Fact Sheet

Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 30 September 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 September 2014)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	(4.8)	0.0	8.4	14.8	6.7	7.4
Benchmark Index	(5.4)	(0.6)	5.7	14.3	6.6	5.7
Relative Outperformance	**0.6**	**0.6**	**2.7**	**0.5**	**0.1**	**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 September 2014

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
ANZ Bank	8.2	6.4
Commonwealth Bank	8.0	9.1
National Australia Bank	7.6	5.7
Telstra	7.1	4.9
BHP	6.4	8.1
Westpac Bank	6.4	7.4
Wesfarmers	3.8	3.6
Insurance Aust. Group	3.4	1.1
CSL	3.3	2.6
Suncorp	3.2	1.4

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	47.9	44.6
Materials	13.5	16.4
Telecommunications	8.5	5.5
Healthcare	7.8	5.1
Consumer Staples	5.8	7.9
Energy	4.0	6.4
Consumer Discretionary	3.2	4.2
Utilities	2.5	1.8
Industrials	1.9	7.1
Information Technology	1.3	0.9

Selected Portfolio Statistics as at 30 September 2014

Inception Date	23-Dec-05
Number of Stocks	37
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 4.8% in September compared with a fall of 5.4% 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 (-0.9%), Utilities (-3.8%) and Telecommunications (-3.9%) whilst the worst performers were Materials (-7.5%), Financials ex-property (-6.8%), and Energy (-5.9%).

From a sector perspective, the relative performance of the ATI portfolio was most positively impacted from being underweight Industrial (1.9% v benchmark of 7.1%), Energy (4.0% v benchmark of 6.4%) and Materials (13.5% v benchmark of 16.4%) stocks, whilst it was most negatively impacted by being underweight and Consumer Discretionary stocks (3.2% v benchmark of 4.2%).

Attribution of Stocks

The portfolio performance during September was assisted by overweight positions in Lend Lease (LLC), M2 Group (MTU), and AGL Energy (AGK); and by not holding Fortescue Metals Group (FMG), Santos (STO), and ALS Limited (ALQ). The three stocks in the portfolio that contributed most to its relative performance during September were:

> **Lend Lease (LLC) (+0.3%)** outperformed the market in September despite no material company announcements. On the back of a better than expected result in August and the ability of LLC to continue with its impressive residential apartment sales in the early stages of FY15, LLC has provided investors with an opportunity to get exposure to the both the robust domestic market and improving prospects for the US construction operations. We remain overweight LLC at current prices and continue to see it as relatively attractive in the ATI investment universe.
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> **M2 Group (MTU) (+3.3%)** outperformed again during September following on from a strong August where it reported a better than expected FY14 result with NPAT of $67m up 53% on the prior year and guided to FY15 revenue growth of 8-9% and NPAT growth of 15-20%. In addition, the stock outperformed during the month as the Dodo founder Larry Kestelman sold down part of his stake in the M2 Group, selling 4.8% at $7.50 per share. While Larry still holds a little over 2% of the company, this has removed a perceived market overhang. Despite the recent performance, MTU remains an overweight portfolio holding.
>
> **AGL Energy (AGK) (-4.0%)** relatively outperformed the market during September after finalising the retail component of its $1.23b entitlement offer to fund part of the purchase price for the acquisition of the Macquarie generation assets. We continue to hold an overweight position in AGK based on valuation support, its defensive characteristics and an expected improvement in its earning profile and sentiment now that the Mac Gen acquisition is finalised.

Positions that detracted most from the portfolio's performance during the month were from being overweight ANZ Bank (ANZ), National Australia Bank (NAB), and Sandfire Resources (SFR); and from not holding QBE Insurance (QBE), Alumina (AWC), and Recall (REC). Stocks in the portfolio that detracted most from relative performance during the month included:

> **ANZ Bank (ANZ) (-7.5%)** was weaker during the month as the domestic bank sector traded down with the market increasingly focused on the potential for higher capital requirements for the major banks and the sentiment impact of this saw them under-perform the broader market. We feel that the current Murray Inquiry is unlikely to lead to near-term capital raisings, as is currently being speculated in the media. In our view, the Inquiry will not want to cause alarm about the financial health of the banks by suggesting urgency in the need for more capital, or risk an economic impact by forcing the banks to slow lending until they have raised capital. Instead, it may be several years before changes come into force. Murray may defer to APRA on the quantum and timing of changes, the government will probably not respond until mid-next year, and there would probably be a two-year implementation period, as occurred with the most recent capital changes. We remain overweight ANZ and expect out-performance during the next reporting season when we expect bank management to allay the current market concerns about additional regulatory capital requirements.
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> **National Australia Bank (NAB) (-7.6%)** was weaker during the month due as the impact of the potential for more onerous regulatory capital requirements resulting from the Murray enquiry impacted the banking sector. NAB also saw additional volatility during the month in the lead up to the Scottish independence referendum, although the ultimate victory by the "No" camp meant a broadly positive outcome for the stock. As is the case with ANZ, we remain overweight NAB coming into the bank reporting season next month and expect the upcoming partial sale of the Great Western business in the US will assist NAB in meeting any prospective future capital requirements.
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> **Sandfire Resources (SFR) (-7.9%)** underperformed during September as the copper price fell towards US$3.05/lb from levels closer to US$3.20/lb at the start of the month. Commodity prices generally weakened during the month in response to the stronger US$ and further weak macroeconomic data releases on the Chinese economy. Stock specific news flow was very light for SFR during the month, although we note that the company achieved some early exploration success with JV partner Ventnor Resources (VRX) at the Thaduna/Green Dragon project located 40km from SFR's DeGrussa operation. SFR remains an overweight portfolio holding, with robust valuation support, a balance sheet which is rapidly moving towards a net cash position and supporting ongoing dividends, and outstanding corporate appeal and exploration upside.

Portfolio Construction

The main portfolio weighting changes during September included: adding a new position in Fortescue Metals Group (FMG); top-ups for our portfolio holdings in AGK, Ansell (ANN), CarSales.com (CRZ), CSL (CSL), MTU, Rio Tinto (RIO), Virtus Health (VRT), and Westpac Bank (WBC); the entire disposal of our portfolio holding in Dexus property group (DXS); and slight portfolio reductions for our holdings in BHP Billiton Plc (BHP), Brambles (BXB), Commonwealth Bank (CBA), Challenger (CGF), and Telstra (TLS). Cash at the end of September was 2.5% and reduced from the near 5% maximum threshold, down from 4.2% in August, reflecting our view that the overall equity market valuation has become more attractive after the pull back over the last month.

The ATI portfolio, with regard to its market capitalisation exposures, is only slightly differentiated to the benchmark index with ~85% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~12% in the next 100 (benchmark ~13%), and ~3% in the last 150 stocks (benchmark ~4%). The 10 largest holdings constitute ~60% of the portfolio (benchmark ~53%), the dividend yield is 4.7% (benchmark 4.5%) and the portfolio's historic or trailing PE is 14.5x (benchmark of 15.8x).

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, 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 BXB, Computershare (CPU), CSL, and Resmed (RMD) in combination with other opportunities that we feel have fundamental valuation support, such as CGF, CRZ, MTU, Suncorp Group (SUN), VRT and Wesfarmers (WES).

Portfolio Risk

The current forecast tracking error of ~2.2% is similar to last month (~2.3%). 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 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 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 VRT, SFR, RMD, MTU, RIO, LLC, IAG, and AGK.

General Market Commentary

The S&P/ASX300 Accumulation Index returned -5.4% in September (CYTD +2.3%), its worst monthly performance since May 2012. Weakness was broad based, although the market ex-Resources (-5.1%) fared better than resources (-6.6%). Banks (-7.6%) underperformed for a 3rd consecutive month, and for the 2nd month in a row both resources and banks lagged the market. China fears triggered a further sell-off in iron ore (-11.6%) while uncertainty increased around the timing of interest rate hikes in the US, putting further pressure on both the A$ (-6.3%) and the defensive high-yield sectors of the ASX 300 (~65% of market cap). Stocks with significant USD revenues generally performed better in September (-3.6%).

Currency was the key focus for equity market investors this month with the AUD/USD seeing its sharpest one month fall in almost 2 1/2 years. Amid increased speculation the US Fed could raise interest rates as early next year following an upward revision to US Q2 GDP growth (+4.6% from +4.2%, its strongest rate since 4Q11), the USD strengthened strongly. Coupled with further weakness in commodity prices, the AUD finished the month around 6c lower at USD87.5c, falling against all major currencies.

Globally, the diverging performance in the major economies continued. The US economy continues to show stronger underlying trends. GDP growth accelerated to 4.6% qoq in 2Q14. Conversely, Euro area growth remains sluggish and with deflationary fears remaining, the ECB surprised by further cutting its policy rates and announcing a purchase program of ABS and covered bonds. In China, data confirmed a sharp slowing in activity in August, with sequential industrial production showing a rare contraction.

The ASX 200 underperformed significantly during September (-12.3% in US$ vs MSCI World -1.0%) and underperformed all major international equity markets. The US S&P 500 Index fell (-1.6%) despite the economy showing further signs of improvement. In Europe, most equity markets posted modest gains as the latest inflation data (weaker than was expected) heightened expectations for further easing measures by the ECB. The German DAX was flat, France CAC 40 +0.8%, and Italy +2.2%. Meanwhile the UK's FTSE 100 was -2.9% amid news that UK house price growth has slowed and a dip in mortgage approvals. Japan's equity market posted relatively strong gains with the Nikkei +4.9% despite ongoing signs of weakness in the economy. China was a clear outperformer with the Shanghai Composite Index gaining +6.6% as the PBoC announced an RMB500bn liquidity injection in response to slowing credit growth.

Regarding domestic economic releases in September: the NAB business confidence survey saw some payback in August following a strong July, shedding 3pts to +8, and the conditions index fell by 4pts to +4; the Westpac-MI consumer confidence index slumped in

September, plunging 4.6% m/m, with the index now tracking only just above the Budget induced May lows; the Australian economy gained 121k jobs in August (consesnus +13k), the largest monthly gain on record being driven mostly by the rise in part-time workers (+107k); the jobless rate reversed July's gain, falling 0.3ppts to 6.1%; retail sales increased 0.4% m/m in July (exp. +0.4%), the outperformers were the department store category, where sales jumped 1.9% m/m after a large contraction over May/June, and cafes and restaurants (+1.4% m/m); building approvals for July rose 2.5% m/m (consensus +1.9%) and the June figure was revised up from -5.0% to -3.8% m/m.

Spot Brent crude oil fell for a third consecutive month (-8.0%) amid ample supply and weak demand. The benchmark spot iron ore contract fell 11.8%; the second biggest monthly fall this year, bringing the YTD price decline to 42.3% as strong supply growth weighed on the market. Chinese domestic steel prices were weak – rebar reaching an eight-year low –suggesting soft end demand. Iron ore inventories at Chinese ports remained elevated over the month. Base metal prices were sharply lower, aluminum (-7.5%), lead (-6.7%), copper (-3.2%), zinc (-3.3%) and nickel (-11.3%) all fell. Spot gold (-6.2%) had its worst month since June 2013, hit by the rallying USD and the prospect of higher US rates in FY15.

Outlook

The buoyant mood surrounding August 2014 domestic earnings reporting season became a distant memory as the reality of how sensitive our equity market remains to global macro themes reared its head again in September. The perfect storm for the bank sector appeared as the yield carry trade for offshore investors began unwinding as the prospects of higher US rates became apparent and the domestic media spent the entire month pushing the mantra that big banks will need to hold more capital going forward. Our view is that the major banks remain attractive relative to other major sectors and banks are the only major sector 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, 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 reporting season when we expect bank management will attempt to allay some of the market concerns about 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 bank reporting season. Our decision to remain underweight the materials sector 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 remain negative.

After the domestic market correction we have seen in September, the positive consensus earnings growth expectations for FY15 still provide scope for further appreciation in the domestic equity market although we still consider that the shifting global macro and geopolitical backdrop still warrant a healthy level of investor caution. As a result, we remain positioned with a bias to the large cap stocks due to better relative transparency in their earnings forecasts, during times of global and domestic economic uncertainty.

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

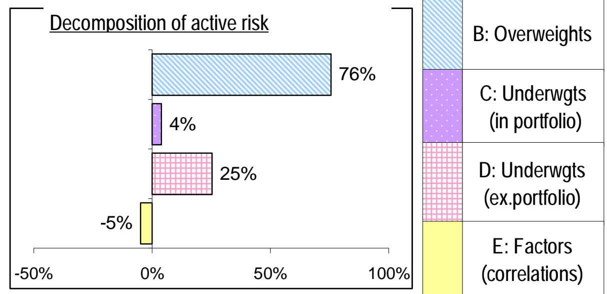
Goldman Sachs

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

		Active Exposures:		%
Historic portfolio alpha	6.0%	Total:	75.3%	100.0%
Historic portfolio beta	0.96	Across sectors:	27.3%	36.3%
Raw return	12.8%	Within sectors:	48.0%	63.7%

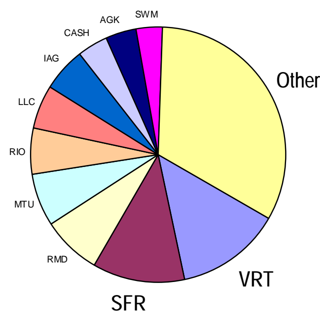
Forecast Tracking Error: **2.16 %** (active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	80%	1.9	3.7
B	Overweight positions	76%	1.9	3.5
C	Underweight positions	4%	0.4	0.2
D	Stocks not held in portfolio	25%	1.1	1.2
E	Factors (correlations between stocks)	-5%		(0.2)
F	Total (A + D + E)	100%	2.2	4.7



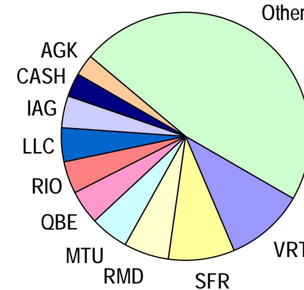
Top 10 sources of risk: Stocks held in the portfolio (A)

1	VRT	13%
2	SFR	12%
3	RMD	7%
4	MTU	7%
5	RIO	6%
6	LLC	6%
7	IAG	6%
8	CASH	4%
9	AGK	4%
10	SWM	3%
	Other	33%



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

1	VRT	10%
2	SFR	9%
3	RMD	6%
4	MTU	5%
5	QBE	4%
6	RIO	4%
7	LLC	4%
8	IAG	4%
9	CASH	3%
10	AGK	3%
	Other	47%



Active Weights