Fact Sheet

Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 31 May 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 May 2011)

	1 Mth (%)	3 Mth (%)	1 Yr (%)	2 Yr (% p.a.)	3 Yr (% p.a.)	5 Yr (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross of fees)	(2.8)	(2.9)	8.2	17.1	2.5	6.2	6.6
S&P/ASX300 Accumulation Index	(2.0)	(1.7)	11.1	15.8	(1.7)	3.2	4.2
Relative Outperformance	(0.8)	(1.2)	(2.9)	1.3	4.2	3.0	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 Share Invest SMA product. Performance assumes reinvestment of all income.

Inception date is 23 December 2005.

Portfolio Details as at 31 May 2011

Largest Holdings	Portfolio Weight (%)	S&P/ASX300 Weight (%)
BHP Billiton	15.9	12.9
ANZ Bank	8.3	5.0
National Australia Bank	7.5	5.0
Commonwealth Bank	6.8	6.9
Westpac Bank	6.3	5.8
Rio Tinto	5.5	3.1
Telstra	5.4	2.9
Woolworths	4.0	2.9
QBE Insurance	3.0	1.6
News Corporation	2.3	0.7

Sector Allocation	Portfolio Weight (%)	S&P/ASX300 Weight (%)
Financials	42.8	36.2
Materials	29.3	28.5
Consumer Discretionary	6.4	3.9
Consumer Staples	5.7	8.3
Telecommunications	5.4	3.1
Industrials	3.4	6.9
Energy	2.2	7.9
Healthcare	1.5	3.3
Utilities	1.2	1.3
Information Technology	0.0	0.7

Selected Portfolio Statistics as at 31 May 2011

Inception Date	23-Dec-05
Number of Stocks	33
ATI Funds under Management	~ $560m

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

Relative Portfolio Performance

The ATI Equity Portfolio fell 2.8% in May compared with a fall of 2.0% by the S&P/ASX300 Accumulation Index. Against this benchmark, ATI is producing excess return on a 2 year, 3 year, 5 year and since inception (Dec-05) basis.

The Best and Worst Performing Sectors

The better performing sectors during May were Telecommunications (+4.1%), Industrials (+1.0%), and Consumer Staples (+0.5%); while the worst performing sectors were Financials (-6.1%), Consumer Discretionary (-3.0%), and Information Technology (-1.7%). Our monthly performance was assisted by an overweight position in the Telecommunications sector and a relatively neutral position in the Materials sector, but was affected by an overweight position in the Financials sector and underweight positions in both the Industrial and Consumer Staple sectors.

Attribution of Stocks

The portfolio performance during May was assisted by overweight positions in Telstra (TLS), Lend Lease (LLC), and Fortescue Metals (FMG); and by not holding Fosters Group (FGL) and Newcrest Mining (NCM). Stocks in the portfolio that contributed to its relative performance during the month included:

> **Telstra (TLS) (+3.8%)** outperformed the market during May after management confirmed FY11 guidance of flat revenue growth, high single digit EBITDA decline, and a 28cps fully franked dividend. The heads of agreement with NBN Co is also due to be released within the next couple of weeks, which should provide some certainty around the NBN deal. Since the start of the year the Future Fund has sold down its holding to now be below 5%. Besides removing a potential stock overhang, the selldown will also see the free float and the index weight increase in June which should see some support from index managers required to re weight their portfolios. Notwithstanding the share price appreciation in May, TLS remains relatively attractive within the ATI investment universe.
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> **Lend Lease (LLC) (+5.9%)** rose during the month after updating the market at an investor day presentation that removed some market concerns that LLC may announce some contract problems from the acquisition of the Valemus construction business. LLC also sold its half share of the King of Prussia shopping mall in the US for ~$500m which represents a profit of about $100m for the Group. The proceeds of the sale are to be used to repay debt and fund the large project capex pipeline that LLC has over the next few years. LLC remains relatively attractive within the ATI universe and remains an overweight portfolio holding.
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> **Fortescue Metals (FMG) (+6.0%)** managed to rise during May despite the announcement of an increase in future mining royalties by the WA Government from the current rate of 5.625% to 7.5% by 2014. FMG also announced a maiden reserve for its Solomon deposit of 716mt and provided further details around the future development of the resource. FMG remains relatively attractive and a core ATI portfolio holding.

Positions that detracted most from the portfolio's performance during the month were from being overweight Fairfax Media (FXJ), OneSteel (OST) and ANZ Bank (ANZ); and from not holding Iluka Resources (ILU) and Brambles (BXB) which both outperformed. Stocks in the portfolio that detracted from performance during the month included:

> **Fairfax Media (FXJ) (-18.6%)** underperformed during the month after issuing a profit warning on 3 May. The company guided to FY11 EBITDA of ~$600m which was well below market consensus of ~$650m. Revenues for 2H11 are tracking at -4.5% compared with guidance at the 1H11 result of +/- 5%. Management also provided a strategic update which included cost savings of $15m from FY12 onwards within the sub-editing function, but further investment in journalism (factored into the $15m savings). FXJ also announced that it has started a formal process for the sale of its metropolitan and regional radio assets. Lastly, March quarter circulation figures saw minor increases at *The Age* (M-F +1.6%), *Sunday Age* (+1.0%) and *Sydney Morning Herald* (M-F +0.2%); while *Australian Financial Review* continued to decline (M-F -3.8%, Sat -14.6%). Despite the downgrades to our earnings forecasts, FXJ remains relatively attractive.
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> **OneSteel (OST) (-12.7%)** underperformed in May after announcing that it expects NPAT in 2H11 to be broadly in line with the $116m statutory NPAT reported for 1H11. This represents a large downgrade to an FY11 statutory NPAT of ~$232m vs the market consensus of ~$303m. Additionally, the company also hosted a tour of its Sydney steel mills where it suggested that it expects 2H11 volumes to be better than 1H11, but still 15%-20% below pre GFC/normal levels. OST remains a portfolio holding and is still relatively attractive within the materials sector of our universe.
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> **ANZ Banking Group (ANZ) (-6.0%)** fell in May despite reporting 1H11 cash earnings of $2,818m, which was broadly in line with market expectations. While the result highlighted underlying growth in both domestic and offshore regions, earnings were dampened by a 1.9% negative EPS impact from currency translation. ANZ was also a victim of thematic developments whereby the banking sector underperformed the broader market based on negative sector news and weak macroeconomic data releases. The negative news included: (i) Moody's downgrading the major banks' long-term credit ratings by one notch, reflecting its view of the Australian banking system's structural sensitivity to conditions in wholesale funding markets; (ii) economic releases indicating further delays for any improvement in credit growth with March housing finance approvals for owner occupiers reaching the lowest level in 10 years, along with continuing weakness in consumer

confidence measures; and (iii) the 1H11 bank results showed a sector-wide trend of increasing mortgage arrears driven by post-Christmas seasonality, seasoning of loans written circa 2008 and recent weather events. Despite the negative news over May, ANZ remains a portfolio holding and continues to rank attractively in our investment grade universe.

Portfolio Construction

The ATI portfolio currently has a slight large stock bias with regard to its market capitalisation exposures against the S&P/ASX300 index with 85% of the holdings in the top 50 stocks (81% of the S&P/ASX300 index), 11% in the next 100 (14% of the S&P/ASX300 index), and 4% in the last 150 stocks (5% of the S&P/ASX300 index). The number of stocks (33) in the portfolio reflects the sale of Dexus Property Group [DXS] and Hastie Group [HST] during the month. The ATI stock rankings have changed over the last month as the market sell-off has seen some new names becoming relatively attractive. The portfolio is likely to have more holdings in coming months as a number of industrial stocks have become relatively attractive in the ATI stock universe. These new positions are expected to compliment the overweight positions already held in the larger capitalisation stocks.

Portfolio Risk

The current forecast tracking error of ~2.8% (range of 2-8%) for the ATI portfolio is expected to change in coming months as the risk/return benefit of taking on some smaller capitalization stocks is assessed.

As at 31 May the main sources of portfolio risk are from a variety of overweight smaller capitalisation stock holdings including Pacific Brands (PBG), PanAust (PNA), Mount Gibson (MGX) and Equinox Minerals (EQN). Larger capitalisation stocks that provide a contribution to portfolio risk include having no holding in Newcrest Mining (NCM) and Wesfarmers (WES), and having overweight positions in BHP Billiton (BHP), Rio Tinto (RIO), OneSteel (OST), Lend Lease (LLC) and Telstra (TLS).

General Market Commentary

After seemingly defying gravity for several months, the Australian equity market was sold off in May with very few places that an equity investor could hide. A combination of a deterioration in the US economic data, a slowdown in the Japanese economy, concerns regarding a potential slowing of the Chinese economy, a worsening outlook for inflation, and speculation about a potential Greek debt default help explain the reasons why investors decided to stay away and/or retreat from equity markets. Commodity prices remained volatile reflecting a divergence in views around the sustainability of the demand for commodities with a backdrop of spluttering economies in US, Europe and Japan. The Australian market (ASX 300 Accumulation Index) traded even lower during May before finding some support to finish the month down 2.0%.

Uncertainty over economic momentum and the interest rate outlook remained a feature of our equity market despite a strong capex survey that vindicated the case for Reserve Bank vigilance, while weak credit and jobs numbers raised concerns over the non-commodity sectors of the economy. Corporate news tended to reinforce this with a number of companies downgrading guidance during the month, notably in the media, retail and steel sectors, reflecting structural risks and the impact of a strong AUD. As we headed into the “confession season” period before the June reporting season, many companies updated the market on their earnings prospects. The balance was tilted firmly to downgrades with APN (APN), Fairfax (FXJ), BlueScope (BSL), OneSteel (OST), and David Jones (DJS) among those which lowered the markets expectations for current year earnings. The main banks reported earnings which were largely as expected, however the bank sector’s out-performance during the first four months of the calendar year was almost entirely erased in May - the sector accumulation index was 6.1% ahead of the ASX300 at April’s close but May cut this back to 2.0%. Weak mortgage growth numbers, increasing arrears profiles, the Greek sovereign debt situation, and concerns about the domestic housing market all weighed on the sector as investors sold off the banks heavily. M&A activity remained a feature with takeover bids for Austar (AUN) by Foxtel and Spotless (SPT) by private equity, while Fosters [FGL] spun off its wine assets.

The momentum in domestic economic data softened during May, while the RBA's "Statement of Monetary Policy" confirmed the bias was still towards rate tightening with markets initially moving to price in another rate hike in June. Building activity and house prices remained soft, while consumer confidence and labour market growth also declined. The Government released its budget which targeted a return to surplus in 2012/13 following a contraction in fiscal spending. The RBA left rates unchanged at 4.75% as widely expected, while the AUD retreated from its post-float high of US110¢ to finish the month at US107.3¢ (-2.7¢) against a generally firmer US dollar. The USD in turn was boosted by caution towards the Euro (-2.8% against the USD) as Europe’s sovereign debt crisis continued to unsettle markets again.

Crude prices experienced a turbulent month in which spot WTI saw one of its largest ever daily falls in dollar terms (-US$9.44/bbl on the 5th May) and lost 9.9% for the month as a whole. A weaker tone to global growth numbers and a stronger US dollar contributed to the weakness, while the International Energy Authority warned that high prices had begun to undermine demand and forecast global demand growth of just 1.5% in 2011 (3.3% in 2010). Spot gold did little in May overall in USD terms (+0.1%) but on the way made a new record close of US$1,557. Silver proved to be far more volatile as the record high struck in April (US$49.17/oz) was followed by a sharp sell-off in May (-21.5%) after the LME raised margin requirements. Base metals were mostly weaker (LME index -3.9%), with monetary policy tightening in emerging markets, growth concerns, and a dollar recovery all weighing negatively on prices. The recent outperformer, aluminum, was particularly weak (-4.4%). Spot iron ore prices also eased (Tianjin 63% fines down 6.4%) as April imports to China decreased (-4.4% vs +14.4% in 1Q).

Outlook

The recent optimism towards equity markets disappeared during May as ongoing concerns around the impact of a stronger A$ compounded the global economic issues that have hovered over markets for several months now. The ATI portfolio continues to hold a mixture of stocks that are leveraged to the key growth themes driving the domestic economy (mining investment and volumes, plus consumption) with a minority of stocks being exposed to the US economy that is rapidly losing the potential for positive earnings surprises to emerge over calendar 2011. The resources sector remains leveraged to any ongoing improvements in global growth forecasts, while the short term sentiment towards the major banks has the potential to continue to improve as the relatively poor earnings prospects of many industrial stocks comes to light over the next few months during the reporting season. The recent sell-off for equity markets appears to be based on the anticipation that a synchronised global earnings recovery is now some way off and it will need an improvement in reported earnings over 2011 to draw investors back to equities.

ATI's relative value process is still identifying some attractive opportunities, particularly in stocks where operating leverage may emerge during our three year forecast period. 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 next quarter as signs of earnings growth are now required to drive the next upward phase in equity markets.

PORTFOLIO RISK SUMMARY

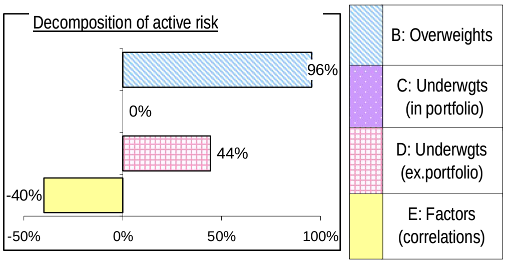
Portfolio Name:	**MyPort**
Benchmark:	ASX300
Date of Data:	31-May-11

Model:	48months - 5 factors
Factor Analysis:	Multi-Factor
Timestamp of Analysis:	6/1/2011 2:13:04 PM

Historic portfolio alpha	7.5%	**Active Exposures:**	
Historic portfolio beta	0.99	Held:	42.2%
Raw return	1.3%	Total:	83.2%

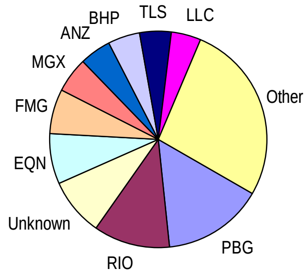
Forecast **Tracking Error**	**2.76 %**	**2.76 %**
	(residual risk)	(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	96%	2.7	7.3
B	Overweight positions	96%	2.7	7.3
C	Underweight positions	0%	0.1	0.0
D	Stocks not held in portfolio	44%	1.8	3.4
E	Factors (correlations between stocks)	-40%		(3.0)
F	Total (A + D + E)	100%	**2.8**	7.6
G	Systematic risk (undiversifiable)		0.2	0.0
H	Residual risk definition tracking error (G - F)		**2.8**	7.6



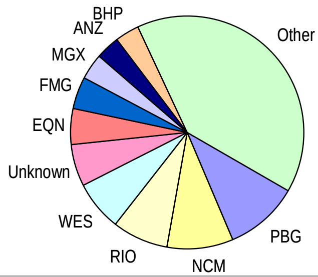
Top 10 sources of risk: Stocks held in the portfolio (A)

1	PBG	15%
2	RIO	11%
3	Unknow	9%
4	EQN	7%
5	FMG	7%
6	MGX	5%
7	ANZ	5%
8	BHP	5%
9	TLS	5%
10	LLC	5%
	Other	27%



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

1	PBG	10%
2	NCM	9%
3	RIO	8%
4	WES	7%
5	Unknow	6%
6	EQN	5%
7	FMG	5%
8	MGX	4%
9	ANZ	3%
10	BHP	3%
	Other	40%



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