ATI·AM
Above The Index Asset Management Pty Ltd

Fact Sheet

ATI Australian Equity Portfolio

Information as at 31 March 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 Mar 2013)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	(3.4)	5.7	18.6	4.2	5.0	6.8
Benchmark Index	(2.3)	8.0	19.1	5.0	2.9	5.1
Relative Outperformance	**(1.1)**	**(2.3)**	**(0.5)**	**(0.8)**	**2.1**	**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 31 March 2013

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
BHP Billiton	10.3	8.6
National Australia Bank	9.1	5.8
ANZ Bank	8.1	6.3
Westpac Bank	6.9	7.7
Telstra	6.0	4.6
Commonwealth Bank	5.2	8.9
Rio Tinto	4.6	2.0
Woolworths	3.5	3.4
Woodside Petroleum	3.4	1.8
Insurance Aust. Group	3.1	1.0

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	38.0	43.5
Materials	25.0	18.5
Consumer Staples	5.4	8.8
Consumer Discretionary	7.1	4.2
Telecommunications	6.0	4.9
Industrials	3.8	7.0
Healthcare	2.3	4.4
Energy	3.4	6.4
Utilities	2.3	1.7
Information Technology	1.9	0.8

Selected Portfolio Statistics as at 31 March 2013

Inception Date	23-Dec-05
Number of Stocks	30
ATI Funds Under Management	~ $400m

MER (est.)	~ 0.90% p.a.
Tracking Error (forward estimate)	~ 4% p.a.

Portfolio Performance

The ATI Equity Portfolio fell 3.4% in March compared with a fall of 2.3% in the benchmark index. Against this benchmark, ATI is producing excess returns on a 5 year and since inception (Dec'05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Consumer Discretionary (+1.8%), Financials (+0.5%), and information Technology (+0.1%); while the worst were Materials (-10.5%), Energy (-3.6%), and Property Trusts (-2.7%).

From a sector perspective, the relative performance of the ATI portfolio was most negatively impacted from being overweight Materials stocks (25.0% v benchmark of 18.5%), but was positively impacted from being overweight Consumer Discretionary stocks (7.1% v benchmark of 4.2%) and being underweight both Energy (3.4% v benchmark of 6.4%) and Property Trust (2.9% v benchmark of 4.0%) stocks.

Attribution of Stocks

The portfolio performance during March was assisted by overweight positions in National Australia Bank (NAB), Pacific Brands (PBG) and Fairfax Media Group (FXJ); and by not holding Santos Group (STO), Whitehaven Coal (WHC) and Arrium (ARI). The three stocks in the portfolio that contributed most to its relative performance during March were:

National Australia Bank (NAB) (+2.1%) outperformed its major bank peers and the broader market, performing particularly well in the lead-up to its mid-month strategy update. The update itself was mostly pre-released, with management releasing targets around its productivity and IT initiatives including outlining expectations for cost savings of ~$800m by FY17 (which will be partially offset by amortisation, reinvestment and implementation costs). NAB also announced a re-shuffle of its senior management team, including the departure of Group Executive of NAB Wealth, Steve Tucker and CFO Mark Joiner (to retire by the end of 2013). Mr. Tucker will be succeeded by Andrew Hagger while an internal and external search has commenced for Mr. Joiner's replacement. NAB remains relatively attractive and an overweight portfolio holding.

Pacific Brands (PBG) (+8.9%) continued to outperform the market following a positive response to its 1H13 result and strategic imperatives initiated by new CEO John Pollaers, aimed at returning the business to positive sales growth and improved profitability. The strategic priorities include addressing revenue, including channel mix, geographic expansion, investment in brands and products, and improved product and customer offer. PBG stated that it expects 2H13 gross margin % and cost of doing business (CODB) dollars to be broadly in line with 1H13. This is likely to be driven by a moderation in cost inflation, while brand and product mix shift should also be positive for revenue growth. PBG remains a portfolio holding based on relative value within the consumer discretionary sector, yield support (~5.5% ff), cash flow generation capacity and strong debt metrics (net debt of $177m with ND/EBITDA 1.3x and interest cover of 6.0x, at 31 December 2012).

Fairfax Media (FXJ) (+9.6%) outperformed the market in March despite any company specific news. February SMI data released in March confirmed the operating environment remained challenged with metro newspapers (-23.3%), regional newspapers (-20.0%) and magazines (-27.9%) all down on pcp. However, this quantum of decline was indicated at the 1H13 result and is arguably 'in the price'. The media sector has been topical due to proposed changes to media ownership laws and the upcoming demerger of NewsCorp Ltd. On March 15, FXJ was removed from the S&P/ASX 100 Index allowing funds with 'ex-100' and small cap mandates to invest in the stock. FXJ remains a company in transition as it transforms itself from a traditional media company to a digital owner and distributor of content. In the near term, the company is basing an improved outlook on three factors: (i) a modest recovery in trading conditions; (ii) incremental cost reductions through its transformation strategy; and (iii) a lower debt level. FXJ remains a portfolio holding based on fundamental value within the media sector.

Positions that detracted most from the portfolio's performance during the month were from being overweight Atlas Iron (AGO), Rio Tinto (RIO) and Fortescue Metals Group (FMG); and from not holding Origin Energy (ORG), Suncorp Group (SUN), and QBE Insurance (QBE). Stocks in the portfolio that detracted most from relative performance during the month included:

Atlas Iron (AGO) (-24.2%) substantially underperformed both the index and iron ore prices during March due to ongoing scepticism over the sustainability of elevated commodity prices. The spot iron ore price (62% Fe, CFR China) progressively fell by ~14% in early March from ~US$155/t to ~US$134/t before stabilising and marginally recovering late in March. We note however that current iron ore prices continue to remain very attractive and highly profitable for all Australian producers. AGO continues to progress a feasibility study in conjunction with Aurizon into a rail solution to facilitate the development of the company's Horizon Two assets, however two key developments appear to be slowing progress on the delayed study, which is now due for completion around June 2013. Firstly, the process being run by FMG to sell a minority stake in TPI, the company holding FMG's rail and port assets, may open up opportunities for the transport of third party iron ore, depending on the terms and indeed the success of the sale process. Secondly, progress by Hancock Prospecting on the development of the Roy Hill operation, which is currently at the financing stage, may also open up opportunities for infrastructure sharing arrangements. Depending of course on the terms, it is possible that more attractive transport options become available to AGO than proceeding with the Aurizon JV to construct a new rail system.

Rio Tinto (RIO) (-14.7%) underperformed during March due to both the modest retracement in iron ore prices, as noted above, and also an escalation of a dispute with the Mongolian government over the development of the Oyu Tolgoi copper/gold project. In the lead up to the Mongolian election, politicians have openly criticised the Oyu Tolgoi Joint Venture partners, Rio Tinto and Turquoise Hill (previously Ivanhoe) for capital cost escalation associated with the second phase of development of Oyu Tolgoi. The Mongolian government, which holds a 34% equity interest in the project, has at various times tried to renegotiate the Investment Agreement which applies to Oyu Tolgoi, calling for a greater equity interest and greater share of proceeds from the development. This uncertainty has been exacerbated by the ongoing negative sentiment towards the resources sector. Rio Tinto remains a portfolio holding.

Fortescue Metals Group (FMG) (-16.5%) also underperformed during the month due to the pervasive negative sentiment towards the resources sector, the retracement in iron ore prices noted above, and scepticism that current elevated iron ore prices will persist. At an operational level, we note that FMG continues to outperform even their own ambitious targets for delivery of production volumes. The company recently refinanced their balance sheet, and is in the process of offering for sale a minority stake in their infrastructure assets, which will materially reduce the company's gearing levels. FMG remains a portfolio holding.

Portfolio Construction

The main portfolio weighting changes during March included the disposal of our gold company holdings being Medusa Mining (MML), Newcrest Mining (NCM) and Perseus Mining (PRU), top-ups for our holdings in BHP Billiton (BHP), Insurance Australia Group (IAG), Orica (ORI) and Toll Holdings (TOL); and some slight portfolio weighting reductions for Lend Lease (LLC) and Westpac (WBC). Cash at the end of February was 4.8% (February 2.8%).

The ATI portfolio, with regard to the market capitalisation exposures, remains quite similar to the benchmark index with ~87% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~10% in the next 100 (benchmark ~14%), and ~3% in the last 150 stocks (benchmark ~4%). ATI's 10 largest holdings make up 63% of the portfolio (benchmark 53%), the dividend yield is 4.0% (benchmark 4.2%) and the portfolio's historic PE is 14.7x (benchmark of 15.4x).

Whilst the portfolio's market cap bias is 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 that have become sufficiently attractive for their relatively high expected return profile to justify some additional portfolio risk. These stocks include AGO, FMG, PanAust (PNA), and Sandfire Resources (SFR). We continue to remain overweight in consumer discretionary stocks we view as having structural advantages such as News Corporation (NWS) and Flight Centre (FLT) or value opportunities with fundamental value support such as PBG, TOL and FXJ, which have outperformed the market over the past 12 months.

Portfolio Risk

The current forecast tracking error of ~3.9% is unchanged from last month ~3.9%. Post the reporting season we have continued to assess the portfolio positions with regards to any earnings changes over our forecast years that have resulted from company results and outlook statements where relevant.

We are continuing to be presented with a number of stock opportunities in the underperforming materials sector 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. That said, we also feel that the negative reaction of many materials stocks in the iron ore and copper space has been overdone in the last couple of 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, PBG, FMG, AGO, Lynas Corp (LYC), PNA and LLC.

General Market Commentary

Despite a strong start to the month that included a four-year closing high, the Australian equity market fortunes reversed during March as uncertainty regarding the banking sector in Cyprus and the outlook for Chinese growth weighed upon sentiment. In the end, the benchmark ASX300 Accumulation Index finished the month down 2.3% with the heavily weighted materials sector stocks contributing the majority of the decline.

Banks in Cyprus closed mid month as a bailout plan was negotiated with the European Union (EU), which will see deposits over €100k taxed in exchange for bank shares. These losses imposed on bank depositors, as part of a bailout deal with the EU, raised concerns that any worsening of debt problems elsewhere in the region might lead to a deposit flight from banks. These fears were only compounded by some poorly worded media comments that implied that similar conditions may be applied to any future European bailout proposals and this speculation only added to the negative sentiment that had already weighed on equity markets.

In China, property market tightening continued as several major cities imposed increased capital gains levies on second-hand property transactions whilst outright limits on multiple property ownership have also been introduced. The potential impact on

property prices softened some market forecasts around China's future growth profile and this flowed on to the resources and mining services sectors that underperformed the broader market. On the other hand, retail, media, transport and banks outperformed the market on stronger consumer data through the month. Specifically, the retail sector benefited from stabilising sales trends and improving earnings momentum as a number of companies reported interim results during the month.

Some significant company specific news during March included: the Queensland Government's $806m partial sell down of its shareholding in Aurizon Holdings (AZJ); Newcrest Mining (NCM) shares fell heavily following a downgrade to production forecasts, the fourth in the last two years; Nufarm (NUF) shares dropped sharply in response to the company's loss of the distribution contract for the popular herbicide weed-killer, Roundup; the Chairman and two non-executive directors of Leighton Holdings (LEI) resigned during the month, citing a belief that major shareholder Hochtief no longer supported an independent board; and, the ACCC gave its seal of approval to Commonwealth Bank's (CBA) proposed increase of its stake in Aussie Home Loans from 33% to 80%, with an option to increase to 100% in the future.

Domestic economic data continues to be mixed with the positive data points including nominal retail sales for January being above market expectations at +1.2% mom (consensus was +0.4% mom), consumer confidence levels (Westpac consumer confidence index) rose 2.0% mom in March to a fresh 2-year high, and the unemployment rate was also strong at 5.4% (consensus of ~5.5%). On the other hand, residential building and housing finance approvals data were both weaker than market consensus expectations. Early in the month, the RBA held the official cash rate steady at 3.00% (in line with consensus expectations) and noted that risks to the global outlook appeared to have recently lessened. Despite the RBA mentioning both the improving global economic conditions and signs of recovery in the domestic housing markets as reasons behind the unchanged rate this month, interest rate futures markets still continue to imply some further rate cuts this year. The Aussie dollar finished the month higher at US$1.043 (+2.1c), though it did retreat slightly towards month-end as there was ongoing market support for the $US amidst the global uncertainty surrounding the Cyprus banks bailout details.

The vast majority of commodity prices ended lower for the month, lead by the benchmark spot iron ore contract, Tianjin 62% fines, which fell (–9.5%) in March. The LME index of base metals made some progress early in the month, after a steep decline at the end of February, but was unable to hold on to these gains as the negative sentiment regarding Eurozone debt and Chinese growth gripped the market. The index ended the month at a year-to-date low and was eventually down 3.7%. Copper (LME spot) ended the month down 3.5% and aluminium down 4.0%. Gold was one beneficiary of Eurozone strains and ended the month up 1.1% (London spot). Spot Brent oil (–2.2%) fell in March as US inventory data showed continued accumulation with stocks of crude ending the month up 7.2% year-to-date.

Outlook

The mid-month turnaround in our equity market during March served as a reminder that the path to global economic recovery is not going to be straight forward. We view this negative reaction as an 'air pocket' in the markets directional trend as the supportive broader picture themes of an ongoing recovery in the US economy and a continuation of Chinese commodity consumption levels still remain in place. A reduction in the negative impact on sentiment from the problematic Eurozone should allow the market to focus on what we expect will be an improving earnings outlook over the course of 2013.

As shown in the recent domestic reporting season, aggressive cost cutting by many firms delivered an improvement in margins and bottom line outcomes that have supported the positive outlook for industrial company earnings. If these companies can now capture some actual "top-line" revenue growth then our equity market has a real chance of holding those gains made over the past nine months. For this to happen, we still need to see an improvement in consumer and business investment spending that would help drive this revenue growth and give some momentum to the positive earnings revision cycle. We feel that such an outcome is would provide the platform for further equity market gains from here.

We feel a supportive environment for equity markets for the rest of 2013 will be driven by 1) expectations of an industrial earnings upgrade cycle occurring; 2) a cessation of the underperformance in resource stocks and 3) no material or unforeseen negative global macro developments. If these scenarios were to eventuate, it would probably also signal an end to the RBA interest rate easing cycle. This would then present an opportunity for the next wave of support in equity markets as some of the recent investor appetite in searching for yield may well be shifted to stocks with earnings growth potential.

The ATI portfolio remains positioned with a mix of high yielding, large capitalisation Financial, Telco and Consumer staples stocks combined with an overweight exposure to the Materials sector via the two large diversified miners and some smaller commodity specific positions. The portfolio is also balanced by a mix of strategic Consumer Discretionary and Industrial stocks that we feel are capable of improving our expected return over the coming year.

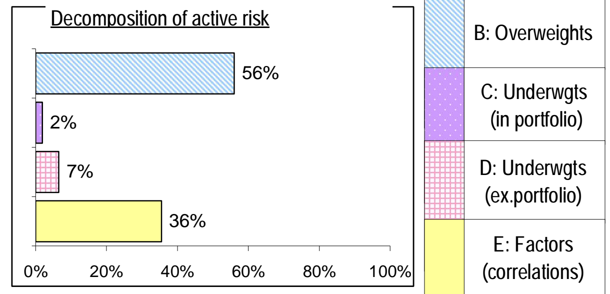
PORTFOLIO RISK SUMMARY

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

		Active Exposures:		%
Historic portfolio alpha	7.8%	Total:	86.9%	100.0%
Historic portfolio beta	1.12	Across sectors:	43.8%	50.4%
Raw return	19.4%	Within sectors:	43.1%	49.6%

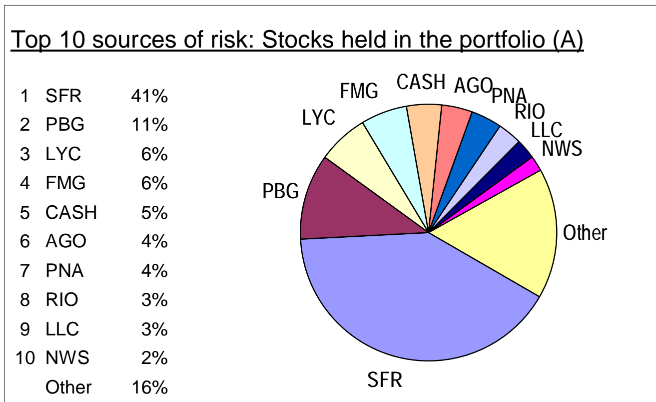
Forecast **Tracking Error**	**3.54 %**	**3.87 %**
	(residual risk)	(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	58%	2.9	8.7
B	Overweight positions	56%	2.9	8.4
C	Underweight positions	2%	0.5	0.3
D	Stocks not held in portfolio	7%	1.0	1.0
E	Factors (correlations between stocks)	36%		5.3
F	Total (A + D + E)	100%	3.9	15.0
G	Systematic risk (undiversifiable)		1.6	2.5
H	Residual risk definition tracking error (F - G)		3.5	12.5



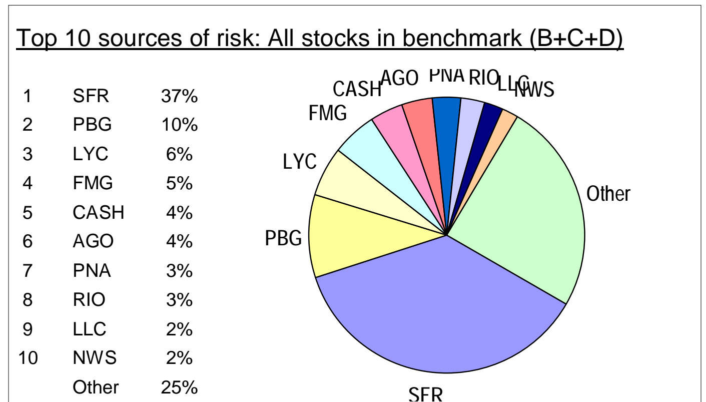
Top 10 sources of risk: Stocks held in the portfolio (A)

1	SFR	41%
2	PBG	11%
3	LYC	6%
4	FMG	6%
5	CASH	5%
6	AGO	4%
7	PNA	4%
8	RIO	3%
9	LLC	3%
10	NWS	2%
	Other	16%



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

1	SFR	37%
2	PBG	10%
3	LYC	6%
4	FMG	5%
5	CASH	4%
6	AGO	4%
7	PNA	3%
8	RIO	3%
9	LLC	2%
10	NWS	2%
	Other	25%



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