Fact Sheet

Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 31 May 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 May 2013)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	-3.8	-4.0	23.7	7.0	4.0	6.5
Benchmark Index	-4.5	-2.7	25.5	8.1	1.6	4.9
Relative Outperformance	**0.7**	**(1.3)**	**(1.8)**	**(1.1)**	**2.4**	**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 May 2013

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
BHP Billiton	11.5	9.2
National Australia Bank	8.5	5.6
ANZ Bank	7.5	6.2
Westpac Bank	6.7	7.2
Telstra	6.7	4.8
Commonwealth Bank	5.4	8.8
Rio Tinto	4.7	2.0
Woodside Petroleum	3.5	1.8
News Corporation	3.3	0.7
Wesfarmers	3.3	3.7

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	38.4	43.7
Materials	24.8	18.1
Telecommunications	6.7	5.2
Consumer Discretionary	6.4	4.4
Consumer Staples	5.5	8.6
Industrials	3.0	6.7
Healthcare	2.9	4.5
Energy	3.5	6.4
Utilities	2.4	1.7
Information Technology	2.4	0.8

Selected Portfolio Statistics as at 31 May 2013

Inception Date	23-Dec-05
Number of Stocks	29
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 3.8% in May compared with a fall of 4.5% in the benchmark index. Against this benchmark, ATI is producing excess returns on a monthly, 5 year and since inception (Dec'05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Information Technology (+6.6%), Energy (2.5%), and Materials (+2.3%); while the worst were Financials ex-Property (-9.8%), Consumer Staples (-9.0%) and Industrials (-4.2%).

From a sector perspective, the relative performance of the ATI portfolio was most positively impacted from being overweight Materials stocks (24.8% v benchmark of 18.1%), and underweight Property Trust (2.9% v benchmark of 4.0%) stocks; but was negatively impacted from being overweight Consumer Discretionary stocks (6.4% v benchmark of 4.4%) and being underweight Energy (3.5% v benchmark of 6.4%).

Attribution of Stocks

The portfolio performance during May was assisted by overweight positions in Newscorp (NWS), Sandfire Resources (SFR), and Computershare (CPU); and by not holding Newcrest Mining (NCM), Coca-Cola Amatil (CCL) and Qantas (QAN). The three stocks in the portfolio that contributed most to its relative performance during May were:

News Corporation (NWS) (+11.2%) rose in May following the release of additional information relating to the separation of the business into Fox Group and (new) News Corp. Some key points are (i) the separation date will be June 28; (ii) a US$500mn buyback for new News Corp was approved (iii) a 1-for-4 distribution of new News Corp shares will occur; and (iv) a US$1.2-1.4bn impairment charge in new NWS was booked. NWS hosted an analyst day on May 28 in New York which was well received by analysts. A similar day will be held in Australia on June 5, before the Shareholder vote on June 11th. In early May, NWS also released its 3Q13 result, reporting 3Q13 adjusted Operating Income of US$1,429mn (+3.9% v pcp) and adjusted NPAT of US$834mn (-9.4% v pcp). The company reiterated FY13E guidance at "mid to high single digit operating income growth". We also note there is still buyback support with the second buyback only 32% complete at the end of May. NWS remains an overweight portfolio position which will be monitored leading into the de-merger.

Sandfire Resources (SFR) (+13.7%) outperformed the market during May as the copper price remained stable around US$3.30/lb and the company reported an increased Mineral Resource at their DeGrussa operation. Mineral Resources at the high grade operation increased by 64kt of copper and 93koz of gold which, after taking into account mine depletion to date, essentially adds an additional year to the expected mine life of DeGrussa. Meanwhile the company continues to target additional exploration success, targeting both faulted offsets to the identified orebodies, and additional orebodies along strike from DeGrussa. The supply/demand outlook for copper remains robust, and certainly the most attractive of the base metals, with recent supply interruptions at two of the largest global copper mines, Bingham Canyon and Grasberg, highlighting the current tight nature of the market. Further, SFR remains relatively insulated from the impact of the recent gold price correction, with only ~10% of forecast revenue from its production of gold as a by-product, compared to ~20% for OZL and ~40% for PNA. SFR remains attractive in the ATI rankings and an overweight portfolio holding.

Computershare (CPU) (+12.7%) outperformed during the month as it was perceived to be a beneficiary of the rapid fall in the Australian dollar that boosts CPU earnings when translated back to AUD from USD where it reports. During the month CPU announced the completion of their US IT integration from their BNY Mellon's share owner services division to its IT infrastructure after acquiring the business in December 2011. At completion, CPU reported that the project concluded under budget and yielded more IT related synergies than expected. CPU remains an overweight portfolio holding based on its fundamental valuation and its potential to benefit from the strength in both the US dollar and bond yields.

Positions that detracted most from the portfolio's performance during the month were from being underweight QBE Insurance (QBE), overweight National Australia Bank (NAB), and from not holding Macquarie Group (MQG), Origin Energy (ORG) and Oilsearch (OSH). Stocks in the portfolio that detracted most from relative performance during the month included:

QBE Insurance (QBE) (+19.8%) substantially outperformed during the month as it was the beneficiary of the two dominant macro themes in May, being the weaker Australian dollar and rising US bond yields. As equity markets at present seem to be more focused on themes than on fundamentals, we think QBE will continue to be viewed favorably while the backdrop of a falling A$ and rising US bond yields remains in place. Additionally, the prospects are also good for a solid 1H13 result given a benign catastrophe claims environment globally and QBE's insurer financial strength rating was affirmed by S&P in May as the negative watch was removed. QBE will hold a briefing on 2 July, updating investors on its global operational transformation program. We would expect a positive message is likely from this discussion and it may potentially see QBE expanding upon its recent announcements of targeted cost savings. We added QBE to the portfolio during the month and it is now a benchmark weight portfolio holding.

National Australia Bank (NAB) (-14.7%) underperformed the market in May as yield stocks were heavily sold off across the board in the Australian market as US bond yields rose sharply. The thematic sell-off in May occurred despite NAB having delivered its 1H13 result which saw EPS and the interim dividend beating market consensus by 0.5% and 1%, respectively. The underlying 1H13 cash earnings of $2.9bn rose 1.4% on the pcp as strong results in Australian Personal and NZ divisions were offset by weaker wealth management and insurance trends. While NAB made some positive headway on its bad & doubtful debt (BDD) charge and showed some asset quality recovery, the adverse UK business asset

quality prevented NAB from matching its peers' positive surprises on the overall BDD charge. NAB's Basel 3 common equity Tier-1 capital ratio was 8.22%, in line with its major bank peers and above its 7.50% target. NAB remains an overweight portfolio holding.

Macquarie Group (MQG) (+10.2%) outperformed the broader market and the entire bank sector during May after releasing its FY13 annual results. MQG announced a better-than-expected net profit and higher-than-expected dividend which was well received by the market and saw the shares rise 10.9% on the day of the announcement. The FY13 net profit of $851m came in ~4% above market consensus expectations (~$820m) and the 2H13 NPAT of $459m was up 8% on the prior corresponding period (pcp). The 2H13 dividend of $1.25 was the clear positive in the result, equating to a payout ratio of 86%. The target payout ratio was also increased to 60-80% of cash NPAT from the previous level of 50-60%. MQG remains unattractive in the ATI rankings and is not a portfolio holding.

Portfolio Construction

The main portfolio weighting changes during May included: the purchase of QBE; the disposal of our holdings in Ausdrill (ASL) and PanAust (PNA); portfolio top-ups for our holdings in BHP Billiton (BHP), Computershare (CPU), and Wesfarmers (WES); and a slight portfolio weighting reduction for Woolworths (WOW). Cash at the end of May was 3.8% (April 3.2%).

The ATI portfolio, with regard to the market capitalisation exposures, remains quite similar to the benchmark index with ~92% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~6% in the next 100 (benchmark ~14%), and ~2% in the last 150 stocks (benchmark ~3%). ATI's 10 largest holdings make up 64% of the portfolio (benchmark 53%), the dividend yield is 4% (benchmark 4%) and the portfolio's historic PE is 14.4x (benchmark of 15.3x).

Whilst the portfolio's market cap bias is broadly 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, Fortescue Metals group (FMG) and 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 Pacific Brands (PBG), Toll Holdings (TOL) and Fairfax Media (FXJ), which have outperformed the market over the past 12 months.

Portfolio Risk

The current forecast tracking error of ~3.8% is slightly below last month ~3.8%. 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, Fortescue Metals Group (FMG), Atlas Iron (AGO), Lynas Corp (LYC), Rio Tinto (RIO), Lend Lease (LLC) and an underweight position in CBA.

General Market Commentary

The improved prospects for a sustained recovery in the US economy have fueled market speculation that the Fed may taper its bond purchase program before year-end and this pushed US bond yields and the $US higher in May. In spite of this, the US and European equities still managed to post gains whilst the Australian market heavily underperformed its global counterparts as "yield" suddenly fell out of favour and the benchmark ASX300 Accumulation Index finished May down 4.5%. The prospect of higher bond yields dragged down the more defensive dividend yield sectors of the Australian market with banks, consumer staples and utilities all under-performing. Conversely, the other side of the thematic impact meant that stocks that generate $US earnings generally rallied strongly late in the month as the $A fell sharply. This trend may well continue in the months ahead if the US recovery stays on course and future interest rate expectations keep moving higher.

Better than expected interim results from several major banks early in the month were initially greeted with positive market reactions from yield hungry investors as ANZ and Macquarie Bank (MQG) increased their payout ratios (ANZ also announced a buyback) while WBC declared a special dividend. However, with the valuation dispersion between the well-loved banks and under-loved resource stocks being pushed to its historical extremes, combined with a break down in the $A and rising bond yields, it triggered a large rotation into the materials sector late in the month. As a result, May was the first month this calendar year in the Australian equity market that materials have outperformed financials on a sector basis.

Company 'confessions' were a feature during May as investors were greeted with a raft of profit warnings concentrated in the domestic cyclical names, including: a number of contractors including Adelaide Brighton (ABC), Boral (BLD), Boart Longyear (BLY), Fleetwood (FWD), Transfield (TSE), UGL and Worley Parsons (WOR) all reducing their FY13 earnings guidance with many mining services contractors citing cost-cutting and capex reductions by large mining companies as the key driver behind downgrades: Wesfarmers (WES), Virgin (VAH), Fantastic Holdings (FAN), Servcorp (SRV) and Coca-Cola Amatil (CCL) were amongst the non-contractor downgrades, with CCL and WES citing a weak consumer as one of the reasons for their downgrades.

In somewhat of a market surprise, the RBA elected to cut the cash rate by 25bps to 2.75% at the start of the month and most economic forecasters had expected no change. In previous Board minutes, the Bank had stated that the inflation outlook afforded scope to further ease policy if necessary. This month, the RBA stated that it "decided to use some of that scope" and may even have to use a little more in order to stimulate the housing sector so that it picks up the slack from the ongoing downturn in mining investment. The recent fall in the Australian dollar may have done some of the work for the RBA but any ongoing weakness in the domestic economy will only increase the chances of some further easing over the course of 2013.

The Aussie dollar recorded its largest monthly fall (-7.7%) against the US dollar since September 2011, negatively impacted by the mining sector weakness, the RBA's decision to cut rates early in the month and the prospect of the Fed signaling a potential tapering of its bond-buying program earlier than had been expected. The AUD/USD ended the month at US$0.962 (-7.6¢ or -7.3%) and this resulted in a strong rally for $US sensitive stocks such as Brambles (BXB), Computershare (CPU), CSL (CSL), Newscorp (NWS) and QBE Insurance (QBE).

As has been the recent trend, domestic economic data continues to be mixed with the positive data points including: the unemployment rate for April was better than expected after being down 10bp to 5.5% (consensus of 5.6%), however, data on labour demand suggests that the unemployment rate could rise a little higher in the short to medium-term; and Australian residential building approvals for April came in stronger than expected at +9.1% mom (vs consensus +4.0%). Data on the more negative side included: consumer confidence levels in May saw a broad based decline (-7.0% mom); and the Australian Federal Budget was also released intra-month, revealing a $19.4bn deficit in FY13E (revised from a $1.5bn surplus) and the Government now expects to only return the budget to (a modest) surplus by FY16.

With the US economic recovery story gaining traction among investors, gold and other precious metals continued to lose their appeal. The benchmark spot iron ore contract, Tianjin 62% fines, continued to track lower in May (-17.7%) bringing the commodity's tally of losses since February to ~30%. The "flash" Chinese purchasing managers' index for May indicated that manufacturing output had begun contracting, highlighting concerns over the expected level of Chinese demand growth. The LME index of base metals (+3.1%) was able to make small gains in May as supply disruptions such as PT Freeport's tunnel collapse boosted copper (+3.7%). Aluminium was up 1.6% over the month. The rising $US didn't help gold prices during the month (-6.0%) and ETF holdings of gold fell to their lowest levels since mid-2010. Oil, on the other hand, began the month strongly after a sharp sell-off in April, briefly rallying to 3.7% above its April close. It could not, however, buck the broader weakness in commodities following the Fed's announcements that it could curb stimulus programs and ended the month down 2.2%

Outlook

In a complete reversal of recent trends the defensive and yield orientated stocks were discarded in May as investors moved into resource and energy sector stocks. Whilst we have been overweight the materials sector for some time now, the domestic equity markets savage reaction to the rising US dollar and bond yields was not the catalyst we had assumed would be responsible for generating out-performance from our positioning. The thematic nature of the sell-off has not caused us to alter our current positioning as we continue to expect that the improving global macro dynamics of an ongoing recovery in the US economy, an expanding Chinese economy and a less troubled Eurozone will be supportive of an environment where materials stocks can continue to outperform the broader market. In addition, a lower Australian dollar would only enhance the prospects of many mining stocks as commodity prices and indeed sales are generally denominated in US dollars so the potential currency translation benefit will only help their cause.

We also feel the fact that the resources sector has been in earnings downgrade mode for almost the last 2 years means we may finally have seen the worst of the downward revision cycle. The miners have been through an ongoing round of earnings cuts over this period as market consensus commodity price forecasts have continued to be revised down. We now expect that with the $A weakening and commodity prices now appearing to have found a floor, we are possibly going to enter a period of actual earnings upgrades for the materials sector. An example of this situation is iron ore as we are now in a rare situation where iron ore forward prices are trading at a premium to spot prices. Every time this has happened in the last few years it has signaled a bottom in the spot price and lead to a reasonably sharp short term bounce back in the spot commodity price. We remain positioned to be a beneficiary if this were to eventuate yet again and note that iron ore consumption is driven by offshore demand and not exposed to the weaker domestic economic outlook that appears to be becoming a reality sooner than many would have expected.

The ATI portfolio remains balanced 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.

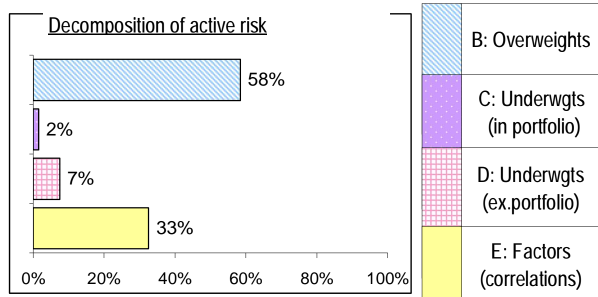
PORTFOLIO RISK SUMMARY

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

		Active Exposures:		%
Historic portfolio alpha	4.5%	Total:	82.0%	100.0%
Historic portfolio beta	1.05	Across sectors:	39.3%	48.0%
Raw return	14.0%	Within sectors:	42.6%	52.0%

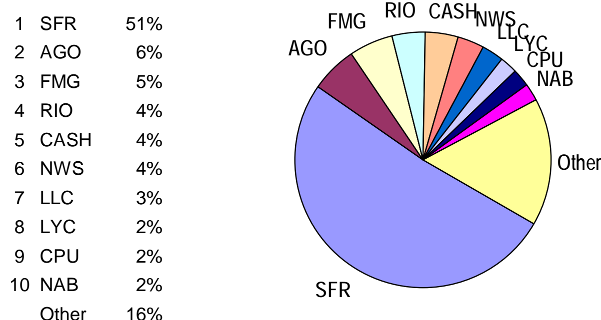
Forecast Tracking Error	3.29 %	3.36 %
	(residual risk)	(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	60%	2.6	6.8
B	Overweight positions	58%	2.6	6.6
C	Underweight positions	2%	0.4	0.2
D	Stocks not held in portfolio	7%	0.9	0.8
E	Factors (correlations between stocks)	33%		3.7
F	Total (A + D + E)	100%	3.4	11.3
G	Systematic risk (undiversifiable)		0.6	0.4
H	Residual risk definition tracking error (F - G)		3.3	10.8



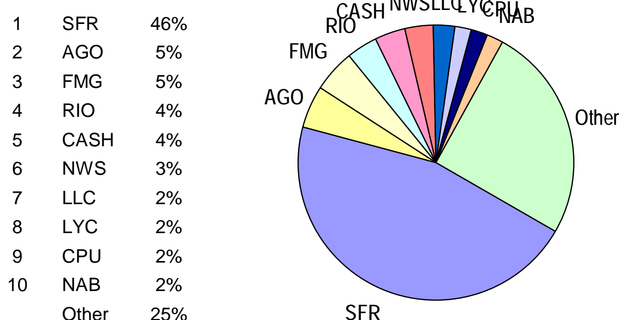
Top 10 sources of risk: Stocks held in the portfolio (A)

1	SFR	51%
2	AGO	6%
3	FMG	5%
4	RIO	4%
5	CASH	4%
6	NWS	4%
7	LLC	3%
8	LYC	2%
9	CPU	2%
10	NAB	2%
	Other	16%

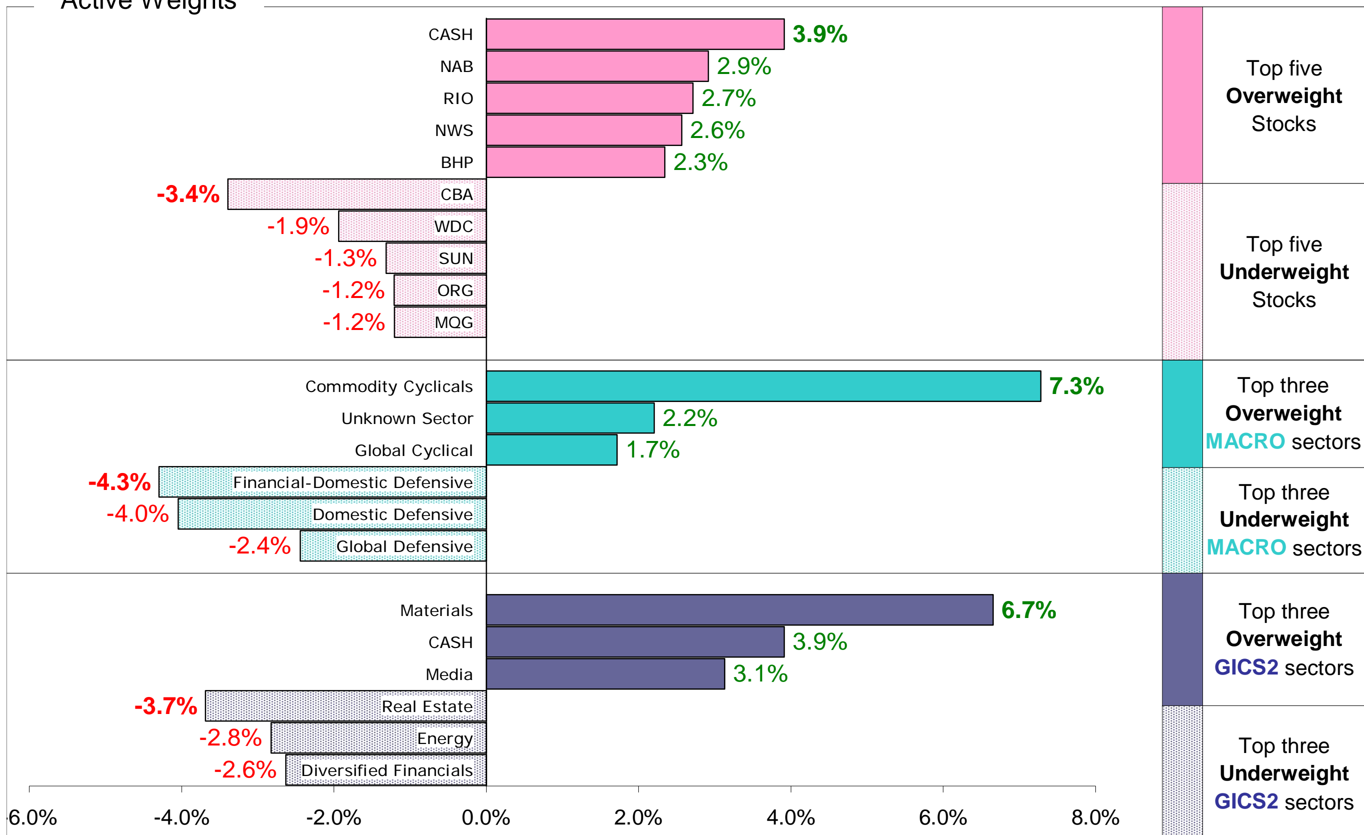


Top 10 sources of risk: All stocks in benchmark (B+C+D)

1	SFR	46%
2	AGO	5%
3	FMG	5%
4	RIO	4%
5	CASH	4%
6	NWS	3%
7	LLC	2%
8	LYC	2%
9	CPU	2%
10	NAB	2%
	Other	25%



Active Weights



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