Fact Sheet

Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 30 November 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 November 2013)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	(0.6)	6.7	23.0	9.5	13.5	7.5
Benchmark Index	(1.4)	4.7	22.7	9.5	12.1	5.8
Relative Outperformance	**0.8**	**2.0**	**0.3**	**0.0**	**1.4**	**1.7**

*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 November 2013

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
BHP Billiton	10.1	9.0
ANZ Bank	8.8	6.6
National Australia Bank	8.2	6.1
Commonwealth Bank	8.1	9.5
Westpac Bank	7.1	7.7
Telstra	7.0	4.7
Rio Tinto	4.3	2.2
Wesfarmers	3.9	3.7
Woodside Petroleum	3.4	1.8
CSL	3.4	2.5

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	45.3	45.0
Materials	17.8	17.5
Telecommunications	7.0	5.1
Healthcare	6.0	4.7
Consumer Staples	5.2	8.1
Consumer Discretionary	4.1	4.8
Energy	3.9	5.8
Industrials	2.4	6.6
Utilities	2.2	1.6
Information Technology	1.6	0.8

Selected Portfolio Statistics as at 30 November 2013

Inception Date	23-Dec-05
Number of Stocks	29
ATI Funds Under Management	~ $400m

MER (est.)	~ 0.90% p.a.
Tracking Error (forward estimate)	~ 2% p.a.

Suite 1202, Level 12, 135 Macquarie St, Sydney NSW 2000 | T: 8259 7500 | F: 02 9251 4799 | E: info@atiam.com.au | www.atiam.com.au

Portfolio Performance

The ATI Equity Portfolio fell 0.6% in November compared with a fall of 1.4% in the benchmark index. Against this benchmark, ATI is producing excess returns on a monthly, quarterly, yearly, 5 year and since inception (Dec'05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Health Care (-0.4%), Materials (-0.7%), and Financials ex Property Trusts (-1.3%); while the worst were Energy (-6.3%), Industrials (-3.6%), and Utilities (-3.1%).

From a sector perspective, the relative performance of the ATI portfolio was most positively impacted from being underweight Energy (3.9% v benchmark of 5.8%), Industrial (2.4% v benchmark of 6.6%) and Consumer Staples (5.2% v benchmark of 8.1%) stocks, whilst also being slightly overweight Materials stocks (17.8% v benchmark of 17.5%).

Attribution of Stocks

The portfolio performance during November was assisted by overweight positions in Rio Tinto (RIO), Fortescue Metals Group (FMG) and National Australia Bank (NAB); and by not holding Newcrest Mining (NCM), Worley Parsons (WOR) and Santos (STO). The three stocks in the portfolio that contributed most to its relative performance during October were:

Rio Tinto (RIO) (+3.2%) outperformed the market during November as it was a major beneficiary of the robust iron ore price, and company specific developments. We have written at length in recent reports about the fundamental bottom-up research that we have conducted on the global iron ore industry which culminated in our view that the ubiquitous sell-side research proclaiming an imminent collapse in iron ore prices was misguided. We note that the spot iron ore price (62% Fe, CFR North China) once again held steady during November above US$135/t, whilst the A$/US$ also depreciated late in the month, assisting with margin expansion for RIO, which remains Australia's lowest cost iron ore producer. During November the company also continued the process of portfolio rationalisation, completing the sale of the North Parkes copper/gold mine in NSW, and announcing the closure of high cost alumina production at Gove in the NT, to focus instead on exporting bauxite. RIO has now divested US$3.3bn of non-core assets during 2013, reduced operating costs by almost US$2bn, and signaled rolling 20% compound reductions in capital expenditure from the 2012 peak of US$17.6bn, to US$14bn in 2013, US$11bn in 2015, and US$8bn in 2015. Significantly, RIO continues to progress the expansion of Pilbara iron ore system capacity to 360mtpa (from 290mtpa) however has reduced the capital intensity of this development by over US$3bn by pursuing more brownfields expansions, and delaying the development of two new greenfields sites. RIO remains attractively ranked in the ATI equity ranking system, and we retain an overweight position.

Fortescue Metals Group (FMG) (+9.0%) was once again a strong out-performer during November, and the share price has now increased by 87% since 30 June 2013 (versus 13% for the S&P/ASX 300 Accumulation Index). As previously noted, the recent strong performance vindicates our decision to back the fundamental ATI research effort and the process and build a material position on FMG share price weakness, and contrary to the negative view of the investment community which prevailed against both the iron ore price and more specifically FMG. During November FMG continued the process of balance sheet repair, by calling for redemption US$1bn of the 2015 Senior Unsecured Notes, and flagging that the remaining US$1.04bn is also expected to be retired in coming months, years ahead of maturity. Further, the company successfully repriced the US$4.95bn term loan margin down by 1% to 3.25%. The cumulative impact of recent balance sheet initiatives should result in a reduction in net debt of over US$2bn by June 2014, and annual interest expense of over US$150m. As previously noted, we remain of the view that FMG will continue to rapidly de-gear the balance sheet during FY2014, and retain an overweight portfolio holding in the company.

National Australia Bank (NAB) (-2.1%) underperformed the benchmark index during November after the stock went ex-dividend 97c, but after including the dividend accrual meant the overweight position was a positive contributor to overall performance. Whilst there have been no significant company specific news releases since its FY13 result late last month, NAB was again the beneficiary of the strong recent round of results from all the major banks that showed the resilience of profitability despite the historically low credit growth environment we are currently in. Indeed, there is still the possibility that the banks, including NAB, will experience further earnings upgrades over the course of the year ahead as lower funding costs and improving credit quality may well result in higher profitability than we currently forecast. Despite the strong recent performance of the bank sector as a whole, we retain an overweight portfolio holding in NAB as it remains one of the most attractively ranked financial stocks in the ATI universe with an attractive underlying running yield.

Positions that detracted most from the portfolio's performance during the month were from being overweight Sandfire Resources (SFR), AGL Energy (AGK), and being underweight Commonwealth Bank (CBA); and from not holding Amcor (AMC), Macquarie Group (MQG), and James Hardie Industries (JHX). Stocks in the portfolio that detracted most from relative performance during the month included:

Sandfire Resources (SFR) (-11.6%) underperformed the market during November despite the robust copper price, which posted a modest ~2.5% decline during the month to US$3.20/lb. Any association with gold production was punished during November as the gold price fell by over 5% during the month on US taper speculation, and was testing annual lows of less than US$1,250/oz at month end. We note that less than 10% of SFR revenue is generated from gold by-product credits, substantially less than Australian peers Oz Minerals (~20% from precious metals) which fell ~15% during November, and PanAust (~40% from precious metals) which fell ~25% in November. SFR hosted a site visit to their DeGrussa operation during the month, which highlighted the improving operating performance and ongoing exploration success at site. The

company recently achieved the targeted nameplate underground production rate of 1.5mtpa, and has achieved sustained improved copper recoveries of over 90% using primary underground ore. SFR remains attractively ranked in the ATI equity ranking system, and remains an overweight portfolio holding.

AGL Energy (AGK) (-4.0%) fell during the month on news that it had been short-listed in the sale process of NSW State owned Macquarie generation, the largest electricity generator in the state. AGK also reported that its recent acquisition Australian Power and gas (APG) had been fined by the ACCC for aggressive door to door selling. Utilities as a sector underperformed the benchmark index in November (-2.8% v -1.4%) as the macro thematic of a steepening yield curve (negative for valuations on a yield-gap basis), and a more positive view on markets saw defensive stocks such as AGK being used as a funding source for growth opportunities. We continue to hold AGK on the basis of valuation support, a higher than market yield and its defensive portfolio risk management attributes.

Commonwealth Bank (CBA) (+2.3%) outperformed the market during November with this negatively impacting overall performance by virtue of the fact that the portfolio remains slightly underweight the stock. CBA provided a 1Q14 trading update in early November with unaudited cash earnings being $2.1bn and indicating that FY14 will probably be another record year of profitability for the bank. The company flagged that a combination of "solid revenue growth and cost discipline" had resulted in positive "jaws" for the quarter, while the group net interest margin was "marginally lower", volume growth mostly matched system credit growth, asset quality was stable on the previous period and capital generation was strong. The portfolio still remains slightly underweight CBA as the stock is currently ranking as relatively unattractive and despite buying a little bit of stock during the month, we would look to move to a market weight position if we see an opportunity from sufficient relative share price weakness in the months ahead.

Portfolio Construction

The main portfolio weighting changes during November included: the purchase of an initial position in Worley Parsons (WOR); portfolio top-ups for our holdings in AMP (AMP), ANZ Banking Group (ANZ), Commonwealth Banking of Australia (CBA), NAB and Orica (ORI); the complete disposal of positions in Fairfax Media (FXJ) and Incitec Pivot (IPL); and slight portfolio weighting reductions for FMG, and Woolworths (WOW). Cash at the end of November was 3.8% (October 3.7%).

The ATI portfolio, with regard to the market capitalisation exposures, remains differentiated to the benchmark index with ~94% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~84%), ~4% in the next 100 (benchmark ~13%), and ~2% in the last 150 stocks (benchmark ~3%). ATI's 10 largest holdings make up ~67% of the portfolio (benchmark ~55%), the dividend yield is 4% (benchmark 4%) and the portfolio's historic PE is 16.2x (benchmark of 16.7x).

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. With the recent performance of some resource stocks, ATI has reduced the extent to which the portfolio is overweight the materials sector and has now moved to a slightly overweight position in the financials sector. We remain comfortable holding a number of resource stocks with iron ore, Rio Tinto (RIO) & FMG, and copper exposure, SFR, whose expected return is sufficiently attractive to justify some additional portfolio risk. We continue to also remain overweight in stocks we view as having industry structure advantages such as Brambles (BXB), CSL (CSL), Twenty-First Century Fox Inc (FOX), Resmed (RMD) and Wesfarmers (WES) in combination with other opportunities that we feel have fundamental valuation support, such as ASX (ASX).

Portfolio Risk

The current forecast tracking error of ~2% is similar to last month (~2%). We are continuing to be presented with a number of stock opportunities in the materials, 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 earnings clarity and continued reductions in the expected mining capex spend over the larger mining companies over the next few years. That said, we have recently been the beneficiary of some materials stocks in the iron ore and copper space that have outperformed the broader market in the last few months as the recent spot pricing of these commodities remains well above those lower levels that we saw in the second half of 2012 and above those of the current market consensus forecasts.

At present the main sources of portfolio risk are from overweight positions in SFR, Lend Lease (LLC), FOX, Telstra (TLS), RIO, RMD, Insurance Australia Group (IAG) and Ardent Leisure (AAD).

General Market Commentary

November saw the Australian equity market drift lower after having risen for the last four consecutive months, with the benchmark ASX300 Accumulation Index ending the month down 1.4%. The November fall came despite a strong pick-up in potential new floats / increased merger activity, and followed a largely mixed AGM season which saw little evidence that domestic conditions are improving materially with a number of high profile profit downgrades in the mining services and energy sectors.

While all sectors posted negative total returns for the month, the weakest were energy, industrials and property trusts which underperformed for a fifth consecutive month and represented their longest losing streak since February 2008. Resource stocks generally underperformed, tracking most commodity prices lower whilst capital goods stocks (profit warnings and several companies hoping for 2H recoveries) and energy stocks underperformed. On the other hand: diversified financials such as Macquarie Group (MQG) benefited from strong M&A and IPO activity in the lead up to Christmas; retailers like Myer (MYR) and David Jones (DJS) saw positive like-for-like sales growth surprises; and building materials (strong half yearly results across the sector) also outperformed the market.

In domestic company specific news the commentary from AGM's and other updates cast some doubt on whether trading conditions had improved as hoped following the Federal election as companies remarked that economic conditions in Australia remain subdued. Cautious AGM commentary came from companies such as Fairfax (FXJ), Toll Holdings (TOL), Pacific Brands (PBG), Qantas (QAN), Fletcher Building (FBU), Asciano (AIO) and Harvey Norman (HVN). Earnings news was mixed with positive results released from Orica (ORI) and James Hardie (JHX), while updates from Coca-Cola Amatil (CCL) and Aristocrat Leisure (ALL) among others were soft. We took the opportunity to enter WOR as it was the worst performing stock in the underperforming energy sector for the month after it downgraded FY14 guidance by ~15-20% on the back of tough conditions in Canada and Australia. Also at month end, Archer Daniels Midland's bid for Graincorp (GNC) was rejected by the Liberal Government on "national interest" grounds.

Coming as no surprise to equity markets, the RBA left the cash rate unchanged at 2.50% in November but noted during the month that it "remains open-minded" to large scale foreign exchange intervention if necessary, placing downward pressure on the currency. The AUD/USD finished the month lower at US$0.909 (-3.6¢ or -4.3%) which represented six consecutive weekly losses against the greenback, a run last seen in 2006. Contributing factors included mixed domestic data and comments from RBA Governor Glenn Stevens regarding the 'uncomfortably high currency' and the potential for the RBA to intervene. The government's decision to reject the US company bid for GNC also weighed further on the AUD at month end. We still expect the broader trend in recent months of US dollar strength will continue in the year ahead given the backdrop of slower domestic growth, lower mining investment, higher unemployment and local interest rates not expected to be moving higher in the near term.

The domestic economic data released in November was generally a little more upbeat and indicated that both housing and consumer spending are finally beginning to respond to monetary policy actions. Some of the data released during November included: September retail sales which were strong at +0.8% m/m (consensus +0.4% m/m) driven by improved department store sales (+2.5%) for the second consecutive month; consumer confidence for November which edged +1.9% m/m higher to 110.3, indicating sentiment may have bottomed following the August rate cut, change of government in September and recent rising house prices; the October unemployment rate which rose 10bp to 5.7%, providing the fastest trend decline in broader employment in Australia for more than a decade; the Westpac consumer confidence index which recouped most of October's decline rising 1.9% m/m; the labour cost index which only rose 0.5% q/q (consensus +0.7% q/q) in 3Q13 confirming that wage growth remains benign – in annual terms the 2.7% y/y rise marks the slowest pace of wage growth in more than a decade; housing finance commitments that bounced 4.4% m/m in September (consensus +3.5% m/m), more than reversing the unexpected decline in the prior month; and private sector credit which increased 0.3% m/m but was below the market expectations (consensus +0.4% m/m).

Commodity price moves during the month were generally weaker during November as base metal prices measured by the LME index fell 3.6%. There was some respite in Middle East tensions as Iran reached a temporary agreement with western nations on its nuclear program. The temporary agreement is seen as a potential first step towards a more permanent deal which could possibly be accompanied by the lifting of oil and banking sanctions currently applied to Iran. Spot Brent crude oil was little changed on the announcement and rose 1.5% over the month. The benchmark spot iron ore contract, Tianjin 62%, bucked the general commodity price trend and rose 3.4% over the month as iron ore inventories at Chinese ports rose to their highest level in nearly a year. Spot gold fell 5.3%, reaching a four month low as geopolitical tensions in the Middle East eased after the Iran deal was confirmed and a stronger USD weighed on the price of bullion.

Outlook

In light of the recent profit warnings by a number of industrial companies, we think it is entirely appropriate to remain positioned with a portfolio built around quality franchises that have some pricing power and/or earnings certainty as these are attributes that we expect to be rewarded by the equity market over the year ahead. For instance, we feel there was enough evidence in the recent round of major bank profit announcements, including some annual guidance metrics, to provide us with a high level of comfort for our earnings expectations on those stocks - especially relative to many others over the coming year. With regards to our materials positioning, we feel that the strong production growth for Australia's key iron ore producers, combined with an expected fall in the Australian dollar relative to the US dollar, are factors that we expect to mitigate the impacts on profitability of lower iron ore prices currently expected by ourselves and market consensus estimates over the next few years.

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 our expectation that equity markets will also be somewhat macro driven in the near term, we feel this positioning suits the current environment as the performance impact of market volatility is usually 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 materials, financial and telecommunications sectors.

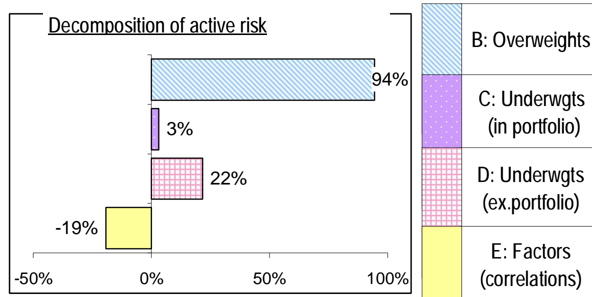
PORTFOLIO RISK SUMMARY

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

		Active Exposures:		%
Historic portfolio alpha	7.9%	Total:	72.1%	100.0%
Historic portfolio beta	0.97	Across sectors:	35.9%	49.8%
Raw return	17.7%	Within sectors:	36.1%	50.2%

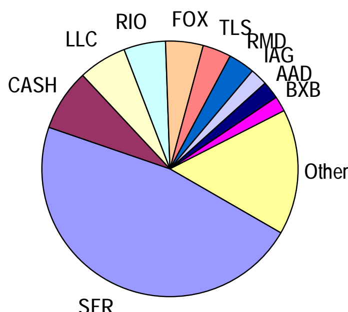
Forecast **Tracking Error**	**2.15 %**	**2.18 %**
	(residual risk)	(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	98%	2.2	4.6
B	Overweight positions	94%	2.1	4.5
C	Underweight positions	3%	0.4	0.1
D	Stocks not held in portfolio	22%	1.0	1.0
E	Factors (correlations between stocks)	-19%		(0.9)
F	Total (A + D + E)	100%	2.2	4.7
G	Systematic risk (undiversifiable)		0.4	0.1
H	Residual risk definition tracking error (F - G)		2.1	4.6



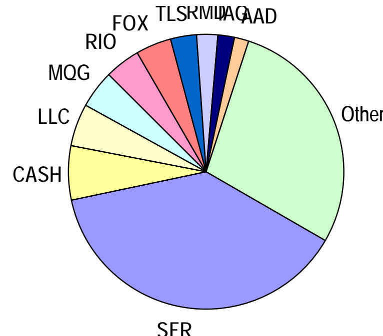
Top 10 sources of risk: Stocks held in the portfolio (A)

1	SFR	47%
2	CASH	8%
3	LLC	6%
4	RIO	5%
5	FOX	5%
6	TLS	4%
7	RMD	3%
8	IAG	2%
9	AAD	2%
10	BXB	2%
	Other	16%



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

1	SFR	38%
2	CASH	6%
3	LLC	5%
4	MQG	4%
5	RIO	4%
6	FOX	4%
7	TLS	3%
8	RMD	3%
9	IAG	2%
10	AAD	2%
	Other	28%



Active Weights