metal fall as much as 15%.

Some significant company specific news during April included: following the postponement of its Browse project, Woodside Petroleum (WPL) announced a special dividend of US63cps and an increase in its target payout ratio from ~50% to ~80% over the next several years; Graincorp (GNC) conditionally agreed to an offer by Archer Daniels Midland at $13.20 per share, comprising

$12.20 in cash and fully franked dividends of $1.00 per share; consistent with the negative sentiment around commodities and reduced mining sector capex plans, there were a number of profit warnings from the mining service companies such as Calibre Group (CGH), Emeco (EHL), and Bradken (BKN).

As has been the recent trend, domestic economic data continues to be mixed with the positive data points including residential building approvals being solid (Feb +3.1% mom vs consensus +2.5% mom) and nominal retail sales (Feb +1.3% mom, vs consensus +0.3% mom – strongest monthly rise since Nov09 accompanied by upward revisions to prior 3 months data). On the other hand, Australian unemployment moved 20bp higher to 5.6% (consensus 5.4%) vs 5.0% 12 months ago. Although the RBA left the cash rate unchanged, inflation for the March qtr was soft (+0.4% qoq vs consensus +0.7% qoq), improving the chances of a rate cut in coming months. Whilst the RBA cited reduced downside risks to the global economy and the continued effect of easing that took place in late 2012, they also stated that the inflation outlook "would afford scope to ease policy further" if it were necessary to do so. The AUD/USD ended the month lower at US$1.035, (-US0.006c), but traded as high as US$1.0585 intra-month.

The price of gold plummeted following the disclosure that Cyprus had committed to selling around €400 million of its gold reserves as part of its bailout deal, prompting fears that other hard-pressed Eurozone countries would eventually be forced to do the same. The price of gold fell below US$1,400 per ounce for the first time since early 2011 as it suffered its biggest daily fall in 30 years, before clawing back some of its losses toward the end of the month to end April down 7.6%. The LME index of base metals (−4.4%) was a victim of the negative sentiment around Chinese growth as China's 1Q13 GDP growth of 7.7% y/y was lower-than-expected. Base metal prices, particularly copper (−6.5%) and aluminium (−1.9%), also fell during the month. Other commodities were generally lower during the month with the benchmark spot iron ore contract, Tianjin 62% fines, being lower in April (−2.3%). Zinc (+0.4%) was an exception as it managed to eke out small gains. Oil sold off sharply at the start of April (−7.3%) but recovered some ground towards the end as a weekly report from the Energy Information Administration showed gasoline inventories falling sharply.

Outlook

Our equity market performance was once again driven by the ongoing search for income from both domestic and offshore investors. This thematic has also been accompanied by the recent underperformance of the materials stocks as any perceived weaker global macro data and/or commodity price softness is instantly accompanied by further selling pressure in the sector. As a result, the current pricing for many materials sector stocks is implying commodity prices that are significantly below the current spot prices and we are of the view that this divergence continues to provide an opportunity. The ability for the materials sector to be positively re-rated over the course of 2013 has only improved as a result of its recent negative performance and we feel that this is still one of the key ingredients for any sustained equity market appreciation.

With the performance of many industrial and financial stocks recently linked to yield rather than other traditional fundamental valuation metrics, it appears that earnings expectations have taken a 'back seat' for the time being. Whilst the timing is always difficult to predict, we continue to think that equity markets will eventually reward earnings growth given the improving global macro dynamics of an ongoing recovery in the US economy, an expanding Chinese economy and a less troubled Eurozone. By way of response, we think that the compelling earnings growth profile of many materials stocks will begin to receive some more investor attention, at least in conjunction with the recent 'buy yield only' mentality that we have observed. We remain positioned within the portfolio to capture out-performance if equity markets do respond as we expect and start paying more for these potential relative growth opportunities. This outcome, in conjunction with the ongoing demand for income, could provide twin catalysts for investors to remain ongoing buyers of the equity market during 2013.

The ATI portfolio remains balanced 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.

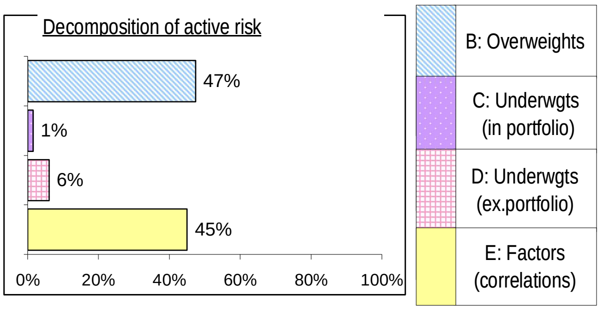
PORTFOLIO RISK SUMMARY

Portfolio Name:	**MyPort**
Benchmark:	ASX300
Date of Data:	30-Apr-13
Sector Type:	BGICS

		Active Exposures:		%
Historic portfolio alpha	6.4%	Total:	83.6%	100.0%
Historic portfolio beta	1.11	Across sectors:	40.3%	48.2%
Raw return	17.8%	Within sectors:	43.3%	51.8%

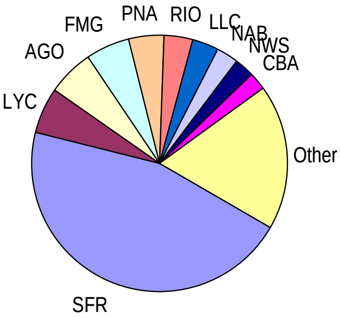
Forecast Tracking Error	3.55 %	3.81 %
	(residual risk)	(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	49%	2.7	7.1
B	Overweight positions	47%	2.6	6.9
C	Underweight positions	1%	0.5	0.2
D	Stocks not held in portfolio	6%	0.9	0.9
E	Factors (correlations between stocks)	45%		6.5
F	Total (A + D + E)	100%	**3.8**	14.5
G	Systematic risk (undiversifiable)		1.4	1.9
H	Residual risk definition tracking error (F - G)		**3.6**	12.6



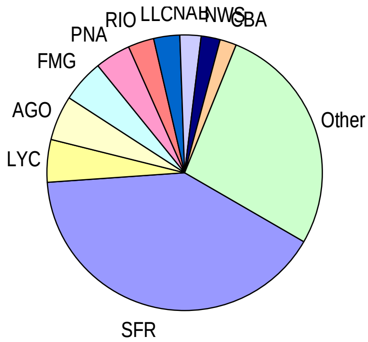
Top 10 sources of risk: Stocks held in the portfolio (A)

1	SFR	45%
2	LYC	6%
3	AGO	6%
4	FMG	6%
5	PNA	4%
6	RIO	4%
7	LLC	3%
8	NAB	3%
9	NWS	3%
10	CBA	2%
	Other	18%



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

1	SFR	40%
2	LYC	5%
3	AGO	5%
4	FMG	5%
5	PNA	4%
6	RIO	3%
7	LLC	3%
8	NAB	3%
9	NWS	2%
10	CBA	2%
	Other	27%



Active Weights