Fact Sheet

Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 31 March 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 March 2014)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	0.8	0.8	13.5	7.7	14.1	7.6
Benchmark Index	0.2	2.0	13.0	8.0	13.2	6.0
Relative Outperformance	**0.6**	**(1.2)**	**0.5**	**(0.3)**	**0.9**	**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 March 2014

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
BHP Billiton	9.3	8.6
ANZ Bank	9.2	6.7
Commonwealth Bank	9.1	9.2
National Australia Bank	8.4	6.1
Westpac Bank	7.3	7.9
Telstra	7.1	4.7
Wesfarmers	3.7	3.5
CSL	3.5	2.5
Woodside Petroleum	3.5	1.8
Insurance Aust. Group	3.2	1.0

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	49.1	44.9
Materials	14.3	17.4
Telecommunications	8.1	5.1
Healthcare	6.7	4.7
Consumer Staples	5.6	7.9
Energy	4.5	5.8
Utilities	2.3	1.6
Industrials	2.3	6.7
Consumer Discretionary	1.8	4.8
Information Technology	1.4	0.9

Selected Portfolio Statistics as at 31 March 2014

Inception Date	23-Dec-05
Number of Stocks	32
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 March compared with a rise of 0.2% in the benchmark index. Against this benchmark, ATI is producing excess returns on a monthly, 1 year, 5 year and since inception (Dec'05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Financials (+3.1%), Information Technology (+1.9%), and Industrials (+4.2%); while the worst were Materials (-3.1%), Utilities (-2.2%), and Consumer Staples (-2.2%).

From a sector perspective, the relative performance of the ATI portfolio was most positively impacted from being overweight Financial stocks (49.1% v benchmark of 44.9%) and underweight Consumer Discretionary stocks (+1.8% v benchmark of 4.8%), whilst it was most negatively impacted by being overweight Health Care stocks (6.7% v benchmark of 4.7%).

Attribution of Stocks

The portfolio performance during March was assisted by overweight positions in Lend Lease (LLC), Suncorp Group (SUN), and Ardent Leisure (AAD); and by not holding Newcrest Mining (NCM), Twenty First Century FOX Inc (FOX) and Metcash (MTS). The three stocks in the portfolio that contributed most to its relative performance during March were:

Lend Lease (LLC) (+5.1%) outperformed during March after announcing that it had: been appointed as preferred tenderer for the design and construction of the NorthConnex Motorway in a project that has a total construction budget of $2.7bn; and secured a $580 million contract with NSW Roads and Maritime Services for the Oxley Highway to Kundabung Pacific Highway upgrade project. These two large projects provided a much needed boost for the engineering business that had been a bit of a disappointment in terms of profits in the 1H14 result that was released in February. Additionally, there was an on-site fire that lead to the temporary closure of the key project at Barangaroo in Sydney - but the announcement appeared to have had a very limited price impact as the contract wins for the engineering business still saw the stock performing very well for the month. LLC remains an overweight portfolio holding despite the recent period of solid out-performance which has seen us slightly reduce the extent of the overall weighting.

Suncorp Group (SUN) (+6.0%) outperformed the broader market during the month after the negative performances that had been seen for the first two months of the calendar year. Despite there being no company specific news-flow, SUN has continued to regain the lost ground of the first two months after reporting an above market expectation 1H14 result in late February. We retain an overweight portfolio holding in SUN as it remains relatively attractive in the ATI universe with an above market underlying running yield and it also offers the comfort of relative earnings transparency when compared to many other stocks covered in the universe. We also feel that the stock will be the beneficiary of the recent moves in the life insurance industry to curtail the policy writing decisions that have lead to widespread losses over the last couple of years.

Ardent Leisure (AAD) (+8.2%) outperformed during the month and continued on with the extremely strong share price performance we saw during February after it reported a better than expected 1H14 result. AAD continues to provide the market with confidence that the diversified portfolio of leisure businesses is both able to provide earnings growth and a well above market dividend yield over the course of the cycle. The US business, Main Event, continues to underpin the solid growth profile for the Group and also offers the additional benefit of US dollar earnings in the current environment where we do not expect the Aussie dollar to regain parity with the US dollar in the year ahead. We retain an overweight portfolio holding in AAD as it remains relatively attractive in the ATI universe with an above market underlying running yield and it offers the comfort of a defensive earnings stream in a rather subdued domestic economy.

Positions that detracted most from the portfolio's performance during the month were from being overweight Worley Parsons (WOR), Resmed Inc (RMD), and Sandfire Resources (SFR); and from not holding Leighton Holdings (LEI), Macquarie Group (MQG), and Amcor (AMC). Stocks in the portfolio that detracted most from relative performance during the month included:

Worley Parsons (WOR) (-9.9%) underperformed the market in March despite there being nothing released by the company other than a Bitumen Refinery contract win; and no other updates since they reported in February. WOR tends to have a high correlation with the oil price and the month of March saw both the Brent Crude and WTI oil prices fall ~4% and ~3% respectively which probably explains some of the weakness. There has also been some reduced capex forecasts from the IOC's over the past couple of months which may have contributed to some of the weakness although it should be noted that several of the NOC's upgraded guidance for capex forecasts (however WOR has a larger exposure to the IOC's). The market has become sceptical on WOR's ability to achieve its FY guidance given the recent misses over the past 18months and we believe that this scepticism is very much priced in and thus have maintained the portfolio weighting.

Resmed Inc. (RMD) (-3.1%) was an underperformer during March, after detracting in February as well. Expectations of ongoing competitive pricing pressures and market share losses during 3Q14, following the commencement of Competitive Bidding 2 (CB2) have weighed on the share price. RMD will announce its 3Q14 result on 23 April 2014. Short selling is also a reason for the underperformance with a high ~25% of the register short and no borrow available in the US line. In addition the US CMS (Medicare) has called for public comment on pricing methodologies and ideas for payment simplification as it prepares to implement the competitive bidding program across the US. This has created additional uncertainty in relation to the future pricing environment. We continue to remain overweight in RMD and increased our position during March on the thematic that: i) it has structural leadership, in an underpenetrated global market, with high

barriers to entry ii) cost discipline and FX tailwinds continue to assist margins; iii) home sleep testing continues to drive market growth and iv) there are potential longer term opportunities in new indications such as COPD and heart failure.

Sandfire Resources (SFR) (-2.5%) underperformed during March as the copper price came under pressure, briefly dropping below US$3/lb, due to increasing concerns over slowing growth in the Chinese economy. Operationally, the company continues to deliver solid results, enjoying strong free cash flow generation, and enabling the rapid repayment of debt to date. SFR has reduced their debt exposure by half within just 12 months, to A$190m from the original A$380m project finance facility. Further, late in March SFR achieved the project completion test required by their banking syndicate, which leaves the company free to consider allocating surplus cash flow to dividend payments. In the context of the ongoing weakness in precious metals prices, we once again note that less than 10% of forecast revenue generation for SFR comes from its gold by-product stream, with copper generating over 90%. This exposure to gold is substantially less than Australian peers Oz Minerals (~20% from precious metals) and PanAust (~40% from precious metals). SFR remains attractively ranked in the ATI equity ranking system, and remains an overweight portfolio holding.

Portfolio Construction

The main portfolio weighting changes during March included: new portfolio holdings in Crown Resorts (CWN), Seven West Media (SWM), and Virtus Health (VRT); portfolio top-ups for our holdings in Dexus Property Group (DXS), Orica (ORI), Woolworths (WOW) and Westfield Holdings (WDC); the disposal of our portfolio holding in Fortescue Metals group (FMG); slight portfolio reductions for our holdings in BHP Billiton (BHP), LLC and Rio Tinto (RIO). Cash at the end of March was 3.7% (February 4.5%).

The ATI portfolio, with regard to its market capitalisation exposures, remains differentiated to the benchmark index with ~91% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~7% in the next 100 (benchmark ~13%), and ~2% in the last 150 stocks (benchmark ~4%). The 10 largest holdings constitute ~67% of the portfolio (benchmark ~55%), the dividend yield is 4.4% (benchmark 4.2%) and the portfolio's historic or trailing PE is 15.8x (benchmark of 17.1x).

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. After the out-performance of some resource stocks over the last six months or so, ATI took advantage of that strength and reduced the portfolios materials sector exposure to now being underweight and has also moved to an overweight position in the financials sector. We remain comfortable holding a number of resource stocks with iron ore exposure, particularly BHP & RIO, and copper exposure, SFR, whose expected returns are sufficiently attractive to justify some additional portfolio risk. We continue to also 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 Brambles (BXB), Computershare (CPU), CSL (CSL), RMD and Wesfarmers (WES) in combination with other opportunities that we feel have fundamental valuation support, such as ASX (ASX), Challenger (CGF), M2 Group (MTU), SUN and VRT.

Portfolio Risk

The current forecast tracking error of ~2.3% is similar to last month (~2.4%). We are continuing to be presented with a number of stock opportunities in the financial, industrial and property trust 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, LLC, Telstra (TLS), RMD, Insurance Australia Group (IAG), MTU and AAD.

General Market Commentary

Whilst the Australian equity market dipped briefly following Russia's incursion into the Crimea region of Ukraine at the end of February, the ASX300 Accumulation Index recovered over the month to hit a 6-year high on March 7th before retreating to end the month only slightly up (+0.2%). The main performance pattern was the underperformance of defensive sectors including telecoms, health care and property trusts. In addition, a weak iron ore price and concerns about China's economic momentum saw broader commodity prices track down through the month and this weighed on the materials stocks while banks were the best performers.

In company specific news: David Jones (DJS) and Myer (MYR) reported 1H14 results but the focus was on the latter's proposal for a merger between the two companies; the ACCC said it will support Insurance Australia Group's (IAG) proposed $1.85bn acquisition of the Wesfarmers (WES) underwriting operations while opposing AGL Energy's $1.5bn bid to buy Macquarie Generation from the NSW Government; Stockland (SGP) acquired a 19.9% stake in Australand Property Group (ALZ) at an average price of $3.78 to be funded through cash and debt, lifting gearing to 26.7%.

The RBA kept the cash rate on hold at 2.50% and reaffirmed the neutral stance on interest rates which was introduced into the market dialogue during February. The AUD strengthened against the USD and rallied strongly to end the month higher at 0.924 (+US3.1c or +3.4% vs USD), boosted by signs of firming economic momentum locally and some patchy US data. We expect the AUD

to reverse course once the US data improves, but we also remain aware that if the currency rally continues it could place downward pressure on consensus earnings estimates for the miners and offshore earning companies. We still expect the broader trend in recent months of US dollar strength will continue in the year ahead given the backdrop of flattish domestic growth, lower overall mining investment, rising unemployment levels and local interest rates now expected to be stable in the nearer term. An unexpected official rate rise by the RBA in the next few months remains the most likely variable factor that would reduce our confidence in the expected ongoing weakness in the Aussie dollar over 2014.

The domestic economic data released recently has generally been a little more upbeat, with the data released during March being quite strong again, including: solid January residential building approvals data (+6.8% m/m vs consensus +0.5%); strong January retail sales (+1.2% m/m vs consensus +0.4%); weaker business conditions (NAB business conditions survey +0 vs previous +5); lower consumer confidence (March -0.7% m/m to 99.5 – below 100 for the first time since May 2013); 4Q13 GDP was better-than-expected at 0.8% q/q (exp. 0.7%) as exports were strong and contributed 0.6% of the 0.8% increase; GDP growth over the year was 2.8% (consensus 2.5%); the NAB business confidence survey gave back some ground with the headline index slipping from +9 in January to +7 in February; the Westpac-MI consumer confidence index for March fell 0.7%, declining for a fourth consecutive month and reaching a 10-month low; the Australian economy added 47k (exp. +15k) jobs during February including the biggest monthly gain in full-time jobs (+81k) since 1991; the unemployment rate held steady at 6% whilst the participation rate increased to 64.8% from an initial print of 64.5%; building approvals started the year on a positive note rising 34.6% y/y (consensus +24.0%) to 210k - the highest level since 2002; January retail sales rose 1.2% m/m (consensus +0.4%) with all categories with the exception of food, where some moderation was expected, saw very robust gains of over 1% m/m.

Spot Brent crude oil fell ~3% over the month as concerns around growth in China weighted on the price. The benchmark spot iron ore contract, Tianjin 62% fines, fell 1.1% over the month but a rollercoaster ride saw its record its lowest print since 2012 before staging a recovery late in the month. Chinese domestic steel rebar prices fell to levels lower than were seen in the financial crisis as the Chinese authorities decided to cut credit to a steel sector struggling with overcapacity, targeting high polluting steel mills in particular. The spot gold price (-3.2%) started the month by extending its January – February strength, boosted by geopolitical tension over Russia's action in Ukraine, but eased thereafter as the crisis calmed. Base metals responded to weaker US and Chinese data as prices generally fell – bellwether copper being the worst performer on fears of an economic slowdown in China. The LME index fell 3.0%, led by copper (spot LME -5.6%) which was also caught up in concerns that Chinese importers have been using it as collateral for speculative borrowing. However, nickel bucked the trend, rising sharply following the announcement of a ban on exports of unprocessed ores (including nickel laterites) from major producer Indonesia.

Outlook

The domestic reporting season provided some evidence that earnings growth is capable of being achieved in a low revenue growth environment and this remains an essential component for supporting the equity market in 2014. The solid reporting season provided some welcome relief for markets that have basically moved higher from the PE multiple expanding, rather than improved earnings, for the last couple of years. Interestingly, the improvement in earnings growth was not concentrated to particular sectors and was rather broad-based with the resources, banks and industrials (ex airlines, ex QBE) all recording solid annual growth. As a result of the wider spectrum of improved earnings over the reporting season, for the first time in a few years, analysts are now forecasting quite strong growth for most sectors in the market in FY14. The earnings momentum that had built up in the December 2013 half is now expected to continue through 2H14, with full-year consensus earnings growth rate expectations currently over 10%.

We expect the major banks should continue to be relatively strong performers over the coming quarter as we head into their May reporting season and we retain our overweight portfolio positioning to reflect this. It appears that broker analysts generally remain cautious about the level of bank profit growth due to the banks currently reporting very low bad and doubtful debt provisions compared to history. Whilst this may be true, we feel that credit growth, productivity gains and lower funding costs are still capable of helping drive profits to levels above the current market expectations and this outcome should help deliver relative performance gains from the major bank positioning in the upcoming quarter.

Despite our broad observation that results were generally in line over the recent reporting season, the overall PE expansion that has taken many stocks higher looks stretched and we feel a bias to earnings quality and transparency remains one of the keys to navigating the year ahead. This is why we feel more comfortable being positioned with a bias to the large cap stocks that we have a higher level of comfort in being able to deliver on their current earnings expectations. An example of this is the domestic insurers and major banks that are both a means of exposure to above market average yield and are expected to meet or exceed their market consensus earnings estimates. We also remain positioned with a number of stocks having USD earnings exposure that are likely to benefit from a weaker Aussie dollar and we 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.

The portfolio's historically low active risk level (tracking error) has resulted from a combination of being more overweight the larger cap stocks and being less actively positioned at the specific sector level exposures. Given the elevated multiple that the equity market is now trading, we feel that this lower risk positioning is appropriate for the current environment where earnings certainty now comes at a premium and the impact of market volatility is expected to be best mitigated being overweight in larger cap stocks. Other specific active sector positioning includes being underweight the industrials (including holding no mining services stocks), consumer staples and energy stocks. We remain overweight the financial, healthcare and telecommunications and utilities sectors.

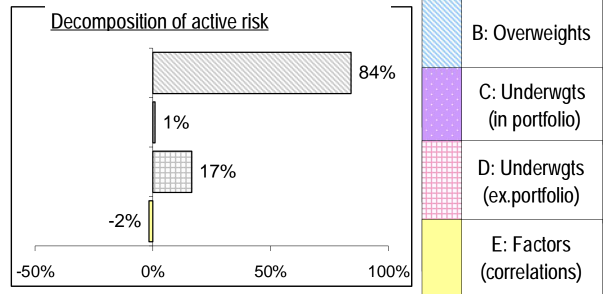
PORTFOLIO RISK SUMMARY

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

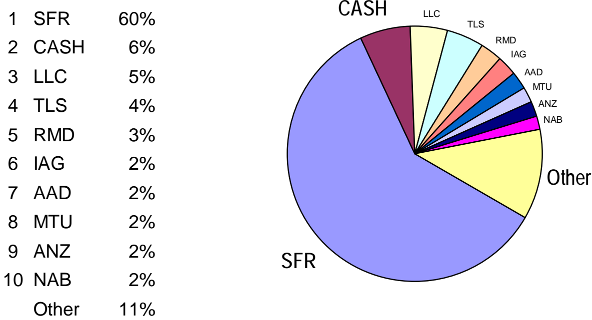
		Active Exposures:		%
Historic portfolio alpha	7.3%	Total:	70.9%	100.0%
Historic portfolio beta	0.99	Across sectors:	29.1%	41.1%
Raw return	18.8%	Within sectors:	41.8%	58.9%

Forecast **Tracking Error**	**2.27 %** (active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	85%	2.1	4.4
B	Overweight positions	84%	2.1	4.3
C	Underweight positions	1%	0.2	0.0
D	Stocks not held in portfolio	17%	0.9	0.9
E	Factors (correlations between stocks)	-2%		(0.1)
F	Total (A + D + E)	100%	**2.3**	5.1

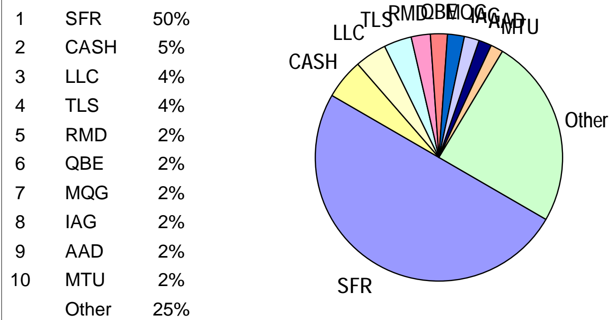


Top 10 sources of risk: Stocks held in the portfolio (A)



1	SFR	60%
2	CASH	6%
3	LLC	5%
4	TLS	4%
5	RMD	3%
6	IAG	2%
7	AAD	2%
8	MTU	2%
9	ANZ	2%
10	NAB	2%
	Other	11%

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



1	SFR	50%
2	CASH	5%
3	LLC	4%
4	TLS	4%
5	RMD	2%
6	QBE	2%
7	MQG	2%
8	IAG	2%
9	AAD	2%
10	MTU	2%
	Other	25%

Active Weights