

Fact Sheet

ATI Australian Equity Portfolio

Information as at 30 September 2011

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 September 2011)

	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross of fees)	(5.0)	(11.5)	(9.9)	3.2	2.2	3.8
S&P/ASX300 Accumulation Index	(6.3)	(11.7)	(8.7)	(0.1)	(0.7)	1.4
Relative Outperformance	1.3	0.2	(1.2)	3.3	2.9	2.4

*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 September 2011

Largest Holdings	Portfolio Weight (%)	S&P/ASX300 Weight (%)
BHP Billiton	10.4	10.5
Westpac Bank	8.5	5.8
ANZ Bank	8.3	4.8
Commonwealth Bank	7.7	6.6
National Australia Bank	7.6	4.6
Telstra	6.8	3.6
Woolworths	5.2	2.8
Rio Tinto	4.7	2.5
Wesfarmers	3.7	3.0
News Corp	3.0	1.2

Sector Allocation	Portfolio Weight (%)	S&P/ASX300 Weight (%)
Financials	42.0	34.8
Materials	18.2	25.7
Consumer Staples	10.9	8.4
Telecommunications	6.8	4.2
Consumer Discretionary	6.2	5.0
Industrials	3.1	7.8
Healthcare	2.9	3.6
Energy	1.9	8.0
Utilities	1.8	1.7
Information Technology	1.2	0.7

Selected Portfolio Statistics as at 30 September 2011

Inception Date	23-Dec-05	MER (est.)	~ 0.90% p.a.
Number of Stocks	27	Tracking Error (forward estimate)	~ 3.0% p.a.
ATI Funds Under Management	~ \$500m		

Portfolio Performance

The ATI Equity Portfolio fell 5.0% in September compared with a fall of 6.3% by the S&P/ASX300 Accumulation Index. Against this benchmark, ATI is producing excess returns on a 1 month, 3 month, 3 year, 5 year and since inception (Dec-05) basis.

The Best and Worst Performing Sectors

The best performing sectors in September were Telecommunications (+2.2%), Consumer Staples (+1.2%) and Healthcare (-2.4%). The worst performers were Materials (-13.6%), Energy (-7.9%) and Industrials (-6.5%).

Attribution of Stocks

The portfolio performance during September was assisted by overweight positions in Telstra (TLS), News Corp (NWS) and Insurance Australia Group (IAG); and by not holding Newcrest Mining (NCM), Cochlear (COH) and Iluka Resources (ILU). Stocks in the portfolio that contributed most to its relative performance during the month included:

Telstra (TLS) (+2.3%) outperformed again in September due to the defensive nature of the stock in uncertain markets. During the month the ACCC released its draft decision on mobile termination rates (MTAS) which proposes to reduce rates to 6c per minute (from the current 9c) on 1 January 2012, and to 3.6c on 1 January 2014. While this is only a draft determination at this point, it would be a net positive for TLS as it has the most number of fixed lines terminating to mobile networks. Submissions are due by 21 October, with a final decision to be made before the end of the year. In other news, the shareholder vote on the NBN deal is scheduled for 18 October. TLS still remains relatively attractive in the ATI universe and a core portfolio holding.

News Corp (NWS) (+2.4%) was stronger in September as the stock continued to regain lost ground in the wake of the UK phone hacking and bribery scandal. The share price has also been supported by the US\$5b buyback which is already 27% complete after only one-and-a-half months. Operationally, *"Rio"* became the first movie since *"Avatar"* to claim the #1 spot on the DVD charts for a whole month, while the Fox TV Network has started the new Fall Season very strong with overall ratings up 28% on the back of the hit debut comedy *"New Girl"*. Upcoming events include the AGM on 21 October, followed by the 1Q11 result in early November. NWS remains a core portfolio holding due to its relative attractiveness within the ATI universe and diverse earnings composition.

Insurance Australia Group (IAG) (+1.6%) managed to rise during the month despite the negative performance of global equity markets as investors sought the defensive nature of its largely domestic general insurance businesses and because there have been no major catastrophes in the last couple of months. As IAG has only \$25m left on its aggregate reinsurance cover for the remainder of calendar 2011, any large catastrophes above this coverage would require the company to purchase top-up reinsurance cover which would have the effect of reducing earnings expectations for the 1H12 period. IAG remains relatively attractive and an overweight position is still held in the portfolio.

Positions that detracted most from the portfolio's performance during the month were from being overweight Fortescue Metals Group (FMG), PanAust (PNA) and Rio Tinto (RIO); and from not holding Fosters (FGL), Transurban (TCL) and Amcor (AMC). Stocks in the portfolio that detracted most from performance during the month included:

Fortescue Metals Group (FMG) (-26.3%) underperformed in September as fear permeated the resources sector given the increasing likelihood of a severe global economic slowdown, including a Western World recession and a possible hard landing in China. Despite this negative sentiment severely impacting the share prices of most resource equities, the iron ore price remained elevated during September (in contrast to the majority of commodity prices), and FMG noted that it would receive an average price of ~US\$160/t for record sales of over 12m tonnes during the quarter. The company further noted that demand for its product remains strong with no deferral or cancellation of cargoes, and that its expansion program to 155mtpa remains on time and budget. ATI notes the extremely healthy margins that FMG continue to generate, selling product for ~US\$160/t delivered into China, whilst the cost of delivering product during the quarter is likely to approximate US\$60-65/t. Whilst iron ore prices appear likely to weaken in future periods as Chinese construction slows, all of the major Australian producers are likely to be protected from any reduction in sales volumes since high cost Chinese domestic production and Indian seaborne volumes will be the first to be displaced if prices fall sufficiently to start cutting into the top end of the cost curve. FMG remains relatively attractive in the ATI universe and a portfolio holding.

PanAust (PNA) (-30.2%) was another victim of the negative sentiment directed at resources equities during September, underperforming the market as the copper price declined by ~23% and the gold price fell by ~11%. Operationally PNA continues to perform well, and pleasingly management was quick to inform the market that it had effectively hedged the majority of its copper production until the end of 2011 at an average price of US\$4.06/lb (substantially higher than the spot price of US\$3.17/lb at the end of September). With the company's second operation, Ban Houayxai, on schedule to enter production in the first quarter of 2012, we note that the diversity of PNA's earnings will further increase, with ~30% of earnings to be generated by gold and silver, and ~70% by copper. PNA remains relatively attractive in the ATI universe and a portfolio holding.

Rio Tinto (RIO) (-14.8%) underperformed the market in September for similar reasons noted for FMG above, albeit to a lesser extent possibly due to the company's superior balance sheet strength and active capital management. The company's capital management program continues to be executed despite the market volatility, with several important developments during September. RIO priced US\$2b of bonds with maturities of 5-30 years, and coupons of only 2.25-5.20%. Meanwhile the company continues to actively pursue its on-market share buyback program, and continues to invest capital in both organic growth projects and incremental M&A. During September RIO sanctioned the investment of over US\$1b additional capital in expanding its Pilbara iron ore operations, whilst also increasing its interest in Ivanhoe Mines to the maximum allowable level of 49%, and pursuing its acquisition of the minorities in Coal & Allied (CAN). The asset portfolio was further rationalised with the announcement that RIO intends divesting its interest in the non-core Palabora copper operation in South Africa. RIO remains relatively attractive in the ATI universe and a portfolio holding.

Portfolio Construction

The ATI portfolio continues to maintain its large stock bias with regard to its market capitalisation exposures against the S&P/ASX300 index with 92% of the holdings (excluding cash) in the top 50 stocks (compared to 81% of the S&P/ASX300 index), 5% in the next 100 (14% of the index), and 2% in the last 150 stocks (5% of the index). The number of stocks (27) in the portfolio has reduced from last month with the removal of Kingsgate Consolidated (KCN), Mount Gibson Iron (MGX), and OneSteel (OST); while no new stocks were added.

The ATI stock rankings over the last month have reflected the market volatility and some new names have become relatively attractive. We expect the portfolio to remain overweight the larger cap stocks in these volatile markets and the number of holdings in coming months will only increase if those stocks that have become relatively attractive, as a result of relative market weakness, are expected to improve the risk/return profile of the portfolio. Any new positions would be expected to compliment the overweight positions already held in the larger capitalisation stocks which history has shown us is a relatively good place to be in these uncertain and erratic market conditions.

Portfolio Risk

The current forecast tracking error of ~3.1% (range of 2-8%) for the ATI portfolio has the potential to change in coming months as the risk/return benefit of taking on some relatively oversold stocks is assessed, post the reporting season, with reference to the global macro developments.

As at 30 September, the main sources of portfolio risk are from a variety of overweight smaller capitalisation stock holdings including Pacific Brands (PBG) and PanAust (PNA). Larger capitalisation stocks that provide a contribution to portfolio risk include having no holding in Newcrest Mining (NCM), and having overweight positions in Fortescue Metals (FMG), Rio Tinto (RIO), Telstra (TLS), ANZ Bank (ANZ), News Corp (NWS), Qantas (QAN) and National Australia Bank (NAB).

General Market Commentary

The extreme volatility that dramatically reappeared in August continued into September as markets became increasingly concerned that European and US Governments are still struggling with developing (let alone implementing) solutions to resolving their various fiscal issues. Macro indicators, including confidence levels, continued to deteriorate as global growth forecasts were lowered such that the potential for a Western World recession (particularly in Europe) is increasing becoming likely. Furthermore, the ability of governments to respond via fiscal policy is significantly constrained by ongoing budget deficits and already existing high sovereign debt levels. In addition, markets became more concerned during the month that a European recession coupled with inflationary concerns in China will see a slowing of Chinese growth. With European policymakers seemingly undertaking never-ending discussions (rather than actions) regarding the vast array of ideas floated to resolve the financial crisis facing the region in the face of Greece potentially defaulting, the US Fed announced "Operation Twist" to a lukewarm response from the market.

Given this backdrop, equity markets and commodity prices continued to bear the brunt of risk aversion. The Australian equity market (ASX 300 Accumulation Index down 6.3%) remained under particular pressure with resource stocks declining on the back of weaker commodity prices, however the market did recover somewhat from its mid-month lows. Domestic investors reduced their exposure to resources and continue to favour defensive names over cyclical and companies with USD earnings, with the AUD coming under selling pressure. Investors derisked portfolios with the defensive Consumer Staples, Telecoms and Healthcare sectors outperforming, while the more cyclical Resources, Energy, and Industrial sectors lagged.

With reporting season essentially finishing in August, and AGM season not starting until October, it was not surprising that company specific news flow during September was fairly limited. However, Fosters (FGL) did recommend investors accept an increased offer from SABMiller, Wesfarmers (WES) sold part of its coal business, and both Goodman Fielder (GFF) and Paladin Energy (PDN) raised capital to strengthen their balance sheets.

Domestic economic data in September continued to highlight emerging softness in the non-mining segments of the economy. House prices, credit data and retail sales remained soft, while building approvals and employment fell further. The RBA left interest rates on hold at 4.75%, however the market continues to price in significant cuts (ie. 150bp by June 2012). With large falls in commodity prices (see below), the AUD traded in a wide range hitting a high of \$1.076, declining to a low of \$0.962 before finishing the month at \$0.973 (-9.7¢).

In commodities, while spot Brent crude (-9.0%) sold off again during September, it performed relatively well compared to most base metals with copper collapsing 24.4% as the LME index dropped 20.9%. Meanwhile spot iron ore prices continued to show relative resilience with Tianjin 62% fines -4.8%, however the physical market remained firm. On the other hand, spot gold (-11.5%) had its worst month since Oct-2008 after last month recording its best month since 1999.

Outlook

ATI has responded to the recent market conditions with a series of active portfolio management decisions that have been implemented during this period of significant market instability. These decisions had the cumulative effect of concentrating and de-risking the portfolio into those large capitalisation stocks which provided the greatest expected return for the lowest level of expected risk. The recent sell-off in equity markets reflects the fact that a synchronised global earnings recovery is now some way off as both Europe and the US are attempting to deal with mounting debt problems. As a result of revised global growth expectations, the ongoing domestic earnings downgrade cycle for equities is likely to continue, and until we see some improvement in the global macro backdrop, investors are likely to remain somewhat wary of equities.

ATI's relative value process is still identifying some attractive opportunities in conjunction with some more defensive holdings that we feel are appropriate for these market conditions. 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 coming year as signs of earnings growth are now required to drive the next upward phase in equity markets.

PORTFOLIO RISK SUMMARY

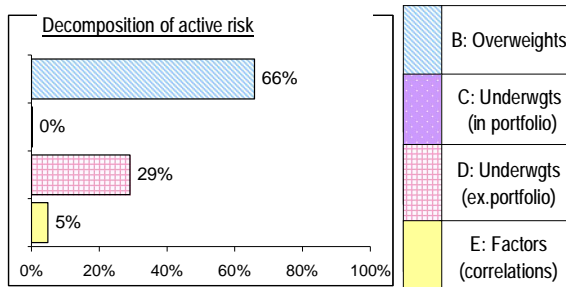
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Benchmark:	ASX300
Date of Data:	30-Sep-11

Model:	48months - 5 factors
Factor Analysis:	Multi-Factor
Timestamp of Analysis:	5/10/2011 2:59:07 PM

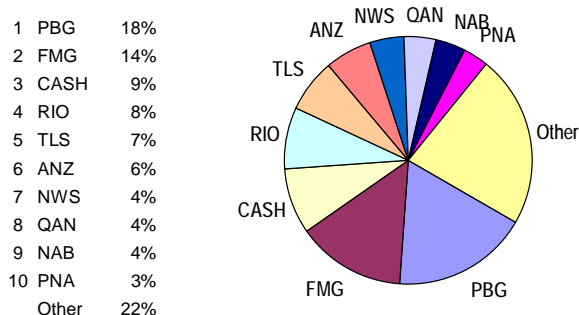
Historic portfolio alpha **5.4%** **Active Exposures:**
 Historic portfolio beta **0.93** Held: 41.5%
 Raw return **-5.1%** Total: 81.1%

Forecast Tracking Error	2.76 %	3.05 %
	(residual risk)	(active risk)

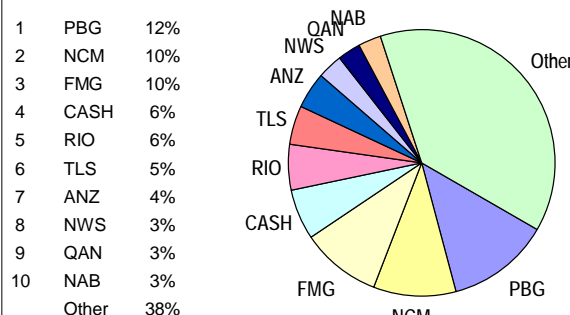
Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A Stocks held in portfolio (B+C)	66%	2.5	6.1
B Overweight positions	66%	2.5	6.1
C Underweight positions	0%	0.2	0.0
D Stocks not held in portfolio	29%	1.6	2.7
E Factors (correlations between stocks)	5%		0.5
F Total (A + D + E)	100%	3.0	9.3
G Systematic risk (undiversifiable)		1.3	1.7
H Residual risk definition tracking error (G - F)		2.8	7.6



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



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



Active Weights

