Fact Sheet

Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 31 December 2012

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 Dec 2012)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	3.9	7.4	19.9	2.6	0.8	6.1
Benchmark Index	3.3	6.8	19.7	2.8	(1.8)	4.1
Relative Outperformance	0.6	0.6	0.2	(0.2)	2.6	2.0

*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 2012

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
BHP Billiton	8.5	10.4
National Australia Bank	7.8	5.0
ANZ Bank	7.6	6.0
Westpac Bank	6.9	7.0
Telstra	6.4	4.8
Rio Tinto	5.2	2.5
Woolworths	4.5	3.1
Commonwealth Bank	4.4	8.7
Newcrest	3.1	1.5
Woodside Petroleum	2.7	1.8

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	34.3	41.1
Materials	28.0	21.7
Consumer Staples	8.0	8.4
Consumer Discretionary	7.0	3.7
Telecommunications	6.4	5.0
Industrials	3.9	6.8
Healthcare	2.1	4.5
Energy	2.7	6.4
Utilities	2.4	1.7
Information Technology	1.7	0.7

Selected Portfolio Statistics as at 31 December 2012

Inception Date	23-Dec-05
Number of Stocks	33
ATI Funds Under Management	~ $400m

MER (est.)	~ 0.90% p.a.
Tracking Error (forward estimate)	~ 5% p.a.

Portfolio Performance

The ATI Equity Portfolio rose 3.9% in December compared with a rise of 3.3% in the ASX300 Accumulation Index. Against this benchmark, ATI is producing excess returns on a monthly, quarterly, 1 year, 5 year and since inception (Dec'05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Industrials (+5.2%), Materials (+4.9%) and Resources (+4.2%); while the worst were, Information Technology (+0.8%), Consumer Staples (+1.2%), and Property Trusts (+1.3%).

The ATI portfolio generated alpha from being overweight Materials stocks (28.0% v benchmark of 21.7%), and Consumer Discretionary stocks (7.0% v benchmark of 3.7%), but was negatively impacted by being underweight Financials stocks (34.3% v benchmark of 41.1%).

Attribution of Stocks

The portfolio performance during December was assisted by overweight positions in Atlas Iron (AGO), Fortescue Metals Group (FMG) and Rio Tinto (RIO); and by not holding Goodman Group (GMG), QBE Insurance (QBE), and Westfield Holdings (WDC).

The three stocks in the portfolio that contributed most to its relative performance during December were all iron ore stocks that benefited from improved sentiment towards Chinese growth, as well as low Chinese inventory levels and reduced Indian supply resulting in the benchmark spot iron ore contract (Tianjin 62% fines) increasing ~25% over the month.

> **Atlas Iron (AGO) (+29.2%)** outperformed during the month following some positive announcements. In early December, AGO announced that it had completed a US$325m refinancing package on better terms (lower cost of funding) than those previously announced in October. The funding means AGO has sufficient funds to complete the development of the Mt Dove, Abydos and Mt Webber mines as well as the Yard 2 expansion works at Utah Point at Port Hedland. The company also confirmed that it was on track to produce 12mtpa of iron ore by December 2013. AGO also announced in late December, that it has signed three new off-take agreements (with 2 Chinese steel mills and 1 trading house), for 2.2mt of production. AGO remains an overweight portfolio holding.
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> **Fortescue Metals Group (FMG) (+18.9%)** outperformed during the month following a series of positive announcements. It informed the market in early December that the first train on its Hamersley rail line had departed its Solomon mine to Port Hedland. More significant, was the announcement that FMG had sold a 25% interest in the Nullagine Iron ore project, to its JV partner, BC Iron (BCI) for A$190m (the transaction also included access to FMG's rail and port infrastructure and a price participation arrangement). FMG retains a 25% interest in the project following the transaction. FMG also announced that it had commenced a process to sell a minority stake in its rail and port assets vehicle, The Pilbara Infrastructure.
> In mid-December, FMG announced an increase in the Iron Bridge magnetite deposits of 2.0 billion tones taking the total resource for the project (owned 88% FMG and 12% Baosteel) to 5.2 bt at an Fe grade of 30.4%. In late December, FMG announced that it would now complete the Kings deposit at its Solomon mine (the project has previously been put on hold in September due to the falling iron ore price). The decision means the 40mt pa Kings Deposit will lift FMG's production capacity to 155mt pa by the end of 2013, underpinning its growth profile. FMG remains an overweight portfolio holding and the recent strategy to divest non-core assets and better manage its debt profile has been well received by the market.
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> **Rio Tinto (RIO) (+12.4%)** continued its outperformance during December. The increase in the iron price, improved market sentiment towards Chinese growth in 2013 (following the leadership change), sector rotation into resources and a positive response to its investor briefings in Australia and abroad, all contributed to the strong share price performance during the month. RIO also announced that it had sold its effective 57.7% stake in South African copper producer Palaboro Mining for US$373m. RIO remains relatively attractive with earnings support in our valuation and we continue to retain a significant overweight portfolio position.

Positions that detracted most from the portfolio's performance during the month were from being overweight Newcrest Mining (NCM) and Lynas Corp (LYC); underweight BHP Billiton (BHP) and; and from not holding Macquarie Group (MQG), Stockland (SGP) and ALS Limited (ALQ). Stocks in the portfolio that detracted most from performance during the month included:

> **Newcrest Mining (NCM) (-13.5%)** underperformed during December due to a combination of a weaker commodity price, sector rotation away from defensive but low yielding companies, and some company specific news. The spot gold price was down 2.3% in December, hitting a four month low, despite uncertainty regarding the US fiscal cliff situation. NCM also announced that it had sold a 7.5% interest in its Gosowong operation in Indonesia to PT Antam for a consideration of $130m plus another $30m if another 1m ounces of additional gold resource was defined by December 2017. We remain comfortable with NCM as a portfolio holding due to its defensive characteristics, fundamental valuation support, size and diversified earnings base.

Lynas Corp (LYC) (-10.6%) underperformed during December following newsflow relating to further legal impediments and the removal of waste from the Lynas Advanced Material Plant (LAMP). LYC announced in December that applications had been made to the Kuantan High Court seeking to challenge the process involved in the issuance of Lynas's Temporary Operating License. The case is to be heard on 29 January 2013. There is also a judicial review application case to be heard by Kuantan High Court on 5 February 2013. The Save Malaysia Stop Lynas (SMSL) group had also applied for an interim stay on the operation of the LAMP regarding the decision made by the Kuantan High Court. This appeal was dismissed by the Malaysian Court of Appeal on 19 December. There was further controversy and press during the month relating to the removal of water generated from the facility. Under the terms of the temporary operating License (TOL) LYC stated that it is required to undertake research on the commercialization, recycling and re-use of residue materials from the plant as well as submit plans for a permanent disposal facility before mid-2013.
Despite these ongoing issues, we still note that LYC completed its first shipment of concentrate to Malaysia on 22 November, and first feed of concentrate into the LAMP on 30 November. First cash flow is expected in 1H2013 following a 3-4 month period of LAMP commissioning and customer qualification of the finished Rare Earth products. LYC remains a portfolio holding.

BHP Billiton (BHP) (+7.8%) was a portfolio detractor due to our underweight position in the stock (8.25% portfolio weight vs 10.5% market weight). BHP outperformed during December due to sector rotation into resources and the announcement that BHP would sell 8.33% of its interest in the East Browse JV and a 20% interest in the West Browse JV to PetroChina for $1.63bn. During the month BHP also announced: a A$520m upgrade of its Longford Plant; a review of its UK Petroleum assets and the consolidation if its Olympic Dam assets into its Base metals division.
During the month the underweight position in BHP was reduced and BHP remains a portfolio holding.

Portfolio Construction

The main portfolio weighting changes during December included increases in our weightings in AGL Energy (AGK), AGO, ANZ Bank (ANZ), BHP, Commonwealth Bank (CBA) and National Australia Bank (NAB) and some portfolio weighting reductions for Australian Infrastructure Fund (AIX), CSL Limited (CSL), LYC and Woolworths (WOW). Cash at the end of December was 3.5% (November 2.9%).

The ATI portfolio, with regard to the market capitalisation exposures, remains similar to the benchmark index with ~85% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~12% in the next 100 (benchmark ~14%), and ~3% in the last 150 stocks (benchmark ~3%). ATI's 10 largest holdings make up 59% of the portfolio (benchmark 53%), the dividend yield is 4.4% (benchmark 4.7%) and the historic PE is 13.7x (benchmark of 14.2x).

Whilst the portfolio's market cap bias is similar to the benchmark index, its underlying sector positioning is not. ATI has maintained the portfolio position of being overweight the materials and underweight financial sectors. We remain comfortable holding a number of smaller resource stocks with iron ore and copper exposure that have become sufficiently attractive for their relatively high expected return profile to justify some additional portfolio risk (these stocks include AGO, PanAust Ltd (PNA) and Sandfire Resources (SFR). We are also overweight in some consumer discretionary stocks whom we view as having structural advantages (such as Newscorp (NWS) and Flight Centre (FLT) or offering value opportunities (such as Pacific brands (PBG), and recent portfolio additions, Toll Holding (TOL) and Fairfax Media (FXJ).

Portfolio Risk

The current forecast tracking error of ~3.9% is slightly lower than last month (~4.0%) due mainly to an increase in cash and reducing underweight positions in BHP and CBA. We do not expect the tracking error to change significantly in the upcoming month as we move into reporting season. We will be reviewing our models and forecasts as companies report their 31 December results over the next two months and are seeking to identify companies that we feel have an earnings profile that it not currently reflected in the share price.

We are cognisent of the opportunities in oversold material and domestic cyclical stocks (such as single mine/commodity operations or mining contractors), but do not presently feel that the risk/return profile of taking on the additional risk is justified in an environment with minimal earnings clarity and continued caution with regards to the global growth outlook.

At present the main sources of portfolio risk are from overweight positions in SFR, PBG, FMG, AGO, LYC and PNA; as well as an underweight position in CBA.

General Market Commentary

The market finished the year up strongly with the ASX300 Accumulation Index up 3.3% in December and up 19.7% over past 12 months. Every month, apart from May last year, returned positive gains.

The RBA reduced the cash rate 25bp in December, and the cash rate ended the year at 3%, its lowest since 2009. This was the fourth rate cut in 2012 (125bp total in CY12). The increasing spread between the cash deposit rate and implied equity yields continued to see high yielding large market cap stocks (such as the banks, property trusts and TLS) well supported. The RBA noted in December that it expected interest rates to remain structurally lower for longer. The Government also noted that it was unlikely to meet its Election pledge to have a Federal Budget surplus in FY13.

Domestically, economic data was mixed. On the positive side, Australian unemployment was down to 5.2% (assisted by a decline in the participation rate) and GDP was up +0.5% qoq. However, this was offset by flat retail sales and consumer confidence down to 100 (-4.1% mom). The AUD/USD was flat at $1.04.

Early in December, international markets improved as uncertainty associated with elections (US and Japan) or power transition (China) were concluded. The newsflow towards the end of the month was focused on the US and resolution of the “fiscal cliff”. This created some market uncertainty but a positive reaction ensued, when the situation was resolved by 31 December. The US Fed also announced that a continuation of low interest rates was warranted as long as: unemployment was higher than 6.5%; inflation lower than 2.5% and long term inflation expectations remained anchored.

The benchmark spot iron ore contract (Tianjin 62% fines), increased significantly over the month (+~25%) on the back of reduced Indian supply and the lowest Chinese inventory levels since September 2010. Oil prices were well supported during the month with spot Brent +3.3% (but down 7.1% yoy). The LME index of base metals was lower during the month (-0.5% after increasing +5.9% in November). Industrial metals copper (-1%) and aluminium (-2%) gave back some gains from the previous month. Spot gold also ended the month down -2.3% due to resolution of the fiscal cliff and a sector move from defensive asset classes, such as bonds and gold., into equities.

Outlook

The focus over the next month will be towards the upcoming reporting season. The Australian equity market forward PE has increased ~1.5 PE points over the past 5 months, whilst significant EPS increases have not yet been seen. ATI’s attention will be seeking to identify companies whose earnings expectations have not been reflected in its current share price, or the through the cycle earnings multiple, that we feel should be paid for those earnings.

Whilst the recent comments by the RBA (*interest rates are expected to remain structurally low*) and the Australian Government (*no budget surplus for FY13*) remind us that the domestic economic outlook continues to be finely balanced, we feel the impact of this backdrop should be somewhat offset by a more positive global economic picture. A continuation of the US recovery, an improved Chinese growth profile and evidence that the Eurozone continues to decline at a slowing rate will be important catalysts for underpinning further positive market performance over this quarter.

Domestically, we expect a continuation of income driven equity investing in an economic backdrop where interest rates are expected to fall further from current levels. The ATI portfolio is currently positioned with a mix of high yielding, large capitalisation Financial, Telco and Consumer staples stocks combined with an overweight exposures to the Materials sector via the two large diversified miners and some commodity specific positions. The portfolio is balanced by a mix of strategic Consumer Discretionary and Industrial stocks.

PORTFOLIO RISK SUMMARY

Portfolio Name:	**MyPort**
Benchmark:	ASX300
Date of Data:	31-Dec-12
Sector Type:	BGICS

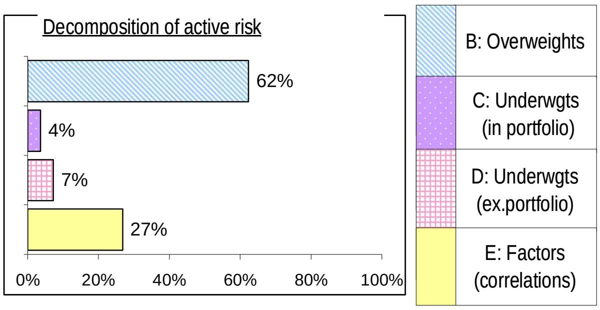
Model:	AE_PCA48M
Factor Analysis:	Multi-Factor
Timestamp of Analysis:	8/01/2013 9:13:39 AM

		Active Exposures:		%
Historic portfolio alpha	11.8%	Total:	85.9%	100.0%
Historic portfolio beta	1.05	Across sectors:	33.9%	39.5%
Raw return	18.8%	Within sectors:	52.0%	60.5%

Forecast **Tracking Error**	**3.92 %**	**3.98 %**
	(residual risk)	(active risk)

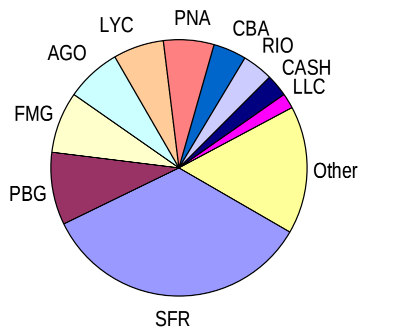
	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	66%	3.2	10.5
B	Overweight positions	62%	3.1	9.9
C	Underweight positions	4%	0.8	0.6
D	Stocks not held in portfolio	7%	1.1	1.1
E	Factors (correlations between stocks)	27%		4.3
F	Total (A + D + E)	100%	**4.0**	15.9
G	Systematic risk (undiversifiable)		0.7	0.5
H	Residual risk definition tracking error (F - G)		**3.9**	15.4

Decomposition of active risk



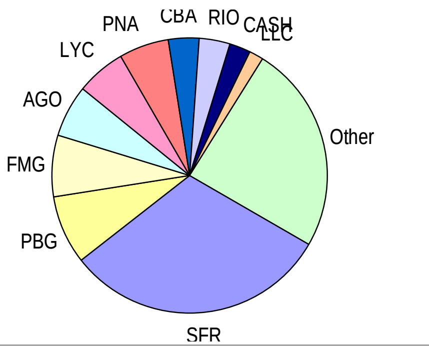
Top 10 sources of risk: Stocks held in the portfolio (A)

1	SFR	34%
2	PBG	9%
3	FMG	8%
4	AGO	7%
5	LYC	6%
6	PNA	6%
7	CBA	4%
8	RIO	4%
9	CASH	3%
10	LLC	2%
	Other	16%



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

1	SFR	31%
2	PBG	8%
3	FMG	7%
4	AGO	6%
5	LYC	6%
6	PNA	6%
7	CBA	4%
8	RIO	4%
9	CASH	2%
10	LLC	2%
	Other	24%



Active Weights