Above The Index Asset Management Pty Ltd

Fact Sheet

ATI Australian Equity Portfolio

Information as at 30 June 2012

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 three-year periods.

Performance Update

(*Returns to 30 June 2012)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	0.1	(4.6)	(7.2)	6.4	(1.4)	4.1
S&P/ASX300 Accumulation Index	0.5	(5.0)	(7.0)	5.5	(4.2)	2.1
Relative Outperformance	**(0.4)**	**0.4**	**(0.2)**	**0.9**	**2.8**	**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 30 June 2012

Largest Holdings	Portfolio Weight (%)	S&P/ASX300 Weight (%)
BHP Billiton	9.1	10.1
National Australia Bank	7.7	5.3
Westpac Bank	7.6	6.4
ANZ Bank	7.2	5.8
Telstra	6.1	4.6
Woolworths	5.0	3.3
Commonwealth Bank	4.0	8.4
Newcrest	4.0	1.7
News Corporation	2.8	0.7
Woodside Petroleum	2.5	1.9

Sector Allocation	Portfolio Weight (%)	S&P/ASX300 Weight (%)
Financials	32.9	40.4
Materials	29.1	22.2
Consumer Staples	9.0	8.3
Consumer Discretionary	6.6	3.7
Telecommunications	6.1	4.9
Industrials	5.4	7.1
Energy	2.5	6.9
Healthcare	1.9	4.1
Information Technology	1.9	0.7
Utilities	1.8	1.9

Selected Portfolio Statistics as at 30 June 2012

Inception Date	23-Dec-05
Number of Stocks	35
ATI Funds Under Management	~ $400m

MER (est.)	~ 0.90% p.a.
Tracking Error (forward estimate)	~ 5% p.a.

Portfolio Performance

The ATI Equity Portfolio rose 0.1% in June compared with a rise of 0.5% in the S&P/ASX300 Accumulation Index. Against this benchmark, ATI is producing excess returns on a quarterly, 3 year, 5 year and since inception (Dec-05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Financials (+4.8%), Telecommunication Services (+3.7%) and Health Care (+3.0%); while the worst were Energy (-6.1%), Industrials (-5.7%) and Materials (-3.5%).

Attribution of Stocks

The portfolio performance during June was assisted by overweight positions in News Corporation [NWS], National Australia Bank (NAB) and Ardent Leisure (AAD); and by not holding Santos [STO], Iluka Resources (ILU) and Origin Energy (ORG). Stocks in the portfolio that contributed most to its relative performance during the month included:

News Corporation (NWS) (+9.1%) strongly outperformed during June as press speculation that the company was going to separate out its publishing assets was ultimately confirmed by management. Under the plan the newspaper, book publishing and education businesses will be hived off into a separate company, along with all the remaining Australian assets (including Foxtel, and Premier Media/Fox Sports). In a busy month for NWS, the company also launched a $2b takeover offer for Consolidated Media (CMJ) in order to increase its stake in Foxtel from 25% to 50% and Premier Media from 50% to 100%, which is in line with management's strategy to consolidate core assets. Finally, following similar moves by Fairfax Media (FXJ), NWS announced a major restructuring of its Australian newspaper operations. Despite its strong outperformance over recent months, NWS remains reasonably attractive and a core portfolio holding with its strong structural earnings growth and ongoing buyback support.

National Australia Bank (NAB) (+4.7%) outperformed the market in June as investors continued to chase high yield stocks as evidenced by the sector performance. During June NAB sold $1.25bn of 5 year covered bonds with a 2% coupon, which was a very favourable result when compared with a range of 2.25%-2.45% from the prior three deals for five-year bonds. NAB also highlighted its Personal Banking Division's progress and benefits of repositioning since FY09 at a broker conference held in June. Despite the recent share price performance, NAB remains a core overweight portfolio holding and remains relatively attractive in the ATI stock rankings.

Ardent Leisure (AAD) (+2.0%) performed relatively well in June as investors again headed for those companies with a defensive, domestic earnings mix and yield support in these uncertain markets. AAD presented at a broker conference during the month and indicated that it was finally experiencing some better weather (leading to better attendance and average customer spend) at its Gold Coast theme parks. This remains a positive potential catalyst for earnings improvement over the coming year. AAD remains an overweight portfolio holding despite the recent performance.

Positions that detracted most from the portfolio's performance during the month were from being overweight Qantas Airways (QAN), Lynas Corporation (LYC) and underweight Commonwealth Bank (CBA); and from not holding QBE Insurance (QBE), Westfield Group (WDC) and Goodman Group (GMG). Stocks in the portfolio that detracted most from performance during the month included:

Qantas Airways (QAN) (-27.9%) underperformed in June when the company announced a profit downgrade stating that it expected to report a FY12 underlying profit before tax (PBT) of $50-100m versus market expectations of ~$300m. The main reason for the downgrade was due to the poorly performing Qantas International division which is expected to report a loss of $450m in FY12 (compared with $216m loss in FY11). In the domestic market, the company noted that it expects Qantas Domestic and Jetstar to deliver a combined EBIT of over $600m. ATI exited its position in QAN in June due to ongoing concerns surrounding future earnings transparency, an increasingly competitive domestic market (due to Virgin's focus on the corporate market and Tiger Airlines' re-entry into the market), a continuing high oil price and the potential for a capital raising to improve its balance sheet position (for the purposes of maintaining an investment grade debt rating).

Lynas Corporation (LYC) (-18.4%) underperformed the market in June due to ongoing regulatory uncertainty in Malaysia. Despite the governmental ***approval*** of its Temporary Operating Licence (TOL) for the Lynas Advanced Materials Plant (LAMP), the company continues to wait for the TOL to be ***issued***. Meanwhile, during June, the latest review of the regulatory process regarding the LAMP, this time by a Parliamentary Select Committee, once again recommended that the TOL be ***issued*** to LYC, and noted the compliance with Malaysian and international standards. The issuance of the TOL is yet to occur, and until it does, the company is not permitted to import concentrate into Malaysia. The ongoing uncertainty continues to pressure the LYC share price, however we continue to view LYC as a relatively attractive investment. We note the Malaysian elections must be held by April 2013, and the strong likelihood that they will indeed be held in 2H 2012. With all indications pointing to the elections once again being won by the incumbent government, we remain confident that LYC will eventually receive its licence to operate, and finally be able to commence operations at the facility that it has invested over $600m building in Malaysia.

Commonwealth Bank (CBA) (+7.5%) outperformed the market and the bank sector in June despite no company specific information being released. The market support for higher dividend yield stocks helps explain some of the performance of CBA during June as it pays its next dividend in August and this is expected to be accompanied by the announcement of a record profit figure for FY12. CBA remains an underweight portfolio holding as we feel that the market is still currently paying an unrealistically high multiple for the forecast earnings stream of the company.

Portfolio Construction

The ATI portfolio, with regard to the market capitalisation exposures, is now similar to the S&P/ASX300 index with 82% of the portfolio (excluding cash) in the top 50 stocks (compared to 82% of the S&P/ASX300 index), 14% in the next 100 (14% of the index), and 4% in the last 150 stocks (4% of the index).

ATI has actively been reducing the extent of the overweight position in the larger cap stocks even though we expect there to be ongoing market volatility driven by the unresolved European debt issues, slower Chinese growth and a slowing US economy. We have identified a number of smaller resource stocks in the iron ore and copper sectors that have become attractive enough for their return profile to justify some additional portfolio risk. This has led to an increase in tracking error of ~100bp to 4.6% by month end.

The main portfolio weighting changes during June included top-up purchases for Emeco Holdings [EHL], Fortescue Metals Group [FMG], Kingsgate Consolidated [KCN], LYC, Newcrest Mining [NCM], PanAust [PNA] and Sandfire Resources [SFR]; the sale of QAN and some slight weighting reductions for CBA, NWS, Telstra [TLS] and Woolworths [WOW].

Portfolio Risk

The current forecast tracking error of ~5% (range of 2-8%) for the ATI portfolio is unlikely to change in coming months unless we feel that the risk/return benefit of taking on some relatively oversold smaller cap stocks requires amendment with reference to a greater than expected deterioration on the global macro developments. At present the main sources of portfolio risk are from overweight positions in EHL, Pacific Brands [PBG], LYC, Medusa Mining [MML], NCM and SFR; and an underweight position in CBA.

General Market Commentary

June was panning out to be yet another disappointing month as our equity market remained hostage to the lack of a clear strategy to deal with the Eurozone debt issues and ongoing downward revisions to global growth and domestic earnings expectations. Then, on the last day of the month, global equity markets rallied strongly as European leaders announced a series of measures that signified an attempt to move towards a unified approach in addressing the ongoing Euro bank debt and sovereign funding issues. Whilst the EU summit announcements are yet to be supported by more explanatory detail, the unexpected month-end bounce in equity markets globally resulted in our market posting a positive return, with the ASX300 Accumulation Index finishing up 0.5%.

Putting the macro issues to one side, the resultant modest equity market gains in June were markedly impacted by the performance of commodity stocks as a 3.4% fall in the materials sector and 6.1% fall in the energy sector almost swamped the gains made in most other sectors. Investors fled materials and cyclical stocks as the potential earnings risk from slower global growth and numerous profit warnings amongst the domestic cyclicals only lead to increased levels of uncertainty. This means that the materials sector has now underperformed the market for a fifth consecutive month and this represents the longest continuous underperforming run since 2006. On the flip side, the higher yielding and more defensive sectors of banks, telecommunications and health care were the better performers during June.

There was a plethora of various domestic corporate actions during June, including: capital raisings for Brambles, Echo Entertainment Group [EGP], Ten Network [TEN], Metcash [MTS] and Billabong [BBG]; potential demerger announcements for FKP Property [FKP] and NWS; potential takeovers for Consolidated Media [CMJ] and David Jones [DJS]; and a number of high profile profit warnings from QAN, EGP, Perpetual [PPT], Boral [BLD] and BBG as the financial year 'confession' season drew to a close.

The domestic economic newsflow in June was largely positive, with a strong March quarter GDP reported number of +1.3% qoq versus a consensus figure of +0.5% qoq. Looking behind the headline number, however, the components of this data continued to highlight the divergent growth trends evident in the "two speed" Australian economy, with mining output rising 2.3% and manufacturing contracting 0.8%, representing its sixth fall in the last eight quarters. The unemployment figure of 5.1% was also in line with consensus at 5.1%. Despite the generally positive domestic data, the RBA reduced the cash rate a further 25bp to 3.5%, citing the volatile backdrop of international economies. The RBA also signalled to the market that it now wishes to pause on the easing cycle to assess its lagged impact on local growth. The Australian dollar rose steadily against most major currencies during the month and jumped sharply on the last trading day of the month on falling risk aversion to finish above parity at US$1.018 (+4.5c).

Most major commodities posted sharp rises on the last trading day of the month. Crude oil continued the sharp correction which began in April as spot Brent (-5.3%) ended June 23% below its high for the year to date (US$98 versus US$128). The weaker global growth forecasts weighed on the market and the prospect of tighter European sanctions on Iran at the start of July have only reduced the buying support for oil recently. Iron ore prices stabilised in June (Tianjin 62% fines -0.6%) after a sharp pull-back in May. Chinese import demand appeared to remain supportive with volumes for the first five months of 2012 up 8.9% from last year. Base metal prices as measured by the LME rose in June (+1.1%), following May's slide of 10.4%. Aluminium was the worst performing commodity during the month (LME spot –7.0%) while copper was up for the month (+3.5%). Spot gold (+2.4%) steadied after its 14% peak-to-trough correction between the end of February and the middle of May. One supportive factor was speculation over a possible renewed round of quantitative easing by the Federal Reserve in response to evidence that US growth is losing momentum.

Outlook

Despite the positive global equity market reactions on the last day of June, we expect ongoing volatility to be here for a while yet as both Europe and the US are attempting to deal with mounting debt problems whilst global growth expectations continue to be revised down. The stated intention of some coordinated effort by the Eurozone nations to establish a single banking union that allows direct bank funding is at this stage just that, an intention. As the amount of both sovereign and bank debt has not been reduced by any of the carefully worded public releases to date, the requirement to de-leverage remains both a public and private sector issue that will most likely overhang the growth prospects of the Eurozone countries for many years to come.

Assuming the Eurozone debt debacle slowly disappears from the daily press soon, we still need to see some cessation in the recent trends for downward revisions to global growth and domestic earnings forecasts. Until this occurs, the most likely driver of positive equity market performance would be some PE multiple expansion. As our equity market is currently trading at PE levels that are low compared to history, it is quite possible that our market could rally in the anticipation of some improvement in both macro and earnings expectations over the course of FY13.

Some clarity on how administrators intend dealing with these sovereign debt issues and an end to the negative earnings revision cycle are still the most anticipated near term catalysts that would be expected to prompt investors back into equity markets. The timing of these is obviously unknown and this is why we will retain some defensive positioning within the portfolio as we await any updates on these developments.

Whilst ATI's relative value process is identifying some attractive opportunities to compliment these more defensive holdings, we feel that moving to a higher tracking error position is appropriate for these market conditions as much of the bad news appears to be now priced into equity markets. With the materials sector underperforming the market for nine out of twelve months in FY12, we are now positioned to benefit from any reversal in this trend.

PORTFOLIO RISK SUMMARY

Goldman Sachs

Portfolio Name:	**ATI equity Portfolio**
Benchmark:	ASX300
Date of Data:	30-Jun-12

Model:	48months - 5 factors
Factor Analysis:	Multi-Factor
Timestamp of Analysis:	2/07/2012 3:10:12 PM

Historic portfolio alpha	14.0%	**Active Exposures:**	
Historic portfolio beta	1.08	Held:	48.2%
Raw return	1.1%	Total:	84.4%

Forecast Tracking Error

4.42 %	4.62 %
(residual risk)	(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	70%	3.9	14.9
B	Overweight positions	67%	3.8	14.3
C	Underweight positions	3%	0.8	0.6
D	Stocks not held in portfolio	8%	1.3	1.6
E	Factors (correlations between stocks)	23%		4.8
F	Total (A + D + E)	100%	**4.6**	21.4
G	Systematic risk (undiversifiable)		1.3	1.8
H	Residual risk definition tracking error (G - F)		**4.4**	19.5