

# Fact Sheet

## ATI Australian Equity Portfolio

### Information as at 30 November 2010

#### 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/ASX 300 Accumulation Index by 3% p.a. over rolling three-year periods.

#### Performance Update

(\*Returns to 30 November 2010)

	1 Mth (%)	3 Mth (%)	1 Yr (%)	2 Yr (% pa)	3 Yr (% pa)	4 Yr (% pa)	Inception (% p.a.)
ATI Equity Portfolio (gross of fees)	(1.6)	5.4	1.5	19.9	(2.7)	3.7	6.6
S&P/ASX 300 Accumulation Index	(1.0)	5.7	1.8	16.2	(7.0)	(0.1)	3.8
Relative Outperformance	(0.6)	(0.3)	(0.3)	3.7	4.3	3.8	2.8

\*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 Share Invest SMA product. Performance assumes reinvestment of all income.

Inception date is 23 December 2005.

### Portfolio Details as at 30 November 2010

Largest Holdings	Portfolio Weight (%)	S&P/ASX300 Weight (%)	Sector Allocation	Portfolio Weight (%)	S&P/ASX300 Weight (%)
BHP Billiton	16.3	13.0	Financials	45.4	36.5
ANZ Bank	8.0	5.2	Materials	26.5	28.1
Westpac Bank	7.8	5.8	Consumer Discretionary	5.8	4.1
National Australia Bank	7.2	4.5	Telecommunications	5.3	3.3
Commonwealth Bank	6.2	6.8	Consumer Staples	5.2	8.4
Rio Tinto	5.9	3.4	Industrials	3.8	6.8
Telstra	5.3	2.8	Healthcare	2.6	3.4
Woolworths	3.7	3.0	Energy	2.2	7.5
QBE Insurance	3.1	1.6	Utilities	1.3	1.3
CSL	2.6	1.7	Information Technology	0.0	0.7

### Selected Portfolio Statistics as at 30 November 2010

Inception Date	23-Dec-05	MER (est.)	~ 0.90% p.a.
Number of Stocks	32	Tracking error (forward estimate)	~ 3.1% p.a.
ATI Funds under Management	~ \$470m		

## Relative Portfolio Performance

The ATI Equity Portfolio fell 1.6% in November compared with a fall of 1.0% by the ASX300 Accumulation Index. Against this benchmark, ATI is producing excess return on a 2yr, 3yr, 4yr and since inception (Dec-05) basis.

### The Best and Worst Performing Sectors

The better performing sectors during November were: Healthcare (+5.7%); Telecommunications (+5.0%); and Energy (+1.3%). The worst performing sectors were: Consumer Staples (-5.3%); Financials (-4.2%); and Consumer Discretionary (-4.2%). Our monthly performance was affected by an overweight position in the Financials sector, a relatively neutral position in the Materials sector, and underweight positions in the Energy, Industrials and Consumer Staples sectors.

### Attribution of Stocks

The portfolio performance during November was assisted by overweight positions in Bank of Queensland (BOQ), Lend Lease (LLC) and Telstra (TLS), and by not holding Wesfamers (WES) and Leighton Holdings (LEI). Stocks in the portfolio that contributed to its relative performance during the month included:

**Bank of Queensland (BOQ) (+11.4%)** outperformed during the month on the back of the out-of-cycle rate increases which provide it with a greater earnings benefit than the major banks given its greater exposure and sensitivity to housing. In addition, speculation that the Treasurer's domestic reform package may extend to the mortgage securitisation markets provided support for the funding opportunities of regional banks such as BOQ. Despite its solid performance in November, BOQ remains a relatively attractive ATI portfolio holding.

**Lend Lease (LLC) (+5.1%)** rose during November after several announcements including the 'global pipeline underpinning growth' release which advised shareholders that LLC was in a strong position to ensure a successful year ahead. Other announcements on Bangaroo and London only added to the list of work in hand that LLC currently has. There was also market speculation that LLC may acquire the Valemus construction business that had been expected to list on the ASX earlier in the year and this added further momentum to the relative performance of LLC during the month. LLC remains the most attractive of the large capitalisation property stocks within the ATI universe.

**Telstra (TLS) (+5.2%)** rose during the month after it held its AGM, which revealed: 1) Management confirmed a dividend of 28c is able to be covered for FY11 and FY12; 2) Early signs of growth in subscriber numbers; 3) EBITDA growth decline will be double digit in 1H11 due to redundancy costs and revenue deferrals, however FY11 guidance of low single digit EBITDA decline was maintained; 4) the key areas of focus for growth include NAS (Network Application Services), Media/Content and Asia; and 5) Service shows signs of improvement with a 32% increase in customer satisfaction. At the end of the month the Government passed the Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Bill 2010 which brings more certainty of a deal with NBN Co and the \$11b compensation payment (although it effectively forces TLS to structurally separate). Details of an agreement between NBN Co and TLS are expected in the next few weeks and will be put to TLS shareholders in Jun-11. TLS remains the most attractive of the telco stocks within the ATI universe.

Positions that detracted most from the portfolio's performance during the month were from being overweight Hastie Group (HST), Onesteel (OST), and OMH Holdings (OMH), and from not holding AXA Holdings (AXA) and Brambles (BXB) which both outperformed. Stocks in the portfolio that detracted from performance during the month included:

**Hastie Group (HST) (-29.0%)** fell after disappointing the market with another profit downgrade. Management now expects EBIT for FY11 to be flat on the FY10 result (~\$75m) after previous guidance of at least 10% growth due to a combination of project delays from builders, low capex spend on refrigeration by the supermarket operators, continued low margin Government BER work, and lower translated foreign earnings due to the strong AUD. Despite the reduction in our earnings forecasts, HST remains the most attractive of the industrial stocks within our universe.

**Onesteel (OST) (-7.4%)** underperformed the market during November due to investor concerns over the ongoing weakness in steel prices, uncertainty over the impact of the proposed Australian Mineral Resources Rent Tax, and the negative impact of a rising AUD on the company's earnings. OST's steel-related earnings remain depressed due to low capacity utilisation in the global steel industry, and accordingly an inability to pass on high raw material prices to customers. As an integrated iron ore and steel producer however, OST is more insulated from raw material price increases than its peers. Indeed, as a net exporter of iron ore, OST's exports of 6-7mtpa of iron ore from Whyalla currently contribute 70-80% of the company's overall earnings. OST remains a portfolio holding and is still relatively attractive within the materials sector of our universe.

**OMH Holdings (OMH) (-12.7%)** underperformed the market in November due to the rapidly rising AUD. After factoring in higher revised currency forecasts into our modelling, ATI divested its interest in OMH during November as the stock became less attractive in our rankings. Despite resilient strength in manganese prices, and expected improvement in operating performance from the company's sole mine, Bootu Creek in the Northern Territory, OMH's revenues are all denominated in USD whilst costs are largely denominated in AUD. Accordingly, the market's increasing concern over OMH's margin compression, coupled with a breakdown in the negotiations with ConsMin over the possible acquisition of the Woodie Woodie manganese mine, has led to the recent underperformance. OMH is no longer a portfolio holding.

## Portfolio Construction

The ATI portfolio remains fairly neutral with regard to its market capitalisation exposures (vs the ASX300 index) with 81% of the holdings in the top 50 stocks, 15% in the next 100, and 4% in the last 150 stocks. The number of stocks (32) in the portfolio is less than last month (34) due to the exiting of OMH Holdings (OMH), Cabcharge (CAB) and Transfield Services (TSE), and the inclusion of Alesco Corporation [ALS]. The ATI stock rankings are currently indicating that the market has rallied to a point where the number of relatively cheap stocks has reduced such that the portfolio is likely to remain holding a similar number of stocks in the near term with overweight positions held in the larger capitalisation stocks which have become relatively attractive in the ATI stock universe.

## Portfolio Risk

The current forecast tracking error of 3.13% (range of 2-8%) for the ATI portfolio also reflects the fact that our stock rankings do not currently indicate the need to take on additional risk and move above this level.

As at 30 November the main sources of portfolio risk are from a variety of overweight smaller capitalisation stock holdings including Pacific Brands (PBG), Emeco Holdings (EHL), Mount Gibson (MGX) and Equinox Minerals (EQN). Larger capitalisation stocks that provide a contribution to portfolio risk include having no holding in Newcrest Mining (NCM) and Wesfarmers (WES), and having overweight positions in BHP Billiton (BHP), Rio Tinto (RIO) and Lend Lease [LLC].

## General Market Commentary

Equity markets began the month of November strongly with investors increasingly positive on the economic and earnings outlook heading into calendar 2011. However, as the month progressed, markets had to contend with challenging news flow including fresh Eurozone debt concerns sparked by Ireland, tensions on the Korean peninsula, an RBA rate hike and policy tightening in China. This led to a reversal of fortunes as equity markets globally were sold off. After reaching six month highs early in the month, the Australian market (ASX300 Accumulation Index) eventually finished the month lower (-1.7%).

China remained a key focus for investors with further interest rate increases in response to mounting inflation pressures largely as a result of food price increases. Markets remain cautious about the broader strategic impacts of these decisions, particularly on GDP growth expectations already factored in to many analysts' numbers going forward. Concerns around Ireland's fiscal position as a result of its overstretched banking system and the EU's response renewed the ongoing caution about financials and bank margin forecasts against a back drop of increasing wholesale funding costs.

Performance during November was mixed with macro issues remaining the key driver of sector and stock moves. There was a raft of company specific news in November including: TLS benefiting from the potential passing of the NBN legislation; BHP withdrawing its offer for Potash Corp after meeting political objections; AMP reviving its bid for AXA Asia-Pacific following the rejection by the ACCC of NAB's approach; Westfield (WDC) proposing the creation of a separate vehicle owning a 50% interest in most of its Australian assets; and QR National (QRN) completing its initial public offer. The AGM season also featured a number of cautious outlook statements including Harvey Norman (HVN) and Bluescope Steel [BSL] as examples. Initial strength in commodity prices saw the resources and energy sectors well supported earlier in the month before profit taking emerged around China's interest rate moves and a stronger USD on better macro data releases.

The domestic economic data flow during November was mixed. Building approvals declined, confirming a sharp down cycle is underway in contrast to high consumer confidence and solid job data. Retail sales trends softened while wage pressure continued to increase. The RBA surprised markets with a 25bp rate hike which was quickly followed by a further 15-20bp increase by the major banks. The AUD continued to rally through parity against the USD early in the month to set a new post-float high (\$1.018) before coming under pressure to finish the month lower at 96.2¢ (-2.1¢).

Crude oil was one of the stronger major commodities in November (spot WTI +3.3%) despite a recovering USD. Some support came from a comment by Saudi Arabia's Oil Minister that consumers "are looking for oil prices around USD70, but hopefully less than USD90". This was taken to imply that the Kingdom would not raise production to keep prices at the lower end of that range. Spot gold defied a USD rebound with a 2.3% gain in November as European fiscal stress and tensions between North and South Korea enhanced bullion's appeal. Spot iron ore rose strongly in November (Tianjin 62% fines +11.7% to \$166.50/tonne) despite concerns over the tightening bias of Chinese policy. A continuing ban on exports from one of India's largest exporting provinces supported prices. China concerns also saw base metal prices run into profit-taking after recent strength with zinc particularly weak (-13.5%) and aluminium also falling (-2.4%), whereas copper (+1.0%) held on to a gain but finished the month well off its highs.

## Outlook

ATI's relative value process is still identifying some attractive opportunities, particularly in stocks where operating leverage may emerge during our three year forecast period. Those stocks whose share prices have rallied excessively in anticipation of the expected simultaneous global economic recovery remain the standout risks over the course of the next quarter as signs of earnings growth are now required to provide the next upward phase in equity markets.

# PORTFOLIO RISK SUMMARY

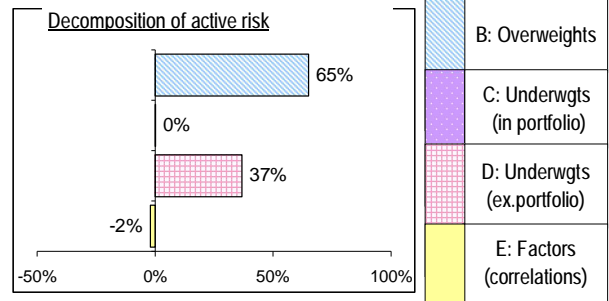
Portfolio Name:	<b>MyPort</b>
Benchmark:	ASX300
Date of Data:	30-Nov-10
Timestamp of analysis:	12/6/2010 8:00:59 AM

Data Frequency:	Monthly
No. of Periods:	48
Price or Accumulation:	Accumulation
Factor Analysis:	Multi-Factor

Historic portfolio alpha **6.3%** **Active Exposures:**  
 Historic portfolio beta **1.00** Held: 43.8%  
 Raw return **1.9%** Total: 86.5%

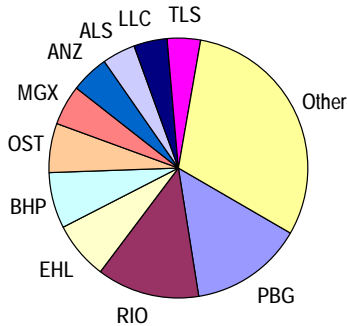
Forecast Tracking Error	<b>3.24 %</b>	<b>3.24 %</b>
	(residual risk)	(active risk)

Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A Stocks held in portfolio (B+C)	65%	2.6	6.8
B Overweight positions	65%	2.6	6.8
C Underweight positions	0%	0.1	0.0
D Stocks not held in portfolio	37%	2.0	3.9
E Factors (correlations between stocks)	-2%		(0.2)
F Total (A + D + E)	100%	3.2	10.5
G Systematic risk (undiversifiable)		0.0	0.0
H Residual risk definition tracking error (G - F)		3.2	10.5



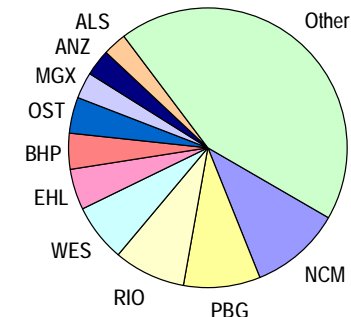
## Top 10 sources of risk: Stocks held in the portfolio (A)

- PBG 14%
- RIO 13%
- EHL 7%
- BHP 7%
- OST 6%
- MGX 5%
- ANZ 5%
- ALS 4%
- LLC 4%
- TLS 4%
- Other 31%



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

- NCM 10%
- PBG 9%
- RIO 8%
- WES 7%
- EHL 5%
- BHP 4%
- OST 4%
- MGX 3%
- ANZ 3%
- ALS 3%
- Other 44%



## Active Weights

