Fact Sheet

Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 31 December 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 31 December 2011)

	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	(0.1)	2.6	(10.4)	10.5	0.8	4.1
S&P/ASX300 Accumulation Index	(1.4)	2.0	(11.0)	7.7	(2.4)	1.7
Relative Outperformance	1.3	0.6	0.6	2.8	3.2	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 31 December 2011

Largest Holdings	Portfolio Weight (%)	S&P/ASX300 Weight (%)
BHP Billiton	9.4	11.2
ANZ Bank	8.6	5.5
National Australia Bank	8.0	5.3
Commonwealth Bank	7.9	7.9
Westpac Bank	7.8	6.2
Telstra	6.8	4.2
Woolworths	5.2	3.1
Wesfarmers	4.0	3.5
CSL	3.4	1.7
News Corporation	3.3	0.8

Sector Allocation	Portfolio Weight (%)	S&P/ASX300 Weight (%)
Financials	43.3	38.3
Materials	14.8	25.0
Consumer Staples	10.7	8.0
Consumer Discretionary	7.1	3.9
Telecommunications	6.8	4.5
Healthcare	3.4	3.6
Industrials	3.1	7.2
Information Technology	2.0	0.7
Utilities	1.8	1.6
Energy	1.8	7.1

Selected Portfolio Statistics as at 31 December 2011

Inception Date	23-Dec-05
Number of Stocks	29
ATI Funds Under Management	~ $500m

MER (est.)	~ 0.90% p.a.
Tracking Error (forward estimate)	~ 3.0% p.a.

Portfolio Performance

The ATI Equity Portfolio fell 0.1% in December compared with a fall of 1.4% in the S&P/ASX300 Accumulation Index. Against this benchmark, ATI is producing excess returns on a 1 month, 3 month, 1 year, 3 year, 5 year and since inception (Dec-05) basis.

The Best and Worst Performing Sectors

The best performing sectors in December were Telecommunications (+5.0%), Utilities (+2.4%) and Healthcare (+1.9%); while the worst were Energy (-5.0%), REITs (-4.2%) and Materials (-4.0%).

Attribution of Stocks

The portfolio performance during December was assisted by overweight positions in sector leaders such as News Corp (NWS), Telstra (TLS) and ANZ Bank (ANZ); and by not holding Origin Energy (ORG), Santos (STO) and Westfield Group (WDC). Stocks in the portfolio that contributed most to its relative performance during the month included:

> **News Corp (NWS) (+5.8%)** was higher during December after COO Chase Carey effectively confirmed market expectations that the current US$5b buyback program (already 49% complete) is likely to be extended given the company's strong balance sheet and cash flow generation by saying that the program is *"not a one-time thing"* and that it will be an *"important part of our capital allocation"* going forward. Operationally, Mr Carey noted that while the US ad market in the December quarter was *"a little softer"* than the September quarter, there were signs of a brighter outlook for 2012. In other news, the NFL signed a record US$28b nine year deal with FOX, NBC and CBS, up 63% on the current deal which expires this year. NWS remains a core portfolio position due to its relatively attractive valuation and earnings certainty (particularly through its diverse non-advertising dependent US exposed business units, and due to the buyback program).
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> **Telstra (TLS) (+5.4%)** outperformed during the month after it lodged its revised structural separation undertaking (SSU) with the ACCC, as the NBN deal moves ever closer towards completion. Also during December, TLS appointed former AXA Asia Pacific CEO Andrew Penn as its CFO, replacing John Stanhope who is retiring. The company was also granted licenses to operate in Singapore and Japan, adding to its recently received Indian license. TLS remains a core portfolio holding on a valuation basis, which is further supported by earnings transparency and a high dividend yield.
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> **ANZ Bank (ANZ) (+3.1%)** outperformed in December despite ongoing funding cost pressures on the sector as a result of the Eurozone debt issues, as well as the S&P downgrades to all four majors (including ANZ) from AA to AA-. On the positive side, ANZ received a generally favourable court ruling with regard to the class action by IMF. The Federal Court found that honour fees, dishonour fees, overlimit fees and non-payment fees can not be characterised as penalties, however the court did find that late payment fees are capable of being characterised as penalties. This final issue will be debated in the main trial in 2012. ANZ remains relatively attractive in the ATI rankings and a core overweight portfolio position is being maintained.

Positions that detracted most from the portfolio's performance during the month were from being overweight Flight Centre (FLT), Fairfax Media (FXJ) and Newcrest Mining (NCM); and from not holding Iluka (ILU), Cochlear (COH) and Macquarie Group (MQG). Stocks in the portfolio that detracted most from performance during the month included:

> **Flight Centre (FLT) (-14.5%)** underperformed during the month as a lower AUD and two RBA interest rate cuts adversely impacted the relative purchasing power of Australian international travellers and interest income that FLT receives on the float respectively. Sentiment towards the stock was also impacted by downgrades from other consumer related stocks such as Kathmandu (KMD), Billabong (BBG) and JB Hi-Fi (JBH) reflecting a consumer that continues to be cautious and frugal. FLT remains relatively attractive based on fundamentals, a strong balance sheet and core market positioning.
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> **Fairfax Media (FXJ) (-12.7%)** fell during December after November proved to be another month of poor agency advertising revenue for the company, as well as for the newspaper sub-sector and the media sector overall. This was particularly disappointing as November 2010 was when the ad market first turned negative, so we (along with others in the market) were expecting the start of some better results. Clearly the difficulties within the retail sector (which accounts for ~20% of newspaper advertising) in the lead up to the critical Christmas trading period has been even greater than we had expected. Also in December FXJ announced that it would merge Fairfax Community Newspapers Victoria with Metro Media Publishing (the company established by former FXJ employee Antony Catalano and publisher of *"The Weekly Review"*). While FXJ remains relatively attractive within the ATI investment universe, this is premised on our expectation of a recovery (albeit modest) in the ad market that at this point has not occurred. The next catalysts will be the release of the December SMI advertising data followed by the 1H12 result in February.
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> **Newcrest Mining (NCM) (-14.5%)** underperformed in December despite deepening risk-aversion as a result of the European sovereign debt crisis, and escalating tensions in the Middle East, which may have been expected to be constructive for the gold price. However the safe haven trade appeared more beneficial to the USD at the expense of the EUR and the gold price. With the gold price falling by 8% during the month, gold equities underperformed. NCM also downgraded its gold production guidance for FY2012 to 2.43-2.55moz, which includes the impact of the divestment of two operations to Evolution Mining (EVN), and operational difficulties at NCM's Lihir and Telfer operations. Notwithstanding this lower than expected level of production guidance, NCM remains relatively attractive 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 93% of the portfolio (excluding cash) in the top 50 stocks (compared to 82% of the S&P/ASX300 index), 5% in the next 100 (13% of the index), and 2% in the last 150 stocks (4% of the index).

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 also improve the expected risk/return profile of the portfolio. Any new positions would be expected to complement the overweight positions already held in the larger cap stocks which history has shown us is a relatively good place to be in these uncertain and erratic market conditions.

During December the number of stocks in the portfolio remained unchanged (29). The main weighting changes included increases for Computershare (relative value), ANZ Bank (the most attractive bank) and News Corp (market movements); and decreases for Westpac Bank (the least attractive bank) and Newcrest Mining (market movements).

Portfolio Risk

The current forecast tracking error of ~3.4% (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 with reference to the global macro developments.

As present the main sources of portfolio risk are from overweight positions in Pacific Brands (PBG), ANZ Bank (ANZ), Telstra (TLS), News Corp (NWS) and National Australia Bank (NAB); and having no holding in Origin Energy (ORG).

General Market Commentary

As throughout most of 2011, global macro forces and events continued to dictate the direction and performance of the Australian stock market during December. After initially rising, the ASX-300 (accumulation index) ended the month down 1.4% as the often common rally into Christmas failed to appear.

Last month we made the following comment: *"Since the European sovereign debt crisis reignited in the middle of this year (along with the US debt ceiling issue), equity markets initially fell in both August and September, then rebounded strongly during October, before dropping again in November. These major market shifts have each time been driven by expectation and/or hope that the latest proposed package would resolve the European crisis, followed by subsequent doubts and then renewed concerns of a potential financial system meltdown. … The only certainty is uncertainly as investor visibility remains near zero. However, as we spoke about last month, some data out of the US is surprising the market on the upside (although expectations are low). Nevertheless, the global outlook appears to be deteriorating with China slowing, the US weak and the Euro Zone heading towards recession".*

We continue to largely believe this to be the case with respect to global factors: ongoing financial system and recession concerns in the Eurozone (including a potential break-up), slowing Chinese growth, and the US economy weak but potentially improving. However, December also saw more domestic forces and events impact the Australian market with a series of profit warnings, particularly from consumer related sectors such as retailing (eg. KMD, BBG and JBH). With consumer spending weak, confidence levels low and unemployment edging higher, the RBA cut rates by 25bpts for the second time in two months to take the cash rate down to 4.25%, with market expectations of further cuts in early 2012. The AUD traded between US$0.986 and US$1.037 before finishing down 1.4c at US$1.014. Commodity prices were mainly lower in December with Brent spot -3.4%, spot gold -7.8%, and base metals weaker (LME index -3.8%). However, once again iron ore was the standout, rising 5.8% (Tianjin 62% fines) following its very sharp sell off in October.

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.

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 and a solution to the Eurozone issues are now required to drive the next upward phase in equity markets.

PORTFOLIO RISK SUMMARY

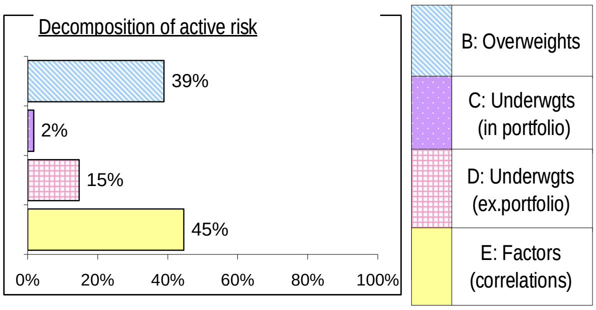
Portfolio Name:	**MyPort**
Benchmark:	ASX300
Date of Data:	31-Dec-11

Model:	48months - 5 factors
Factor Analysis:	Multi-Factor
Timestamp of Analysis:	9/01/2012 3:43:24 PM

Historic portfolio alpha	4.4%	**Active Exposures:**	
Historic portfolio beta	0.88	Held:	41.6%
Raw return	-4.0%	Total:	76.7%

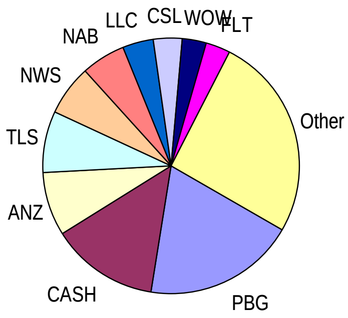
Forecast **Tracking Error**	**2.66 %**	**3.42 %**
	(residual risk)	(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	41%	2.2	4.8
B	Overweight positions	39%	2.1	4.6
C	Underweight positions	2%	0.5	0.2
D	Stocks not held in portfolio	15%	1.3	1.7
E	Factors (correlations between stocks)	45%		5.2
F	Total (A + D + E)	100%	**3.4**	11.7
G	Systematic risk (undiversifiable)		2.2	4.7
H	Residual risk definition tracking error (G - F)		**2.7**	7.1



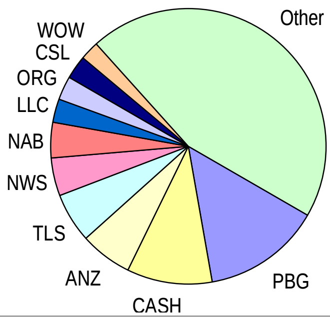
Top 10 sources of risk: Stocks held in the portfolio (A)

1	PBG	19%
2	CASH	14%
3	ANZ	8%
4	TLS	8%
5	NWS	6%
6	NAB	6%
7	LLC	4%
8	CSL	4%
9	WOW	3%
10	FLT	3%
	Other	26%



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

1	PBG	14%
2	CASH	10%
3	ANZ	6%
4	TLS	6%
5	NWS	5%
6	NAB	4%
7	LLC	3%
8	ORG	3%
9	CSL	3%
10	WOW	2%
	Other	45%



Active Weights