Fact Sheet

Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 31 May 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 three-year periods.

Performance Update

(*Returns to 31 May 2012)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	(5.7)	(2.9)	(8.6)	7.8	(1.3)	4.1
S&P/ASX300 Accumulation Index	(6.7)	(4.4)	(9.3)	6.7	(4.3)	2.0
Relative Outperformance	1.0	1.5	0.7	1.1	3.0	2.1

*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 May 2012

Largest Holdings	Portfolio Weight (%)	S&P/ASX300 Weight (%)
BHP Billiton	9.3	10.3
National Australia Bank	7.8	5.1
Westpac Bank	7.4	6.2
ANZ Bank	6.8	5.6
Telstra	6.2	4.4
Woolworths	5.2	3.3
Commonwealth Bank	4.5	7.9
Newcrest	4.3	1.9
News Corporation	2.9	0.6
Woodside Petroleum	2.6	2.0

Sector Allocation	Portfolio Weight (%)	S&P/ASX300 Weight (%)
Financials	32.7	38.9
Materials	25.4	23.2
Consumer Staples	9.0	8.2
Industrials	7.8	7.4
Consumer Discretionary	6.5	3.6
Telecommunications	6.2	4.7
Energy	2.6	7.4
Healthcare	2.2	4.0
Information Technology	2.0	0.7
Utilities	2.0	1.9

Selected Portfolio Statistics as at 31 May 2012

Inception Date	23-Dec-05
Number of Stocks	35
ATI Funds Under Management	~ $500m

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

Portfolio Performance

The ATI Equity Portfolio fell 5.7% in May compared with a fall of 6.7% in the S&P/ASX300 Accumulation Index. Against this benchmark, ATI is producing excess returns on a monthly, quarterly, 1 year, 3 year, 5 year and since inception (Dec-05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Utilities (+1.8%), Telecommunication Services (+0.2%) and Health Care (+0.2%]; while the worst were Materials (-10.8%), Energy (-10.2%) and Financials (-9.1%).

Attribution of Stocks

The portfolio performance during May was assisted by overweight positions in Newscorp [NWS], Woolworths (WOW) and Telstra (TLS); and by not holding Santos [STO], Iluka Resources (ILU) and QBE Insurance (QBE). Stocks in the portfolio that contributed most to its relative performance during the month included:

Newscorp (NWS) (+6.8%) performed extremely strongly in May after reporting a very solid 3Q12 result. NWS reported 3Q12 operating income of US$1,375 m, NPAT of US$810 m and EPS of US$0.33 which all surpassed the market consensus expectations. The divisional results highlighted the strong performances in Film, Publishing and Sky Italia, while TV was the only segment to provide some disappointment. NWS have reiterated their previous FY12 guidance of "low to mid teens operating income growth" but did suggest that the forecast now had "a bias to the low end". In addition, the company announced a further US$5bn buyback program that is to be completed by 30 June 2013 and this provided further market support. NWS remains relatively attractive within the ATI equity rankings and an overweight portfolio holding.

Woolworths (WOW) (+1.9%) outperformed during the month on little company-specific news flow. The defensive nature of WOW's earnings profile, relatively high dividend yield and a historical correlation to outperform during periods of economic uncertainty and a lower AUD/USD presumably assisted sentiment towards the stock. Despite the recent share price performance, WOW remains a core overweight portfolio holding and remains relatively attractive on fundamentals.

Telstra (TLS) (+0.3%) outperformed the market in May as investors searched for companies with a defensive earnings nature in these volatile and uncertain conditions. During the month David Thodey presented at an investor conference, re-confirming the dividend for FY12 & FY13 along with continued mobile growth momentum. The release of the Federal budget earlier in the month confirmed $20.1bn in NBN funding over four years, including $4.7bn in FY13 and around $5bn pa in each of the subsequent three years, from which NBN will make infrastructure and migration payments to Telstra. Despite the recent stock price strength and relative performance, TLS remains an overweight portfolio holding.

Positions that detracted most from the portfolio's performance during the month were from being overweight Kingsgate Consolidated (KCN), Flight Centre (FLT) and ANZ Bank (ANZ); and from not holding Westfield Group (WDC), Stockland Group (SGP) and Coca-Cola Amatil (CCL). Stocks in the portfolio that detracted most from performance during the month included:

Kingsgate Consolidated (KCN) (-15.5%) underperformed the market during May, as did a number of equities exposed to precious metals prices. During May, the gold price fell by over 6% and the silver price fell by almost 11%, as the US dollar rallied against a basket of currencies (for example the US$ appreciated by 7% against the Euro). Rather than acting as their traditional store of value, or hedge against risk, investors preferred to treat precious metals and equities exposed to them, as risk exposures. In the absence of any company specific news during May, the performance of KCN was hostage to movements in gold and silver prices, and was similarly subject to the underperformance of the small cap index. We note that the gold price hit its lowest level year-to-date during May, US$1,540/oz, however rallied by over 5% from these lows in the first trading day of June. Despite the daily headlines detailing movements in the gold price, we further note that it has proven reasonably resilient at historically elevated levels despite highly volatile markets in 2012, with a trading range of only ~16% from US$1,540/oz to US$1,785/oz. KCN continues to rank attractively within the ATI Equity Ranking System, accordingly we took the opportunity to increase our portfolio weighting at lower levels during May.

Flight Centre (FLT) (-13.8%) underperformed during the month as the negative influences of a lower AUD/USD and expectations for lower domestic GDP growth offset the benefit to consumers from a 50bp RBA interest rate reduction at the start of the month. In May, FLT confirmed FY12 guidance of PBT between $270 - $290m (being 10% - 18% growth from the pcp). We consider the fundamentals of FLT to be sound and the recent share price weakness represents an opportunity to continue to accumulate a position in a high quality and undervalued company.

ANZ Bank (ANZ) (-12.6%) underperformed the market and the bank sector in May despite posting 1H12 underlying earnings of $2,973m and a dividend of 66¢ which were both broadly in line with market consensus expectations. The composition of the result highlighted the acute margin pressure in the domestic retail banking business, with the Australian retail divisional net interest margins being down 13 bp from the previous half year period. The historically low domestic loan growth environment for all the major banks, including ANZ, continues to see them looking for ways to reduce costs to try and maintain earnings let alone achieve growth. Combine this with the rising cost of funds and an increasingly problematic Eurozone debt scenario and investors have becoming wary of banks in these volatile times. ANZ remains a portfolio holding as we feel that the Asian growth profile still offers ANZ an opportunity to differentiate itself.

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 82% of the portfolio (excluding cash) in the top 50 stocks (compared to 81% of the S&P/ASX300 index), 15% in the next 100 (14% of the index), and 4% in the last 150 stocks (4% of the index).

The portfolio is likely to remain intentionally positioned to be overweight the larger cap stocks as we expect there to be ongoing market volatility driven by the unresolved European debt issues, slower Chinese growth and slowing US economy. However, the number of holdings increased in May as we identified some smaller resource stocks that had become attractive enough for their return profile to warrant some additional portfolio risk. This has lead to an increase in tracking error (~70bp) as would be expected.

The main portfolio weighting changes during May included new positions in Atlas Iron (AGO) and Sandfire Resources (SFR) with minor top-up purchases for Emeco Holdings (EHL), Lynas Corp (LYC), Newcrest Mining and Kingsgate Consolidated (KCN); and some slight weighting reductions for ANZ Bank (ANZ), CSL (CSL), Westpac (WBC) and Wesfarmers (WES).

Portfolio Risk

The current forecast tracking error of ~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. At present the main sources of portfolio risk are from overweight positions in Atlas Iron [AGO], Pacific Brands (PBG), Lynas Corporation, Medusa Mining, Newcrest Mining, and Telstra; and an underweight position in Commonwealth Bank (CBA).

General Market Commentary

Markets like clarity and its absence has seen investors fleeing risk assets globally for the relative safety of bonds, resulting in some Government bond yields now trading at historically low levels. The Australian equity market was not exempt from this thematic and fell considerably in May (ASX 300 Accumulation Index -6.8%) to record its worst month since May 2010 and virtually erase all of the gains made over the course of calendar 2012. The sovereign debt crisis in Europe combined with the release of softer than expected Chinese growth data and a slowing US economy only saw confidence levels deteriorate further. Concerns surrounding Europe's sovereign debt crisis increased significantly as Greece's ability to remain in the Euro, and the resultant stability of the European financial system should it leave, were questioned post their inconclusive elections. Spain is also volunteering itself as a problem candidate with its banks now being downgraded amid capital concerns. Softer macro data from the US combined with reduced GDP growth forecasts for China only added to the overall uncertainty and as was the case last month, the more defensive and higher yielding sectors of telecommunications, property trusts and health care were the better performers during the month.

Adding more “fuel to the fire”, further profit warnings from domestic cyclical stocks in the retail, mining services and transport sectors reinforced the difficult domestic operating environment and ongoing structural problems resulting from the higher A$. Some examples were Myer (MYR), Sims Group (SGM) and Toll Holdings (TOL) that all issued profit downgrades during the month citing weaker than expected demand. Whilst the 1H12 results from the major banks were largely in line during May, they also highlighted the difficulty in maintaining profits in a period of historically anaemic revenue growth.

The domestic macro news flow remained mixed and failed to provide investor support as stronger than expected employment figures were in sharp contrast to the other broader activity indicators which remained weak. Noting the weaker-than-expected inflation data, the RBA cut the cash rate by 50bp in early May and the futures market is pricing almost 150bp more easing over the remainder of 2012. The catch for the domestic economy is that the benefits of lower interest rates will be offset to some degree by tightening fiscal policy as the Federal government has committed to a restrictive budget by forecasting an intended surplus for FY13. Over the course of the month the Treasury Secretary toned down the surplus rhetoric, noting the European debt predicament, and has stepped away from a firm commitment to the budget surplus target that was announced by the Government in early May. The impact of the RBA’s rate cut unsurprisingly resulted in the A$ coming under selling pressure in early May – quickly moving through parity and finishing the month near its intra-month lows of US$0.97 (-7.0¢).

European tensions, slowing momentum in Chinese growth and some soft US data releases made May a tough month for most commodity prices. Crude oil (Brent –3.7%) continued its pull-back, though US gas prices (Henry Hub spot +11.4%) rallied on evidence of supply restraint. Whilst iron ore prices were down sharply in May [Tianjin 62% fines fell 7.3%], they rallied late in the month while most commodities continued to weaken, suggesting that supply tightness may be supportive going forward. Base metal prices also fell steeply (LME index –10.4%), copper was the weakest major metal (LME spot –12.9%), reflecting concerns over Chinese consumption growth. Even gold (spot -5.9%) was not spared the selling pressure despite its traditional role as a safe haven in these volatile economic times. A stronger USD and large liquidation of investment positions appeared to weigh on the gold price.

Outlook

The ongoing volatility in equity markets is not expected to disappear in the near term as both Europe and the US are attempting to deal with mounting debt problems whilst the economic landscape deteriorates. More global austerity means ongoing downward revisions to global growth expectations and combined with the continuation of profit warnings domestically during May, only points to things getting worse before they get better. Some clarity on how administrators intend dealing with these sovereign debt issues is needed before investors are likely to return to equity markets and this is why we remain quite defensive in our overall portfolio positioning. Whilst ATI’s relative value process is still identifying some attractive opportunities to compliment some of our more defensive holdings, we feel that moving to a much higher tracking error position is not yet appropriate for these market conditions.

PORTFOLIO RISK SUMMARY

Goldman Sachs

Portfolio Name:	**MyPort**
Benchmark:	ASX300
Date of Data:	31-May-12

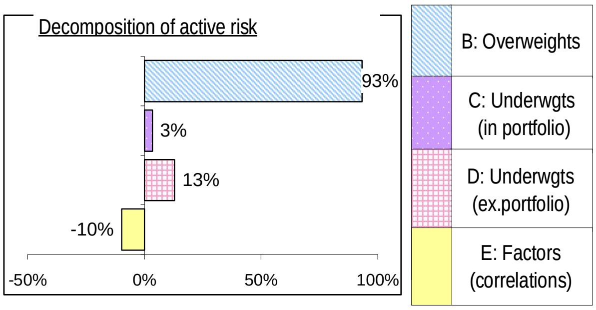
Model:	48months - 5 factors
Factor Analysis:	Multi-Factor
Timestamp of Analysis:	4/06/2012 3:18:41 PM

Historic portfolio alpha	12.3%	**Active Exposures:**	
Historic portfolio beta	1.01	Held:	48.0%
Raw return	3.2%	Total:	84.0%

Forecast **Tracking Error**	**3.66 %**	**3.67 %**
	(residual risk)	(active risk)

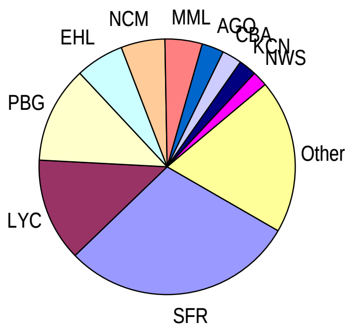
	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	97%	3.6	13.0
B	Overweight positions	93%	3.5	12.5
C	Underweight positions	3%	0.7	0.5
D	Stocks not held in portfolio	13%	1.3	1.7
E	Factors (correlations between stocks)	-10%		(1.3)
F	Total (A + D + E)	100%	3.7	13.4
G	Systematic risk (undiversifiable)		0.2	0.0
H	Residual risk definition tracking error (G - F)		3.7	13.4

Decomposition of active risk



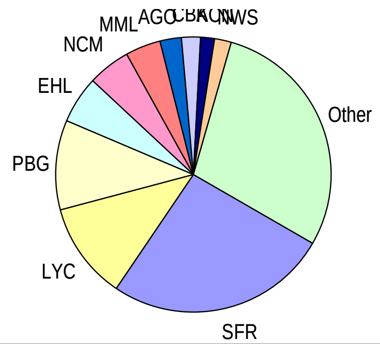
Top 10 sources of risk: Stocks held in the portfolio (A)

1	SFR	29%
2	LYC	13%
3	PBG	12%
4	EHL	6%
5	NCM	6%
6	MML	5%
7	AGO	3%
8	CBA	2%
9	KCN	2%
10	NWS	2%
	Other	19%



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

1	SFR	26%
2	LYC	12%
3	PBG	11%
4	EHL	5%
5	NCM	5%
6	MML	4%
7	AGO	3%
8	CBA	2%
9	KCN	2%
10	NWS	2%
	Other	29%



Active Weights