Fact Sheet

ATI Australian Equity Portfolio

Information as at 30 November 2016

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 2016)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	3.0	1.0	8.1	4.0	9.8	6.6
Benchmark Index	2.8	1.1	10.0	5.3	10.4	5.7
Relative Outperformance	0.2	(0.1)	(1.9)	(1.3)	(0.6)	0.9

*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 2016

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
Commonwealth Bank	10.1	9.1
ANZ Bank	8.1	7.1
Westpac	8.1	5.6
National Australia Bank	6.9	5.2
Telstra	5.7	4.1
CSL	4.4	3.0
Wesfarmers	3.8	3.2
AGL	2.3	0.9
Amcor	2.3	1.2
ASX	2.3	0.6

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	40.5	36.7
Materials	14.0	16.8
Healthcare	11.4	6.4
Telecommunications	7.1	4.7
Energy	4.7	4.2
Property Trusts	4.3	8.3
Consumer Discretionary	4.3	5.1
Consumer Staples	3.8	7.0
Industrials	2.5	7.0
Utilities	2.3	2.4
Information Technology	1.4	1.3

Selected Portfolio Statistics as at 30 November 2016

Inception Date	23-Dec-05
Number of Stocks	38
ATI Funds Under Management	~ $400m

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

Portfolio Performance

The ATI Equity Portfolio rose 3.0% in November compared with a rise of 2.8% in the benchmark index. Against this benchmark, ATI is producing excess returns on a monthly and since inception (Dec'05) basis.

The Best and Worst Performing Sectors

On a relative basis, the best performing sectors for the month were financials (+1.5%), materials (+1.3%), and energy (-2.3%), whilst the worst performers were health care (-8.3%), property trusts (-7.9%), and technology (-6.6%).

From a sector perspective, the relative performance of the ATI portfolio was most positively impacted from being overweight financial stocks (40.5% v benchmark of 36.7%) and underweight industrial stocks (2.5% v benchmark of 7.0%), whilst it was most negatively impacted by being overweight health care stocks (11.4% v benchmark of 6.4%) and underweight materials stocks (14.1% v benchmark of 16.8%).

Attribution of Stocks

The portfolio performance during November was assisted by overweight positions in Western Areas (WSA), CSR (CSR), and Origin Energy (ORG); and by not holding Newcrest Mining (NCM), Woolworths (WOW) and Boral (BLD). The three stocks in the portfolio that contributed most to its relative performance during the month were:

Western Areas (WSA) (+20.1%) outperformed during November on the back of another ~8% appreciation in the nickel price. The leverage to the commodity price has been shown with the share price increasing ~50% over the past 6 months on the back of a 34% increase in the Nickel price. The nickel price continues to be heavily influenced by news flow regarding the supply interruption from the Philippines. A new government led by President Rodrigo Duterte launched a review of the country's 40 metallic mines on July 8. Ten operations were suspended by the end of August of which 8 produced nickel ore. It is reported that a dozen more Philippine mines, mostly nickel projects, are now in danger of being suspended in in the ongoing environmental crackdown on the sector. The impacted mines represent approximately 75% of Filipino contained nickel-in-ore supply, or approximately 12% of global supply.
WSA also announced during the month that it had entered into of new contracts with Tsingshan (10ktpa) and BHP Nickel West (10ktpa), which covers 90% of anticipated production over the next 3 years. The Tsingshan agreement represents a change in strategy in that the agreement is with an end user, rather than a smelter. As a result, we anticipate a material improvement in the commercial terms, especially on payability. BHP Nickel West have also entered into a contract shortly thereafter, and we expect that they too have improved terms, to the benefit of WSA.
We continue to hold an active position in WSA but have been reducing our overweight following a period of share price outperformance. We will continue to monitor the AUD/USD and the nickel price which are the key price drivers in the lead up to December production reports to be released in late January.

CSR (CSR) (+11.2%) outperformed the market for the second month in a row after the company reported its 1H17 result that come in ahead of analyst expectations. Importantly, the result was driven by a better than expected performance from CSR's core Building Products (BP) division where both operational improvements and a continuation of the strong housing cycle saw good sales growth (+11%) and margin expansion (+189bps to 14.0%, the highest BP margin in over 10 years). Meanwhile, the Glass division continued to improve in 1H17, albeit from a low base; while the contribution from the Aluminium division was down on 1H16 but in line with our modelling. The company also announced David Fallu (ex. Finance Director of Lion P/L) will become the new CFO in February, replacing Greg Barnes who left in June. Looking forward, the company indicated that the FY17 result is likely to come in towards the top end of its $154-184m guidance range.
While ATI ($180m) is in-line with this guidance, we note that several brokers are above the top end and thus possibly at risk if the housing cycle turns down quicker than anticipated. As we have noted previously, CSR is benefitting from its overexposure to the particularly robust East Coast housing markets, and its underexposure to the soft WA market. However, while we expect these market tailwinds to continue for the balance of FY17, we believe the housing cycle will turn during FY18 and thus we continue to carefully monitor our CSR portfolio position.

Origin Energy (ORG) (+11.0%) outperformed the market following a strong September quarterly production report. Sales revenue at $429m was 32% higher qoq and up 91% yoy. Quarterly production was up 8% qoq and 55% yoy at 74.2 PJ. APLNG continues to produce without disruption and a second production line began exports this month. The company noted that 19 cargoes were shipped from APLNG during the recent quarter, and 53 cargoes have been shipped to date. During the month the company also reported that US$5.1b (60%) of shareholder guarantees relating the APLNG's US$8.5B project finance facility had been released after the project's first production train successfully satisfied lenders' test.
We retain our overweight position in the company on the basis that: i) we expect realised prices to improve, given that benchmark oil prices have rebounded and the onerous QGC contract is rolling off; ii) there is valuation support with margins in the Energy Markets business expected to expand and higher oil prices likely to result in increased cash contribution from Integrated Gas and iii) balance sheet risks are reducing following cash flow from APLNG and the release of the shareholder guarantees.

Positions that detracted most from the portfolio's performance during the month were from being overweight Vocus Communications (VOC), Virtus Health (VRT), and Impedimed (IPD); and from not holding QBE Insurance (QBE), Macquarie Group (MQG) and Bluescope Steel (BSL). Stocks in the portfolio that detracted most from relative performance during the month included:

> **Vocus Communications (VOC) (-26.9%)** underperformed over the month as they gave earnings guidance that was weaker than expected at their AGM. Vocus has guided to underlying EBITDA of $430-450m for FY17, 5-9% below consensus of $471m. This is primarily due to (1) lower than expected contribution from Nextgen post-acquisition, (2) a high margin fibre build not being rolled over from FY16, (3) NBN migration costs, and (4) additional investment in the sales, marketing and provisioning of the Corporate and Wholesale Division. Guidance for FY17 NPAT was $205-215m, down 7-12% on consensus. Management commented that Nextgen has been a low-growth business in the past and they saw (and still see) an opportunity to ramp this up. However, uncertainty due to the sales process affected both the sales teams and customers, which has led to a higher-than-expected level of cancellations and also price erosion on re-signed contracts. Consumer NBN performance was also positive, with 26k new subscribers, leaving VOC's market share at 7.1% vs 6.4% at 30 June 2016. This was offset by disappointing copper-based broadband growth, largely due to a number of outages on their supplier's (Telstra's) provisioning platform. Whilst this is a one-off, net growth in 1H17 will be below expectations.
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> **Virtus Health (VRT) (-17.4%)** underperformed the market during the month following a trading update delivered at its AGM. VRT noted that IVF cycle activity was weak in the first quarter of FY17 and fresh cycles had fallen 5.9% on pcp (verse a market decline of 3.9%). This was primarily due to the loss of market share from the low cost offering provided by Primary Healthcare in the Victorian market. Having seen a similar situation in the NSW market over the past two years, we expect the Victorian market share losses to stabilise in the ensuing months and VRT will begin to regain share due to the benefits of its higher quality and full service offering. In early December, VRT announced that it had acquired Aagaard Fertility Clinic in Denmark, for a maximum price of $16.5m (on an earn-out basis). The acquisition has been bought on a 7x EBITDA multiple is forecast to be accretive in FY17.
> Despite the volatility in cycle growth we continue to maintain our holding in the stock as a long term core position due to valuation support, a positive macro outlook and a disciplined acquisition strategy. From a macro perspective the continued social driven shift in age of fertility for Australian women underpins a solid market together with favourable Government support. Affordable access supports high utilisation vs offshore peers, & allows VRT annual price increases. The industry is a rational oligopoly and the participants are rational. The barriers to entry are the fertility specialist of which VRT has 100. Price increases in FY17 of 3-4% are expected to underpin earnings growth. Management has proven itself to be a disciplined acquirer with an offshore footprint that includes Ireland, Singapore and now Denmark.
>
> **Impedimed (IPD) (-25.1%)** underperformed during the month following a stellar 6 month period where its share price had increased ~60%. During the month the company showcased SOZO, its at-home device that uses bioimpedance spectroscopy (BIS) for the rapid, accurate and non-invasive assessment of fluid status and body tissue composition. IPD expects to secure US and European regulatory approvals that will allow the company to market it for medical applications within the next 6 months. IPD has already started clinical studies using SOZO to detect fluid accumulation in heart failure patients that could provide early warning of an impending heart failure event. Whilst the anticipated cost of this has led to a review of the funds required to undertake these trials and higher marketing costs, we still maintain our position in IPD. This is on the basis that the L-Dex lymphedema strategy is on track, with 55 centres already signed up in line with market expectations and a CPT1 reimbursement rate that increased 13.1% in the last review.
> The company is also expected to announce the results from its post-marketing lymphoedema study in the coming months which may provide the evidence and justification required obtain to private payer support. In addition, the company is aiming to start marketing SOZO for this application in mid-2017 at which time it will have regulatory approvals and clinical data in hand. With over 1.25M Class-III heart failure patients in the US, a sale and monitoring subscription model for SOZO to heart failure patients would open up a significant commercial opportunity for the company.

Portfolio Construction and Risk

The main portfolio weighting changes during November included: top-ups for our holdings in BHP Billiton (BHP) and Western Areas (WSA) and the partial sale of our holding in ANZ Bank (ANZ). Cash at the end of November was 4.4% and is below the 5% maximum threshold, similar to the 4.3% in October, reflecting our view that the equity market has opportunities but some caution is required in the lead up to the December Federal Reserve meeting.

The ATI portfolio, with regard to its market capitalisation exposures, is differentiated to the benchmark index with ~88% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~9% 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 ~50%), the dividend yield is 4.8% (benchmark 4.6%) and the portfolio's historic or trailing PE is 14.5x (benchmark of 16.0x).

Whilst the portfolio's market cap bias intentionally 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, consumer staples and material sectors and overweight the financial, healthcare and telecommunication sectors.

We also continue to remain overweight in stocks we view as having industry structural advantages and/or the expected benefit of USD currency exposure from offshore earnings such as Brambles (BXB), CSL (CSL) and Resmed (RMD) in combination with other opportunities that we feel have fundamental valuation support, such as Insurance Australia Group (IAG) and Suncorp (SUN).

General Market Commentary

The ASX300 accumulation index rose 2.3% over the month of November, with the index up 5.5% since Donald Trump's election victory during the month. Financials and bank stocks rallied strongly whilst energy, resources and utilities also beat the index. Healthcare and telco's were the only sector's to fall short of a positive return.

In some material company announcements: Boral (BLD) announced a placement and pro rata accelerated renounceable entitlement offer with retail rights trading to raise ~$2.1bn, with the proceeds to be used to support the acquisition of Headwaters. ICPF agreed to acquire Morgan Stanley's 8.9% stake in IOF; the IOF Board rejected CMW's proposal to make a fully funded cash offer to privatise IOF at $4.45 per security; South 32 (S32) announced it had entered into a binding agreement with Peabody to acquire its Metropolitan Colliery and a 16.7% interest in the Port Kembla Coal Terminal for US$200m. Qube Holdings (QUB) announced its intention to purchase a 50% interest in AAT from Brookfield for $150m; AGL commenced a feasibility study into an east coast LNG import terminal.

The Reserve Bank of Australia held the cash rate steady at 1.50% in November. The rhetoric of the policy statement was largely unchanged from recent meetings noting that "holding the stance of policy unchanged at this meeting would be consistent with sustainable growth in the economy and achieving the inflation target over time". The Aussie dollar fell almost 3% against the Greenback in November.

On the consumer front: building approvals for the month of October fell sharply, slipping 12.6%, lowering the annual run rate to 25.0% as a 24.0% slide in the volume of high density approvals contributed to the weakness; the relatively stable component, single family approvals, also fell 2.5%; retail sales rose 0.6% in September from 0.4% in August; the largest month to month increase this year; household goods retailing and café/restaurant spending contributed to the outperformance; department store sales continued to be a laggard; Australia's September trade deficit narrowed to $1.2bn from the prior (revised) print of $1.9bn as the rise in export values from the recent resurgence in key commodities prices, such as, iron ore and coal prices helped ease the deficit; the Westpac consumer confidence index slid 1.1% in November, halting recent gains; consumer sentiment appeared to be dampened by uncertainty surrounding the US elections and associated volatility in equity markets; on the domestic front, the RBA's decision to keep the cash rate unchanged last month contributed to a 3.1% drop in confidence among mortgage holders; within the index, respondent's perceptions of their own family finances over the year ahead and expectations of the economy over the next five years both declined; October's NAB business conditions and confidence reading came in soft, each falling two points to +6 and +4 respectively; most notably, trading conditions (+17 to +11) and orders (+9 to 0) fell sharply; profitability (+7) held steady while employment intentions decreased from +1 to 0; the NAB report also indicated that the retail sector reported a "noticeable" fall in final price inflation from +0.3% to (-0.3%); employment increased by 9.8k positions in October, although the prior month's print was revised down from 10k to -29;.the composition of employment saw a reversal in trend, with full time jobs bouncing back +41.5k and part time jobs contracting -31.7k; the unemployment rate and participation rate remained unchanged at 5.6% and 64.4% respectively..

A major re-basing in metals prices took place in November. The LME Metals Index rose +11.9% over the month. Copper (+20.1%, lead +14.7%, zinc +9.6%, nickel +7.3% and tin (+2.1%) rose, while aluminum (-0.2%) declined. Iron ore traded up 12.0% to S$72.1/mt. Lead indicators for Iron ore remain positive. OPEC's agreement to cut production by 1.2mbd to 32.5mbd spurred markets back to above $50/bbl (+4.5%) on Brent. The cut to production is conditional on participation by, as yet, largely unconfirmed non-OPEC producers, with the exception of Russia. Precious metals sold off heavily in November. Gold traded down 8.1% to $1173.3/oz.

Outlook

The market rally in November appeared to be more of a thematic reaction to the Trump victory than an earnings based reaction as financial and bank stocks rallied strongly despite the reporting season announcements for the major banks basically being in line with market expectations and did not result in much change at all to consensus earnings forecasts for the year ahead. With consensus earnings expectations being largely unchanged in November, save for some with some minor upgrades for the banks occurring as bad debts continue to remain lower than market expectations and net margins seemed to have bottomed out for this particular cycle. We remain slightly overweight the major banks and despite the recent outperformance we would expect that this portfolio position to be maintained over the next few months.

We still have moved towards a neutral position in the materials sector on the whole, but have overweights in companies with exposure to iron copper, oil and nickel. We still see value in some materials names and have been monitoring the Phillipines situation which has been impacting Nickel supply.

We are cautious coming into the December Federal reserve meeting with all eyes on whether there will be another interest rate increase following strong economic data post the Trump victory. We have positioned the portfolio to benefit from a scenario where global bond prices continue to rise, the USD strengthens and commodity prices remain at current levels.

PORTFOLIO RISK SUMMARY

Portfolio Name:	**MyPort**
Benchmark:	ASX300
Date of Data:	30-Nov-16
Sector Type:	1DEFCYC

Model:	AE_PCA48M
Factor Analysis:	Multi-Factor
Timestamp of Analysis:	8/12/2016 8:34:59 AM

		Active Exposures:		%
Historic portfolio alpha	3.8%	Total:	89.4%	100.0%
Historic portfolio beta	1.02	Across sectors:	11.3%	12.7%
Raw return	11.6%	Within sectors:	78.0%	87.3%

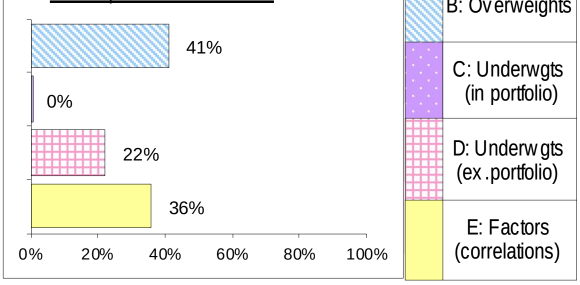
Forecast Tracking Error

2.64 %

(active risk)

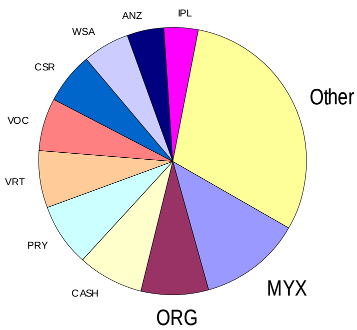
	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	41%	1.7	2.9
B	Overweight positions	41%	1.7	2.9
C	Underweight positions	0%	0.1	0.0
D	Stocks not held in portfolio	22%	1.3	1.6
E	Factors (correlations between stocks)	36%		2.5
F	Total (A + D + E)	100%	**2.6**	7.0

Decomposition of active risk



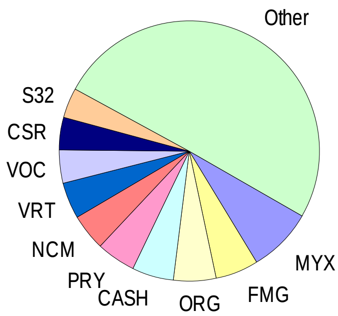
Top 10 sources of risk: Stocks held in the portfolio (A)

1	MYX	12%
2	ORG	8%
3	CASH	8%
4	PRY	8%
5	VRT	7%
6	VOC	6%
7	CSR	6%
8	WSA	6%
9	ANZ	4%
10	IPL	4%
	Other	30%

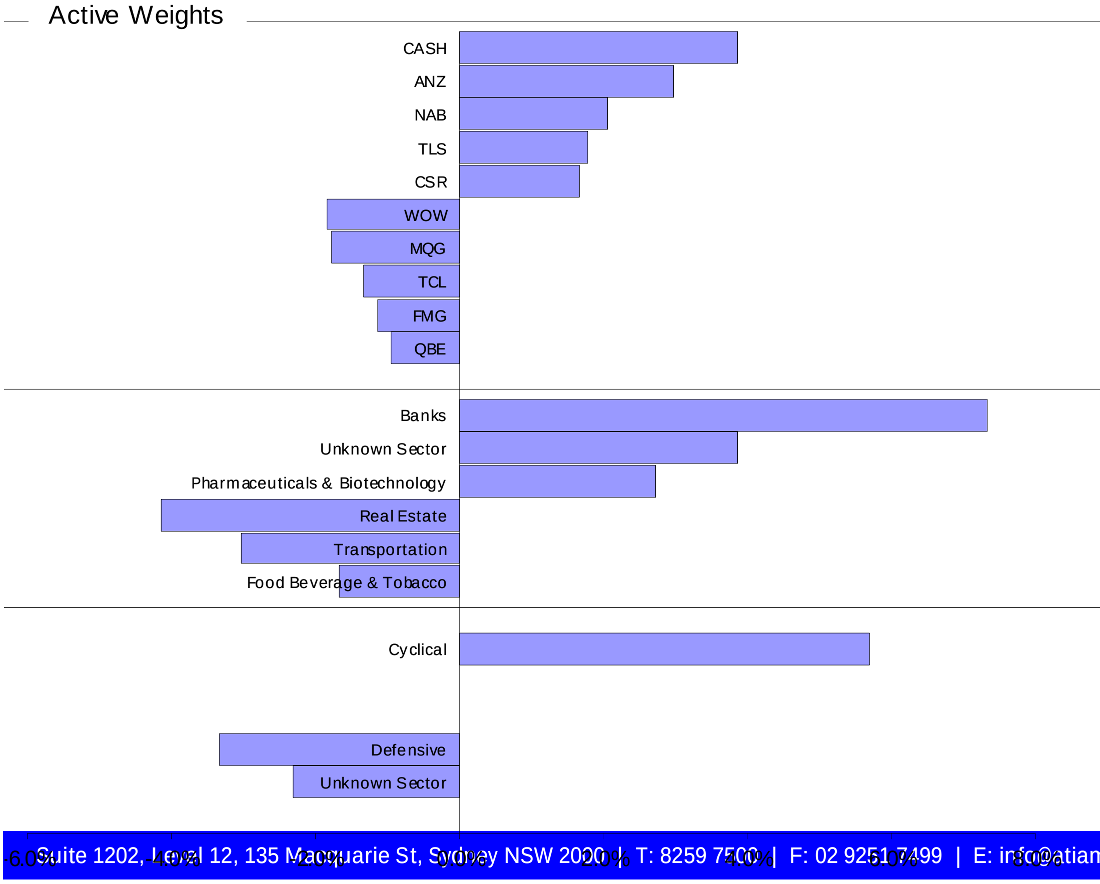


Top 10 sources of risk: All stocks in benchmark (B+C+D)

1	MYX	8%
2	FMG	5%
3	ORG	5%
4	CASH	5%
5	PRY	5%
6	NCM	5%
7	VRT	4%
8	VOC	4%
9	CSR	4%
10	S32	4%
	Other	50%



Active Weights



Top five **Overweight** Stocks

Top five **Underweight** Stocks

Top three **Overweight** GICS2 sectors

Top three **Underweight** GICS2 sectors

Top three **Overweight** 1DEFCYC sectors

Top three **Underweight** 1DEFCYC sectors