Fact Sheet

ATI·AM
Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 31 August 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 31 August 2013)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	2.8	5.5	22.8	9.0	6.6	7.0
Benchmark Index	2.5	5.3	23.6	9.8	4.4	5.4
Relative Outperformance	**0.3**	**0.2**	**(0.8)**	**(0.8)**	**2.2**	**1.6**

*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 31 August 2013

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
BHP Billiton	10.6	9.0
ANZ Bank	8.0	6.4
National Australia Bank	7.8	5.0
Commonwealth Bank	7.2	9.2
Telstra	7.2	4.8
Westpac Bank	7.1	7.7
Rio Tinto	4.2	2.0
Wesfarmers	3.9	3.7
Woodside Petroleum	3.8	1.9
Twenty-First Century FOX	3.2	0.7

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	41.8	44.1
Materials	19.9	17.7
Telecommunications	7.2	5.1
Consumer Staples	6.3	8.5
Consumer Discretionary	5.3	4.6
Industrials	2.4	6.5
Healthcare	4.3	4.7
Energy	3.8	6.4
Utilities	2.5	1.7
Information Technology	2.0	0.8

Selected Portfolio Statistics as at 31 August 2013

Inception Date	23-Dec-05
Number of Stocks	31
ATI Funds Under Management	~ $400m

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

Portfolio Performance

The ATI Equity Portfolio rose 2.8% in August compared with a rise of 2.5% in the benchmark index. Against this benchmark, ATI is producing excess returns on a one month, quarterly, 5 year and since inception (Dec'05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Consumer Discretionary (+4.9%), Industrials (+4.2%), and Energy (+3.9%); while the worst were Financials ex-Property (+0.3%), Consumer Staples (+2.4%), and Health Care (+2.6%).

From a sector perspective, the relative performance of the ATI portfolio was most positively impacted from being overweight Materials stocks (19.9% v benchmark of 17.7%) & Consumer Discretionary stocks (5.3% v benchmark of 4.6%) and being underweight Financials (41.8% v benchmark of 44.1%); but was negatively impacted from being underweight Industrial stocks (2.4% v benchmark of 6.5%).

Attribution of Stocks

The portfolio performance during August was assisted by overweight positions in Fortescue Metals Group (FMG), Twenty-First Century FOX Inc (FOX), and Lend Lease (LLC); and by not holding Amcor (AMC), Coca Cola Amatil (CCL) and Ramsay Heath Care (RHC). The three stocks in the portfolio that contributed most to its relative performance during August were:

Fortescue Metals Group (FMG) (+18.3%) outperformed once again during August as the company continues to expand production volumes at lower unit costs, into a stronger market, and continues the process of balance sheet repair. Indeed, the ongoing strength in the iron ore price continues to undermine the consensus view of the stockbroking community that iron ore prices are about to retrace to levels below US$100/t due to what are variously described as "waves", "rafts", or "surges" of new iron ore supply coming to market. The spot iron ore price (62% Fe, CFR North China) held steady during August above US$130/t, however notably the A$ denominated iron ore price continued to increase due to ongoing A$ depreciation. During the month FMG reported record FY2013 NPAT of US$1.75bn and declared a surprise A10¢/share dividend. The company also entered into a lucrative deal with Taiwan's Formosa Plastics Group, which serves both to monetise some of FMG's many magnetite deposits which are not currently valued by the equity market, and also results in FMG receiving an up-front payment of US$500m for port access. Together with other customer prepayments of a further US$500m, FMG appears increasingly able to rapidly de-gear the balance sheet during FY2014. FMG remains relatively attractive in the ATI rankings and an overweight portfolio holding.

Twenty-First Century FOX Inc (FOX) (+7.0%) outperformed during August after it reported a solid 4Q13 result and also provided an US investor update in early August. The outlook statements and guidance provided at both these briefings were received positively and resulted in analyst earnings upgrades. FOX stated that it expects FY14 EBITDA to grow by "high single to low double digit". At the investor day it stated that it expects "high single digit sales growth to FY16 and EBITDA growth in the low teens". This implies FY16 EBITDA above US$9b (vs FY13 EBITDA US$6.3bn). The company also stated that it would undertake a US$4b buy-back over next 12 mths, to replace current program. We remain overweight in FOX on the basis of 1) valuation support underpinned by the growth profile of the company, 2) its strong balance sheet with the potential for ongoing capital management 3) exposure to a US economic recovery and a falling AUD/USD.

Lend Lease (LLC) (+9.2%) outperformed the market after it reported FY13 net profit of $552m (+10.0% yoy) with a final dividend of 20cps (unfranked) making the full-year distribution 42cps (+11% yoy). The reported FY13 NPAT of $552m was just above the $540-550m guidance range provided on 17 June 2013 with the main points of note being a lower than expected tax rate and the confirmation of softness in the Australian construction division results. LLC remains a portfolio holding because of its relative value and future Group prospects based on the historically high construction order book of over $35bn. We expect the integrated project revenue model that LLC employs will assist in offsetting some of the weakness in Australian construction during FY14 as project work can be deployed internally and this should help mitigate some of the external demand softness in the domestic market. In addition, the improved FY13 results of the Asian and US divisions are other examples of how a diversified revenue base can work for a global Group such as LLC.

Positions that detracted most from the portfolio's performance during the month were from being overweight Brambles (BXB), Metcash (MTS), and Insurance Australia Group (IAG); and from not holding Origin Energy (ORG), Newcrest Mining (NCM) and Santos (STO). Stocks in the portfolio that detracted most from relative performance during the month included:

Brambles (BXB) (-3.1%) underperformed during the month after BXB reported FY13 EBIT of US$1,057m up 5% on pcp and inline with guidance. The main disappointment was the outlook statement for FY14 with the company stating that "FY14 guidance excluding Recall for Underlying Profit of between US$930m – US$965m, translating to growth of 4% - 8%." This was below the market expectation range of 4% - 16% coming into the result. We maintain our overweight position in BXB as 1) the guidance does not assume any new contract wins nor any sustainable volume increase in key markets; 2) post the Recall demerger (expected in December 2013) there may be more flexibility with the capital base to fund further reinvestment in the business or bolt on acquisitions and 3) there remains the potential for earnings leverage to improving US and European markets, via increased volumes and restocking at the sales line; 4) leverage to a strengthening USD v AUD on translation of EPS and DPS to AUD.

Metcash (MTS) (-5.8%) underperformed following a trading update provided at its AGM in late August. It stated that it expected EPS decline to be "high single digit" due to the impact of an "unstable macroeconomic climate" and the

"headwinds experienced in the Food and Grocery division" (84% of FY13 EBIT). MTS commented that it was impacted by aggressive petrol discounting, undertaken by Woolworths and Coles. Market EPS and dividend expectations for FY14 were lowered as a result of the announcement. We continue to hold MTS in on the expectation that a normalisation in trading conditions in Food and Grocery (with the expectation of food inflation in 2H14), as well as a higher contribution from the acquisitions made in FY13 (being the remaining 49% of Mitre 10, 75.1% Automotive Brands Group and Liquor Marketing Group), will return the business to EPS growth. On this basis, we feel there is both valuation and yield support at current price levels.

Insurance Australia Group (IAG) (+0.2%) underperformed during the month despite releasing an FY13 result that was broadly in line with its pre-announcement from mid-July, though its final dividend was even stronger than expected. IAG's FY13 numbers came in at the top end of recent guidance with the insurance profit of $1.42bn and NPAT (pre-amortisation) of $1.18bn both about 2% above consensus expectations. Also impressive was the FY13 insurance margin of 17.2%, above consensus of 17.0% and very strong compared to the FY12 margin of 10.6%. The full year dividend of 36 cps was also above consensus expectations of 32 cps. In addition, the company also detailed its FY14 guidance metrics which were broadly in line with current market consensus expectations. IAG remains an overweight portfolio position due to its exposure to the thematically attractive general insurance industry that is one industry still expected to generate top-line revenue growth in FY14 by being able to pass through some further premium rate rises over the course of the coming year.

Portfolio Construction

The main portfolio weighting changes during August included: the purchase of Dexus Property Group (DXS); portfolio top-ups for our holdings in ANZ Banking Group (ANZ), Commonwealth Bank (CBA), ResMed Inc (RMD), and Telstra (TLS); the sale of Lynas Corp (LYC); and a slight portfolio weighting reductions for Atlas Iron (AGO), Fairfax Media (FXJ), Incitec Pivot (IPL), Orica (ORI), Pacific Brands (PBG) and Woolworths (WOW). Cash at the end of August was 3.9% (July 4.3%).

The ATI portfolio, with regard to the market capitalisation exposures, remains differentiated to the benchmark index with ~93% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~84%), ~5% in the next 100 (benchmark ~13%), and ~3% in the last 150 stocks (benchmark ~3%). ATI's 10 largest holdings make up ~66% of the portfolio (benchmark ~55%), the dividend yield is 4.2% (benchmark 4.2%) and the portfolio's historic PE is 15.3x (benchmark of 16.1x).

Whilst the portfolio's market cap bias is broadly similar to the benchmark index, its underlying sector positioning is not. ATI has maintained its portfolio position of being overweight the Materials and underweight Financials sectors. We remain comfortable holding a number of smaller resource stocks with iron ore and copper exposure whose expected returns are sufficiently attractive for their relatively high expected return profile to justify some additional portfolio risk. These stocks include AGO, FMG and Sandfire Resources (SFR). We continue to remain overweight in stocks we view as having structural advantages such as BXB, CSL, FMG, FOX, RMD and Wesfarmers (WES) or opportunities with fundamental valuation support such as FXJ and MTS.

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 and industrial sectors as a result of their recent underperformance. At this stage we still feel that any further additional risk is unlikely to be justified in an environment with minimal earnings clarity and continued reductions in the expected mining capex spend over 2013 and beyond. That said, we also feel that the negative reaction of some materials stocks in the iron ore and copper space has been overdone in the last few months as recent commodity pricing levels remain well above the lower levels that we saw the second half of 2012 and during the GFC.

At present the main sources of portfolio risk are from overweight positions in SFR, FMG, FOX, TLS, AGO, Rio Tinto (RIO), LLC, Computershare (CPU), Insurance Australia Group (IAG) and Ardent Leisure (AAD).

General Market Commentary

The Australian equity market was a standout amongst global peers in August as it managed to continue its positive momentum in spite of a fairly benign reporting season and rising geopolitical tensions in the Middle East. The benchmark ASX300 Accumulation Index ended August up 2.8% with out-performance skewed to the more cyclical sectors such as consumer discretionary, energy and materials with the laggards being the more defensive telco's, utilities and property trusts.

The 2013 financial year domestic reporting season produced earnings that broadly met or beat the quite subdued consensus expectations and equities managed to edge higher over the month even though the company outlook comments provided were generally quite cautious. The majority of companies managed to meet their FY13 consensus EPS estimates and for the S&P/ASX 300 this resulted in minimal EPS growth of around 3% on the previous year. As the top line revenue generally continued to see very marginal growth in FY13, not surprisingly, cost control was a significant contributing factor to the modest overall EPS growth achieved. With many companies being successful in containing cost inflation in FY13, the market consensus now expects this theme to continue with cost growth expectations of between 3% and 5% p.a. currently forecast over the next three years.

Outside of company earnings, a notable feature of the latest domestic reporting season was that overall dividends declared beat consensus expectations, with many companies opting to return capital to shareholders given the subdued FY14 growth outlook and current investor appetite for income. Companies that lifted dividends were generally rewarded by the equity market whilst those that disappointed on this front were generally sold off. With dividends becoming a contemporary priority, the reporting season data shows that the ASX300 average company dividend pay-out ratio was around 70%, a level that is close to its historical peak.

In keeping with recent trends, domestic corporate activity remained relatively quiet during August. Some of the more significant transactions during the month included Amcor (AMC) and UGL (UGL) announcing de-mergers of their Australasian paper & packaging business and property services assets respectively, whilst Domino's Pizza (DMP) and Iress (IRE) both raised equity to make large offshore acquisitions.

In somewhat of a market surprise, the RBA reduced the cash rate at its August meeting by 25 basis points to a record low of 2.5%, stating that the RBA is prepared to "adjust policy as needed". Despite another RBA cut and the continued anticipation that the US Fed will begin slowing or 'tapering' their current bond purchase program, the $AUD was only marginally lower against the USD in August, ending at US$0.895 (-0.3c). Nothing has changed in our thinking from last month as we still expect the US dollar strength to continue with a backdrop of domestic growth getting weaker, the peak in mining investment coming to an end, the unemployment rate to pick up and local interest rates unlikely to move higher in the near term.

The domestic economic data released in August was generally disappointing and did little to alter the consensus expectations for some deterioration in the level of economic growth over the year ahead. Some of the data released during the month included the: unemployment rate of 5.7% (vs consensus of 5.8%) being better than expected, but only because of a -0.2% decline in the participation rate; nominal retail sales for June disappointing against consensus for the fourth consecutive month (+0.0% mom vs consensus +0.4%); June housing finance approvals increased 2.7% mom (vs consensus of +2.0% mom); volume of building approvals which fell 6.9% mom (vs consensus of +2.0% mom); private sector credit level which ground higher, stepping up 0.4% mom in July with housing and business credit the dominant drivers whilst other personal credit remained subdued; and house price index rose 2.4% qoq in Q2 (vs consensus of +1.0% qoq) with the West Australian market posting a gain of 3.4% qoq.

Towards the end of the month, investment markets started to react to the potential impact of an escalating crisis in Syria and this was reflected in the commodity market movements. Concerns regarding supply disruptions from the Middle East supported the oil price rally during the month as it posted another strong gain. At the end of August spot Brent crude had gained 4.8% for the month and was 15.6% above its April low of $97.77. Elsewhere, the benchmark spot iron ore contract, Tianjin 62% fines, made it three up months in a row (+6.0%) as Chinese steel output remained firm and port inventories remained at low levels. Base metals also responded to stronger macro indicators and data releases from China and the LME index gained 2.4% over the month. Spot gold was a beneficiary of the potential Syrian crisis and the sharp depreciation of several emerging markets currencies that combined to bolster the appeal of bullion. Accordingly, gold continued its recent recovery with a 5.3% rise after July's 7.3%. Additionally, ETF selling slowed during August with holdings seeing their smallest monthly decline (-0.54m oz) since the peak in December 2012.

Outlook

The fact that our equity market managed to continue rising in August despite a rather benign domestic reporting season and the potential for conflict in Syria suggests that the slightly lowered consensus earnings growth expectations for FY14 of around 8% and relatively solid yield of around 4% are metrics that could continue to provide some market support. Given the pace of consensus earnings downgrades slowed over the course of the reporting season, we expect that investors will remain encouraged by the prospect of companies potentially delivering some earnings growth in the year ahead.

As the FY13 reporting season has now passed without incident, the near term drivers of the local equity markets direction will most likely shift to thematic global macro issues such as: US monetary policy outlook and the prospect of the US Fed reducing or 'tapering' its monetary stimulus program drawing closer; the recent events in Syria which have the potential to derail equity markets in the short term; the continued positive data releases from China and Europe which indicate the improved strength in manufacturing growth momentum for these regions. Geopolitical risks aside, our main takeaway from the above themes is that global growth looks set to improve in FY14 as the Eurozone appears to have emerged from its longest recession on record, China's slowdown appears to have stabilized and US data continues to support a strengthening recovery. With the global economy now gaining momentum and the major developed regions exhibiting signs of stability, the risks of an economic dislocation have reduced and this can generally regarded as being a positive environment for equities.

With the FY14 domestic earnings growth prospects being driven largely by the resources sector, particularly mining, the global economic growth picture improving and the uncertainty created by a Federal election almost behind us, we still consider our overweight materials sector positioning to be appropriate at this stage. In conjunction with some stocks that have $US based earnings exposure, the ATI portfolio is also balanced with a mix of high yielding, large capitalisation financial, telco and consumer staples stocks that compliment the materials sector weighting that is achieved via the two large diversified miners and some smaller commodity specific positions. The portfolio also includes a mix of strategic consumer discretionary and industrial stocks that we feel are capable of improving our overall expected return.

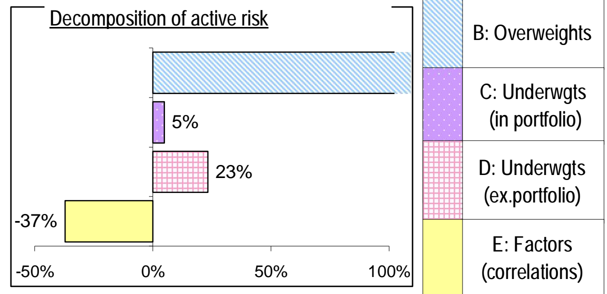
PORTFOLIO RISK SUMMARY

Portfolio Name:	MyPort
Benchmark:	ASX300
Date of Data:	31-Aug-13
Sector Type:	BGICS

		Active Exposures:		%
Historic portfolio alpha	4.6%	Total:	75.1%	100.0%
Historic portfolio beta	0.99	Across sectors:	37.3%	49.7%
Raw return	10.9%	Within sectors:	37.8%	50.3%

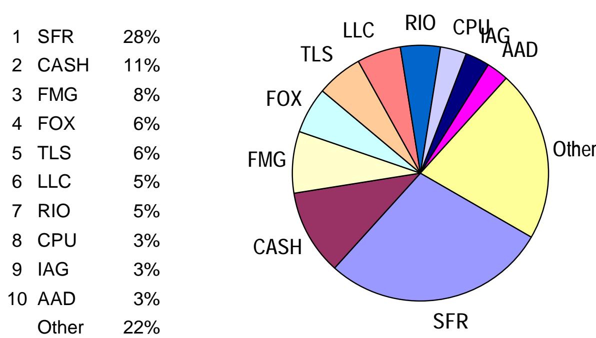
Forecast Tracking Error	1.67 %	1.68 %
	(residual risk)	(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	114%	1.8	3.2
B	Overweight positions	109%	1.7	3.1
C	Underweight positions	5%	0.4	0.1
D	Stocks not held in portfolio	23%	0.8	0.7
E	Factors (correlations between stocks)	-37%		(1.0)
F	Total (A + D + E)	100%	1.7	2.8
G	Systematic risk (undiversifiable)		0.1	0.0
H	Residual risk definition tracking error (F - G)		1.7	2.8



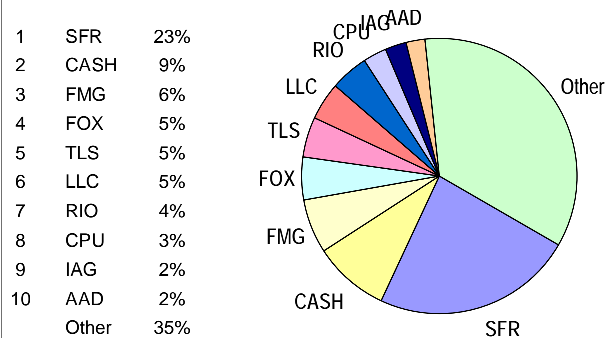
Top 10 sources of risk: Stocks held in the portfolio (A)

1	SFR	28%
2	CASH	11%
3	FMG	8%
4	FOX	6%
5	TLS	6%
6	LLC	5%
7	RIO	5%
8	CPU	3%
9	IAG	3%
10	AAD	3%
	Other	22%



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

1	SFR	23%
2	CASH	9%
3	FMG	6%
4	FOX	5%
5	TLS	5%
6	LLC	5%
7	RIO	4%
8	CPU	3%
9	IAG	2%
10	AAD	2%
	Other	35%



Active Weights