Fact Sheet

Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 31 August 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 31 August 2014)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	0.8	3.8	16.6	14.7	9.1	8.1
Benchmark Index	0.6	3.6	14.1	14.0	9.0	6.3
Relative Outperformance	**0.2**	**0.2**	**2.5**	**0.7**	**0.1**	**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 31 August 2014

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
Commonwealth Bank	8.7	9.3
ANZ Bank	8.5	6.5
National Australia Bank	7.8	5.8
BHP Billiton	7.5	8.3
Westpac Bank	7.1	7.7
Telstra	6.9	4.9
Wesfarmers	3.7	3.5
Insurance Aust. Group	3.5	1.1
Suncorp Group	3.1	1.3
Woodside Petroleum	3.0	2.2

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	49.4	45.0
Materials	12.7	16.7
Telecommunications	8.1	5.4
Healthcare	6.7	4.9
Consumer Staples	5.7	7.8
Energy	4.0	6.4
Consumer Discretionary	3.3	4.1
Utilities	2.0	1.7
Industrials	1.8	7.1
Information Technology	1.3	0.8

Selected Portfolio Statistics as at 31 August 2014

Inception Date	23-Dec-05
Number of Stocks	35
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 0.8% in August compared with a rise of 0.6% 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 (+6.6%), Telecommunications (+4.3%) and Energy (+2.2%) whilst the worst performers were Materials (-3.7%), Information Technology (-2.4%) and Consumer staples (-0.4%).

From a sector perspective, the relative performance of the ATI portfolio was most positively impacted from being overweight Telecommunications (8.1% v benchmark of 5.4%) and Financials stocks (49.4% v benchmark of 45.0%), whilst it was most negatively impacted by being underweight Energy (4.0% v benchmark of 6.4%) and Industrials stocks (1.8% v benchmark of 7.8%).

Attribution of Stocks

The portfolio performance during August was assisted by overweight positions in Ardent Leisure (AAD), M2 Group (MTU), and Suncorp group (SUN); and by not holding Fortescue Metals Group (FMG), Bluescope Steel (BSL), and James Hardie Industries (JHX). The three stocks in the portfolio that contributed most to its relative performance during August were:

Ardent Leisure (AAD) (+21.3%) more than recaptured the underperformance during July and outperformed after announcing the acquisition of a portfolio of Fitness First gyms in WA. The company subsequently raised $50m via an institutional placement to fund the acquisition. Later in the month, AAD reported a 17% increase in FY14 NPAT, underpinned by ongoing earnings growth in its US Main Event business. It continues to roll out its multi purpose entertainment venues at better than budgeted expectations. We continue to remain overweight AAD due to its diversified earnings base, accretive acquisition strategy and stable management team.

M2 Group (MTU) (+21.2%) outperformed during August after reporting a stronger than expected FY14 result with NPAT of $67m up 53% on the prior year. MTU showed strong growth over the period adding 71k services in FY14 (fixed voice +20k, broadband +31k and energy services +24k). The company provided FY15 guidance of revenue growth of +8-9% and NPAT growth of +15-20%. This was ~4% ahead of market consensus forecasts and is composed of organic growth and scale efficiencies and improvements. M2 also confirmed that it was no longer involved in the bidding process for the Lumo business which had been a market concern for some time. MTU remains an overweight portfolio holding underpinned by valuation support, and a robust growth profile.

Suncorp Group (SUN) (+3.0%) outperformed the market during August after reporting a better than expected FY14 NPAT of $730m, up 49% on the prior year. The FY14 insurance margin was 15.5%, up from 13.1% in FY13, and GWP growth for FY14 was $8.87bn, up 3.3% on FY13. Of note was the fact that the troublesome life insurance division returned to profitability in FY14 after taking a series of non-cash impairments during the course of the year. SUN also declared a special dividend of 30cps in addition to an ordinary dividend of 40cps. This makes it three years in a row where SUN has paid special dividends as it returns the excess capital it had held when it had the massive problems with the non-core bank post the GFC until its sale last year. SUN remains an overweight portfolio holding underpinned by valuation support, improved earnings transparency, and expectations for further capital returns.

Positions that detracted most from the portfolio's performance during the month were from being overweight Seven West Media (SWM), Worley Parsons (WOR), and ANZ Banking Group (ANZ); and from not holding Origin Energy (ORG), Amcor (AMC), and QBE Insurance (QBE). Stocks in the portfolio that detracted most from relative performance during the month included:

Seven West Media (SWM) (-9.5%) was weaker during the month of August following a FY14 result that met market earnings expectations but disappointed with a benign outlook statement. In relation to the advertising market, management stated that its FY15 expectations were for (i) TV: "Low single digit growth"; (ii) Newspapers: "Continuation of current trend"; (iii) Magazines: "rate of decline expected to lessen again" (iv) "FY15 Group costs to grow around CPI". We have maintained our overweight position in SWM following the result due to: (i) valuation support driven by growth expectations in the television division due to its strong ratings/revenue share; and ii) expected cost and strategic initiatives in the newspapers and magazines divisions, which are expected to slow the rate of decline in the earnings of these divisions.

Worley Parsons (WOR) (-8.7%) underperformed during July after they reported FY14 underlying NPAT of $263m which was at the low end of company guidance ($260-300m). Aggregate revenue was down by 4% to $7.4bn while underlying EBIT was down 14% to $452m. The FY14 numbers were never going to look good relative to FY13 as the 1H was plagued by underperforming contracts and restructuring costs. Pleasingly however the company managed to produce a 3yr high 2H EBIT margins indicating that some of the restructuring is starting to take effect. The company declared a final dividend of 51cps (20.5% franked) which reflects a full year payout ratio of 80%. WOR refrained from issuing quantitative earnings guidance for FY15 which the market reacted to negatively. The company provided general FY15 outlook commentary on its key markets and stated that it expects global Hydrocarbons capex in FY15 to be flat on pcp, indicating that capital is largely being directed to completing projects already under way. WOR was also awarded an engineering services contract by Vale for the Kronau Potash project in Canada. The contract scope allows WOR to continue supporting Vale with the critical definition phase of the project and will conclude by end of 2015. With our forecasts very much on the conservative side, a

strong balance sheet, strong cash flow performance and valuation support; WOR remains an overweight position at this point in time with longer term fundamentals remaining attractive.

ANZ Banking Group (ANZ) (-1.6%) underperformed during August after reporting its unaudited 3Q14 cash earnings of $1.69bn and a bad debt charge of $246m. While the company noted some revenue weakness in trading income, the reported Core Equity Tier 1 ratio of 8.3% suggested improved capital efficiency. The management confirmed that they expected FY14 FX-adjusted revenue growth to be toward the bottom end of its 4-5% guidance range and FX-adjusted expense growth to be 2%. Also, the management expected FY14 bad debt expenses to be down 12% on FY13. Group net interest margin was slightly lower when compared to the first half whilst net loans & advances were up strongly at 5.8% for the year to date. Despite the softer nature of the FY14 guidance range provided, the attractive ranking in the ATI system, good earnings transparency and yield support means ANZ remains an overweight portfolio holding.

Portfolio Construction

The main portfolio weighting changes during August included: adding a new position in Carsales.com (CRZ); top-ups for our portfolio holdings in AMP (AMP), Pacific Brands (PBG), Rio Tinto (RIO), Sandfire Resources (SFR), Westpac Bank (WBC) and Wesfarmers (WES); and slight portfolio reductions for our holdings in AAD, Brambles (BXB), CSL (CSL), Challenger (CGF), Dexus property group (DXS) and Woolworths (WOW). Cash at the end of August was 4.2% and near the 5% maximum threshold, slightly down from 4.3% in July, still reflecting our view that the overall equity market valuation is looking quite stretched at these levels.

The ATI portfolio, with regard to its market capitalisation exposures, remains differentiated to the benchmark index with ~87% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~10% in the next 100 (benchmark ~13%), and ~3% in the last 150 stocks (benchmark ~4%). The 10 largest holdings constitute ~63% of the portfolio (benchmark ~55%), the dividend yield is 4.4% (benchmark 4.2%) and the portfolio's historic or trailing PE is 15.9x (benchmark of 17.2x).

Whilst the portfolio's market cap bias is currently tilted to the larger stocks compared to the benchmark index, its underlying sector positioning is not too dissimilar to that of the benchmark. The main point of differentiation is that the portfolio remains underweight the materials sector and overweight the financials sector. We remain comfortable holding positions in a number of resource stocks, particularly BHP Billiton (BHP) & RIO, and copper exposure, SFR, whose expected returns are 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, SUN, Virtus Health (VRT) and WES.

Portfolio Risk

The current forecast tracking error of ~2.3% is similar to last month (~2.3%). We are continuing to be presented with a number of stock opportunities in the 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 SFR, Lend Lease (LLC), TLS, RMD, IAG, MTU and AAD.

General Market Commentary

The Australian equity market was unable follow up on a strong July as the benchmark ASX300 accumulation index only just managed to finish in positive territory, gaining 0.6% for the month of August. A generally in line with consensus domestic reporting season contributed to the inability of the market to rally in August as defensive industrial sectors were the best performers, cyclicals and financials were basically in-line and resources lagged. The large weighting of the materials sector came back to haunt Aussie equity market performance as a weak iron price marked an end to the recent rebound in mining shares. The other heavyweight sector, banks, also lagged with the yellow jersey this month going to healthcare stocks, largely on stock specific drivers.

Despite a global backdrop of deepening geopolitical concerns, the domestic market was pre-occupied with reporting season in August. Going into reporting season, we were concerned that the market was too highly priced if it did not receive the justification of improved earnings growth expectations for the year ahead. Whilst headline profits from the reporting season were reasonably in line with market estimates, a lot of the profitability improvement in FY14 seemed to have come from cost-savings rather than improved sales. If this was not enough to satisfy the market, the willingness of companies to satiate the thirst for yield proved to be the markets savior. Much like we saw last year, capital management this reporting season was generous with companies thinking of unique ways to return cash to shareholders. The notable out-performers were the blue chip stocks that delivered dividend surprises or other shareholder goodies such as tax-effective buybacks and this included the likes of AMP, TLS, SUN and WES.

A positive outcome of the reporting season was the fact that the rise in dividends, other than supporting the market, also suggests that companies are becoming more assured about their balance sheet strength for the year ahead by returning such historically

large amounts of capital to investors. So whilst the increased dividend payouts were a common feature, it also reminds us that the margin of safety around dividend payouts is becoming increasingly stretched. Whilst it may be sustainable at current levels for some time, with the industrial payout ratio now nudging 80%, there seems limited opportunity for dividends to surprise much further in the year ahead without further asset sales and / or additional balance sheet leverage being used to support additional dividend growth. Offsetting the common theme of strong dividend growth and the flow of cash to shareholders were a number of large capital raisings from AGL Energy (AGK), QBE Insurance Group (QBE) and Challenger (CGF) with their results.

The RBA left the cash rate on hold at 2.5% for an eleventh consecutive meeting as widely anticipated. In a data release, the RBA downplayed lower rates as the answer to growth in the non mining economy whilst revising down its non-mining GDP and underlying inflation by 50bp. The RBA also commented on the stubbornly high AUD, adding that FX intervention is a legitimate policy tool, but fell short of explaining the conditions necessary to implement it. Despite these comments, the Aussie dollar continued to trade in a narrow range and closed at 0.9338 (+0.5%) against the US dollar, compared to the previous month's close of US$0.9296.

With regards to domestic economic data releases, the general trends remained mixed but still slightly positive overall and included: the NAB business confidence survey surged 3pts to +11 in Aug; the Westpac-MI consumer confidence index for August rose 3.8% m/m, with all but one of the sub indices improving; the Australian economy lost 0.3k jobs in July (consensus +13k) and combined with a rise in the participation rate and stronger-than-expected working age population growth pushed the unemployment rate up 0.4pts to a twelve year high of 6.4%, the second largest monthly increase since the financial crisis and highest since mid-2002; retail sales increased 0.6% m/m in June (consensus +0.3%), the biggest increase since January this year and was underpinned by strong sales growth in household goods (+1.7%) and clothing (+1.4%).

Geopolitical tensions remained elevated around several Middle East hot spots and there are also concerns that the Russia-Ukraine crisis will begin impacting European growth. In addition, Chinese data released in August was generally soft across the board as industrial production remained lukewarm and power generation slowed while exports were strong and imports sluggish as commodity prices continued to trend down amid inventory de-stocking. Concerns regarding the cooling Chinese economy and increasing iron ore supply weighed on the iron prices during the month as it fell to its lowest level in two years. The benchmark spot iron ore price plunged 8.1% in August, and fell in nine of the last ten trading days. Spot Brent crude oil fell to a fourteen month low as increased OPEC production offset concern around supply risks in Iraq and Libya as the commodity price declined by 2.5%, adding to the 7.3% drop in July. The LME index of base metals was unchanged as a strong aluminium price (+5.5%) was offset by weaker copper and zinc prices that fell 1.8% and 0.8% respectively. The spot gold price was little changed (0.4%), escalating tensions in the Middle East initially supported the price but subdued inflation in the US and Europe weighed against it towards month end.

Outlook

The August 2014 domestic earnings reporting season revealed that top-line revenue growth generally remains elusive as many companies relied on cost control and falling net interest expense to increase profit margins and enable them to meet their consensus profit expectations. The post reporting season downgrades to FY15 consensus earnings growth is mainly due to revenue growth estimates being cut from around 5% to around 3%. The weighted average company revenue growth was about 5% in FY14 and we see the potential for revenue growth to be similar again in FY15 with monetary policy settings still very accommodative and there may be some incremental translation benefit as the Aussie dollar is more likely to depreciate against a stronger US dollar rather than appreciate, in our view.

Strong cash flow generation and prudent cost management were instrumental in driving the stronger than expected dividend growth during reporting season, and this means it is quite likely to have been at the expense of seeking additional inorganic growth and / or capital investment initiatives. With this in mind, many companies have either guided to a relatively weak earnings outlook in FY15 or provided quite vague guidance statements. The result is that consensus FY15 EPS growth forecasts have now moved slightly lower to ~6%, while first estimate for FY16 at ~8% is the lowest initial consensus earnings growth estimate since 2011.

Whilst we are aware that higher yielding stocks remain susceptible to an increase 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 current 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 and composite earnings growth expectations for FY15 having now actually turned negative.

The ongoing positive earnings growth expectations for the year ahead still provide some scope for further appreciation in the domestic equity market although we note that the current market levels mean 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

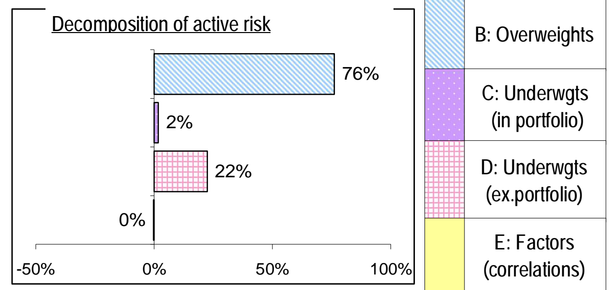
Goldman Sachs

Portfolio Name:	**MyPort**
Benchmark:	ASX300
Date of Data:	31-Aug-14
Sector Type:	GICS1

		Active Exposures:		%
Historic portfolio alpha	5.5%	Total:	70.7%	100.0%
Historic portfolio beta	0.97	Across sectors:	28.8%	40.8%
Raw return	13.3%	Within sectors:	41.8%	59.2%

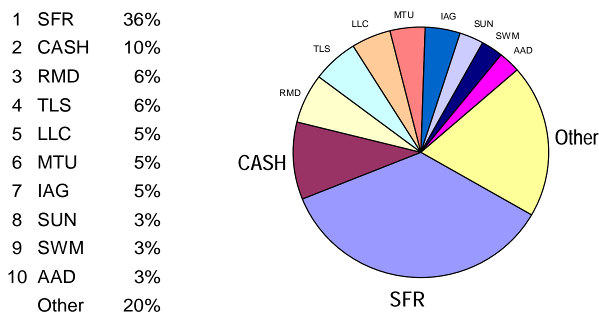
Forecast Tracking Error: **2.37 %** (active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	78%	2.1	4.4
B	Overweight positions	76%	2.1	4.3
C	Underweight positions	2%	0.3	0.1
D	Stocks not held in portfolio	22%	1.1	1.3
E	Factors (correlations between stocks)	0%		(0.0)
F	Total (A + D + E)	100%	**2.4**	5.6



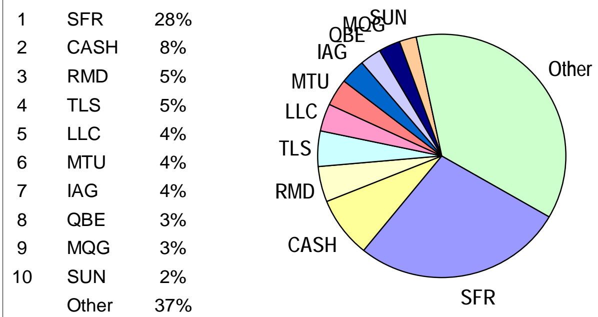
Top 10 sources of risk: Stocks held in the portfolio (A)

1	SFR	36%
2	CASH	10%
3	RMD	6%
4	TLS	6%
5	LLC	5%
6	MTU	5%
7	IAG	5%
8	SUN	3%
9	SWM	3%
10	AAD	3%
	Other	20%



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

1	SFR	28%
2	CASH	8%
3	RMD	5%
4	TLS	5%
5	LLC	4%
6	MTU	4%
7	IAG	4%
8	QBE	3%
9	MQG	3%
10	SUN	2%
	Other	37%



Active Weights