ATI·AM
Above The Index Asset Management Pty Ltd

Fact Sheet

ATI Australian Equity Portfolio

Information as at 30 November 2014

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 2014)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	(2.9)	(3.2)	5.9	14.5	7.1	7.5
Benchmark Index	(3.2)	(4.5)	4.0	13.4	6.8	5.7
Relative Outperformance	**0.3**	**1.3**	**1.9**	**1.1**	**0.3**	**1.8**

*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 OneVue SMA product. Performance assumes reinvestment of all income. Inception date is 23 December 2005.

Portfolio Details as at 30 November 2014

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
Commonwealth Bank	8.4	9.7
ANZ Bank	8.3	6.5
Westpac Bank	7.9	7.5
National Australia Bank	7.3	5.7
Telstra	7.3	5.3
BHP Billiton	5.9	7.4
Rio Tinto	4.0	1.9
Wesfarmers	3.6	3.5
CSL	3.6	2.9
Insurance Aust. Group	3.2	1.1

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	47.6	46.0
Materials	12.0	15.4
Telecommunications	8.9	5.8
Healthcare	8.5	5.7
Consumer Staples	5.7	7.6
Energy	3.4	5.3
Consumer Discretionary	2.8	4.3
Utilities	2.4	1.8
Information Technology	2.4	1.0
Industrials	1.6	7.2

Selected Portfolio Statistics as at 30 November 2014

Inception Date	23-Dec-05
Number of Stocks	34
ATI Funds Under Management	~ $400m

MER (est.)	~ 0.90% p.a.
Tracking Error (forward estimate)	~ 3% p.a.

Portfolio Performance

The ATI Equity Portfolio fell 2.9% in November compared with a fall of 3.2% in the benchmark index. Against this benchmark, ATI is producing excess returns on a monthly, quarterly, 1 year, 3 year, 5 year and since inception (Dec'05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Health Care (+1.4%), Telecommunications (+1.2%), and Utilities (+2.3%) whilst the worst performers were Energy (-13.2%), Consumer Staples (-8.3%), and Materials (-5.6%).

From a sector perspective, the relative performance of the ATI portfolio was most positively impacted from being overweight Health Care stocks (8.5% v benchmark of 5.7%) and underweight Energy (3.4% v benchmark of 5.3%) stocks, whilst it was most negatively impacted by the fact that we had holdings in Materials (12.0% v benchmark of 15.4%) stocks which underperformed dramatically.

Attribution of Stocks

The portfolio performance during November was assisted by overweight positions in Resmed (RMD), M2 Group (MTU), and Ansell (ANN); and by not holding Santos (STO), Origin Energy (ORG), and UGL (UGL). The three stocks in the portfolio that contributed most to its relative performance during October were:

Resmed (RMD) (+5.6%) continued to outperform the market despite minimal news flow during the month. RMD released a strong 1Q15 result in late October and the market reacted positively to the stronger sales growth in the US market, following a period of re-basing, post competitive bidding. RMD is still heavily shorted in the US line (21%) but some covering is beginning to occur. The release of the new S10 AirSense platform has been well received by patients and DME's and the market will be closely watching the sales trajectory in over the next few quarters. We continue to hold RMD as an overweight portfolio position on the thematic that: i) it has structural leadership, in an under-penetrated global market, with high barriers to entry ii) market growth and permanent cost reductions will offset current margin pressure; iii) home sleep testing continues to drive market growth and iv) there are potential longer term opportunities in new indications such as COPD and heart failure (SERVE HF trial).

M2 Group (MTU) (+5.9%) outperformed during the month after providing some positive market feedback and strong FY15 guidance at the AGM. During the AGM management highlighted: i) Organic growth achieved in FY14 has flowed through to 1Q15 and year to date they were "pleased with what they are seeing", and ii) MTU said that they will maintain or lift the level of subsidy growth in FY15 vs FY14 & FY13 and reiterated guidance of reported NPAT growth of 15-20%. The market is now more comfortable with its electricity and DoDo strategies. MTU remains relatively attractive in the ATI rankings and it is still an overweight portfolio holding.

Ansell (ANN) (+4.8%) relatively outperformed the market during November as some positive macro news showed that the average monthly PMI data across Ansells key markets remained above 50, showing signs of expansionary growth. Strong US auto sales of +6% for November also assisted. In New Zealand, ANN received clearance from the local regulators to market VivaGel across the country. ANN is a levered play to a falling Australian dollar and a recovery in the US and European economies. Whilst there is still some execution risk with recent acquisitions it remains a relatively attractive in our rankings and we expect to remain overweight the stock for the near term.

Positions that detracted most from the portfolio's performance during the month were from being overweight Sandfire Resources (SFR), Worley Parsons (WOR), and Woodside Petroleum (WPL); and from not holding Newcrest Mining (NCM), Amcor (AMC), and Transurban Group (TCL). Stocks in the portfolio that detracted most from relative performance during the month included:

Sandfire Resources (SFR) (-18.4%) underperformed during November as the small resources segment of the market suffered a significant decline. Commodity prices weakened throughout the month, largely in response to US$ appreciation and oversupply in specific commodities. The selloff in commodities was exacerbated late in the month by the sharp ~30% fall in the oil price in response to an oversupplied market, high inventories, and the decision by OPEC not to reduce production. The commodities basket was dragged lower in sympathy, with the copper price falling to ~US$2.90/lb at the end of the month, and gold ~US$1,167/oz, the lowest price this year for both commodities. SFR underperformance was also contributed by a short 1-2 week interruption to underground mining and development, following water ingress into the Conductor 4/5 decline from drill holes designed to manage water flows into the operation. Whilst disappointing, we note that the main effect of the dewatering interruption will be a slight delay on development towards the Conductor 4 and 5 orebodies, which are not scheduled for extraction until FY2016. Assuming that mining recommences within the guided two week window, processing will be largely unaffected as ROM stocks are drawn down, and annual production guidance from the company at this stage is unchanged at 65-70kt of copper. Meanwhile exploration activities continue at DeGrussa and at Misima in PNG. SFR remains one of the few attractively ranked resources stocks available for investment, and remains a portfolio holding.

Worley Parsons (WOR) (-18.0%) underperformed the market during the month of November as oil prices continued to slide. The much anticipated OPEC meeting was held which saw no cuts to production from any countries contrary to what history would have suggested. Accordingly the WOR position was reduced leading up to this which minimized the damage from a portfolio point of view. Whilst we like the Free Cash Flow generation ability of this company and believe there is long term valuation support, there is too much uncertainty in the near term with the current oil price forcing major E&P

companies to reassess their capex budgets which will likely flow through to WOR' revenue growth ability in the short term. We have been reducing our position to mitigate risk.

Woodside Petroleum (WPL) (-10.9%) was weaker during the month despite outperforming its energy peer group and our overweight position still resulted in a negative performance contribution. WPL shares declined by over 10% during the month reflecting falling global oil prices and a negative reaction to the OPEC meeting late in the month where a decision was made not to curtail production levels by member states. WPL has a policy of paying out a steady percentage of earnings in the form of dividends, and lower oil prices have seen forecast yields decline commensurately. Nevertheless, WPL retains a strong balance sheet and the lower oil prices may provide the opportunity to purchase attractive assets that were not available previously. Alternatively, a capital return still cannot be discounted as was proposed earlier in the year. WPL is believed to have expressed interest in the Wheatstone asset offshore WA, and continues to develop its plans for Canadian LNG in addition to farming-in to exploration properties in Africa. Unlike many other energy companies, WPL retains optionality in all aspects of its business and is in a strong position to ride out current poor sentiment. For this reason, we have maintained our overweight exposure, albeit one significantly less than that held earlier in 2014.

Portfolio Construction

The main portfolio weighting changes during November included: adding a new position in Beach Petroleum (BPT) and Medibank Private (MPL); top-ups for our portfolio holdings in Ansell (ANN), CarSales.com (CRZ), CSL (CSL), Fortescue Metals Group (FMG), Rio Tinto (RIO), and Virtus Health (VRT); the entire disposal of our portfolio holding in Orica (ORI); and slight portfolio reductions for our holdings in ASX (ASX), Insurance Australia Group (IAG), Lend Lease (LLC), Suncorp Group (SUN), Telstra (TLS) and Worley Parsons (WOR). Cash at the end of November was 4.0% and below the 5% maximum threshold, higher than the 2.5% in October, reflecting our view that we expect a pull back in equity markets may provide some rare opportunities as certain stocks have been massively sold down over the course of the month.

The ATI portfolio, with regard to its market capitalisation exposures, is only slightly differentiated to the benchmark index with ~89% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~8% in the next 100 (benchmark ~14%), and ~3% in the last 150 stocks (benchmark ~4%). The 10 largest holdings constitute ~63% of the portfolio (benchmark ~53%), the dividend yield is 4.7% (benchmark 4.5%) and the portfolio's historic or trailing PE is 14.4x (benchmark of 15.6x).

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 Billiton Plc (BHP), FMG & RIO, and copper exposure, 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 Brambles (BXB), Computershare (CPU), CSL, and RMD in combination with other opportunities that we feel have fundamental valuation support, such as CRZ, MTU, SUN, VRT and Wesfarmers (WES).

Portfolio Risk

The current forecast tracking error of ~2.2% 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 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 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, LLC, IAG, and TLS.

General Market Commentary

The Australian equity market underperformed most global markets significantly during November as falling commodity prices became a significant drag on the majority of materials and energy stocks. Underperformance was quite broad based with most of the major sectors lower and the S&P/ASX300 Accumulation Index eventually ended the month down 3.2%. The ASX300 index is now trading at 13.9x it's forward P/E, the bottom end of its 2-year valuation range, and whilst valuations may now appear more appealing the fact is that the consensus earnings growth outlook continues to be revised lower.

Even the non-resources index would have been a laggard in global terms, with only two of the major domestic sectors being positive for the month. Resources stocks capitulated as the iron ore price explored new post financial crisis lows and a tumbling crude oil price hit energy stocks particularly hard. The weaker Aussie dollar helped a USD-heavy healthcare index to outperform and lower bond yields supported yield-focused and the defensive sectors such as telco's and property trusts.

In company specific news, November saw: the float of Medibank Private (MPL) on the ASX, with proceeds to the Federal government of nearly $5.7bn; Orica (ORI) announced the sale of its chemicals business for $750m to private equity group Blackstone; Westpac

(WBC) CEO Gail Kelly announced her retirement effective 1 February 2015 after seven years leading the company; some high profile AGM guidance brought mixed results as Woolworths (WOW) reaffirmed guidance in the face of a weak share price and Sonic Healthcare (SHL) downgraded market earnings expectations.

The RBA opted to keep the cash rate on hold for a 14th straight meeting, making it the longest unchanged streak since 2002-03. Minutes from the meeting were consistent with previous months and policy guidance was unchanged as officials still expect a "period of stability" on interest rates. Back on the agenda, the November RBA board minutes revealed members continued to consider the AUD as high relative to commodity prices, and also highlighted that the AUD in trade weighted terms is higher than it was in January, despite the "significant" fall in commodity prices. Along with the further weakness in commodity prices and RBA comments, the Australian dollar fell 3.3% against a firmer USD to end the month at US$0.8506, compared to the previous month's close of US$0.8798.

Regarding domestic economic releases in November: the NAB business confidence index slipped 1pt to a 14 month low of +4 in October, though the business conditions index recorded the biggest 1 month improvement ever (+12pts); the Westpac-MI consumer confidence index rose 1.9% m/m in November as the sub indices measuring expectations of the economy were particularly strong; the economy added 24k jobs (exp. +20k) in October, reversing the decline in September; employment growth over the last six months has averaged +5k per month, against estimated working age population growth of +28k; the jobless rate remained at a 12-year high of 6.2% as the participation rate ticked up 0.1% to 64.6%; retail sales rose 1.2% m/m (consensus +0.3%) in September and household goods were particularly strong, rising 4.1% and contributing 0.7%-pts to the total increase; building approvals fell 11.0% m/m (consensus -1.0%) in September, reaching a moving annual total of 195k.

The price of spot Brent crude fell 18.6% in November, posting the biggest monthly drop since December 2008. Oil benchmarks plunged following the decision to keep the 30mbd production target at the 166th OPEC meeting. The benchmark spot iron ore price fell 10.4% to US$70 amid a continued supply glut and soft demand. The Chinese steel industry PMI remained in contractionary territory for a sixth consecutive month and new orders less inventories, a key lead indicator, recovered but remained negative. Base metals were broadly lower as strength in nickel and lead were offset by weakness in copper and zinc. The LME base metals index fell 3.2%. Spot gold fell 0.5% as the US dollar rallied and falling oil prices suggested that inflationary pressure in the world economy would remain subdued.

Outlook

The market consensus now expects ASX300 EPS growth of sub 5% over FY15 and there still appears to be downside risk to this weakening outlook as we see the ongoing ramifications of lower commodity prices. As a result, sectors offering yield and relatively sustainable earnings growth, such as banks, telco's and utilities, have performed relatively well in the last couple of months and we expect this broad relative sector performance to continue into the next calendar year. Our view is that the major banks still remain attractive relative to most other major sectors and banks are one of the only major sectors likely to see upgrades for FY15 - driven by lower funding costs, benign asset quality and reasonable asset growth. In addition, after the recent pull-back in bank share prices, valuations are also not as stretched as many industrials and we remain overweight the banking sector and expect to generate out-performance during the coming months as we get some more clarity regarding the market concerns about higher future capital requirements.

Whilst we are aware that higher yielding stocks remain susceptible to further increases in global interest rates, the current heightened levels of global geopolitical risk mean that we will remain overweight the financials sector in the near term as it continues to offer us a higher level of earnings certainty than many industrial and resource names as we head into the next reporting season in February. 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 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

Goldman Sachs

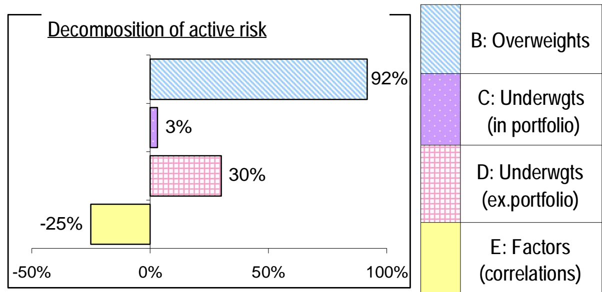
Portfolio Name:	MyPort
Benchmark:	ASX300
Date of Data:	30-Nov-14
Sector Type:	GICS1

		Active Exposures:		%
Historic portfolio alpha	5.8%	Total:	73.1%	100.0%
Historic portfolio beta	0.97	Across sectors:	28.5%	39.0%
Raw return	11.4%	Within sectors:	44.6%	61.0%

Forecast **Tracking Error**

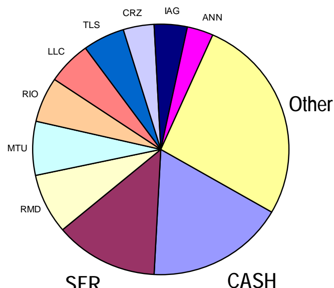
2.28 % (active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	95%	2.2	4.9
B	Overweight positions	92%	2.2	4.8
C	Underweight positions	3%	0.4	0.2
D	Stocks not held in portfolio	30%	1.3	1.6
E	Factors (correlations between stocks)	-25%		(1.3)
F	Total (A + D + E)	100%	**2.3**	5.2



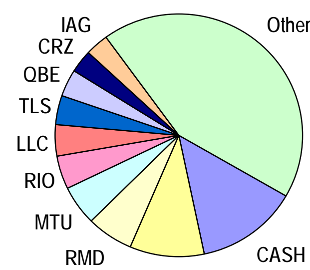
Top 10 sources of risk: Stocks held in the portfolio (A)

1	CASH	18%
2	SFR	13%
3	RMD	8%
4	MTU	7%
5	RIO	6%
6	LLC	6%
7	TLS	5%
8	CRZ	4%
9	IAG	4%
10	ANN	3%
	Other	27%



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

1	CASH	13%
2	SFR	10%
3	RMD	6%
4	MTU	5%
5	RIO	4%
6	LLC	4%
7	TLS	4%
8	QBE	3%
9	CRZ	3%
10	IAG	3%
	Other	43%



Active Weights