Fact Sheet

ATI Australian Equity Portfolio

Information as at 31 May 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 May 2014)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	0.8	4.4	18.6	10.2	12.9	4.7
Benchmark Index	0.6	2.5	16.1	9.7	12.1	3.1
Relative Outperformance	0.2	1.5	2.5	0.5	0.8	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 2014

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
Commonwealth Bank	9.3	9.6
ANZ Bank	8.9	6.7
BHP Billiton	8.0	8.6
National Australia Bank	7.7	5.7
Telstra	7.1	4.8
Westpac Bank	7.0	7.8
Wesfarmers	3.7	3.6
CSL	3.6	2.5
Woodside Petroleum	3.5	1.9
Insurance Aust. Group	3.4	1.0

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	49.3	45.1
Materials	12.6	16.9
Telecommunications	8.2	5.3
Healthcare	7.2	4.7
Consumer Staples	5.8	8.2
Energy	4.5	6.0
Consumer Discretionary	3.0	4.2
Industrials	2.3	7.0
Utilities	2.2	1.7
Information Technology	1.0	0.8

Selected Portfolio Statistics as at 31 May 2014

Inception Date	23-Dec-05
Number of Stocks	34
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 May compared with a rise of 0.6% in the benchmark index. Against this benchmark, ATI is producing excess returns on a monthly, 3 monthly, 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 Energy (+3.0%), Utilities (+2.8%), and Health Care (+2.7%); while the worst were Materials (-2.8%), Consumer Discretionary (-1.1%), and Property Trusts (+0.1%).

From a sector perspective, the relative performance of the ATI portfolio was most positively impacted from being underweight Materials stocks (+13.7% v benchmark of 17.4%) and overweight Telco's stocks (8.3% v benchmark of 5.2%), whilst it was most negatively impacted by being underweight Industrial stocks (2.3% v benchmark of 6.7%) and Energy (4.5% v benchmark of 5.9%).

Attribution of Stocks

The portfolio performance during May was assisted by overweight positions in Lend Lease (LLC), Insurance Australia Group (IAG), and M2 Group (MTU); and by not holding Fortescue Metals Group (FMG), Newcrest Mining (NCM), and Aurizon Holdings (AZJ). The three stocks in the portfolio that contributed most to its relative performance during May were:

> **Lend Lease (LLC) (+3.6%)** outperformed again during May despite there being no material company announcements made over the course of the month. The market appears to be taking greater comfort from the plethora of news releases seen over the last two months that have confirmed the quantum of the embedded nature of the massive project work in hand that should allow LLC to continue posting consistent earnings growth over the next few years at least. LLC remains an over weight portfolio holding with the pending announcement of the sale of its stake in BlueWater (UK) as the next major positive catalyst expected as it will put LLC in a position to self fund the ongoing project rollout.
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> **Insurance Australia Group (IAG) (+3.6%**) outperformed during May after it was announced that it had received clearance from the New Zealand Commerce Commission (NZCC) to acquire Wesfarmers' Lumley Insurance business in New Zealand. The next hurdle for IAG is approval from RBNZ. Whilst the broader deal (for IAG's proposed acquisition of all of Wesfarmers' Australian and NZ underwriting businesses) remains subject to a number of additional approvals, however, IAG still expects to complete the transaction by 30 June 2014. IAG remains an over weight portfolio holding with our expectation that the upcoming FY14 result will be better than expected and most likely be above that of the current market consensus earnings expectations.
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> **M2 Group (MTU) (+7.6%)** outperformed during the month as they held an investor day which highlighted: 1) organic growth is continuing, 2) it is executing on integration and cost out, and 3) cash flow will improve and recover to more historical levels in 2H14. Early last month MTU also announced a restructure where it had identified approximately 150 roles across administration, customer service, technology, provisioning and sales which may become redundant. Concerns regarding shares issued for Dodo which came out of escrow at the beginning of May appear to have been overplayed. MTU also indicated that its refreshed 4G mobile plans have improved recent weak mobile trends and that sales of its Commander Phone hosted voice product (launched March 2014) have exceeded its expectations. MTU remains attractive in the ATI rankings and continues to be an overweight portfolio holding.

Positions that detracted most from the portfolio's performance during the month were from being overweight Orica (ORI), National Australia Bank (NAB), and Worley Parsons (WOR); and from not holding Macquarie Group (MQG), Treasury Wine Estate (TWE), and Santos (STO). Stocks in the portfolio that detracted most from relative performance during the month included:

> **Orica (ORI) (-10.1%)** underperformed during May and this reflected market concerns with falling coal and iron ore prices that in turn may lead to less demand for explosives. Whilst the interim profit was close to expectations, management's full year profit outlook is now more cautious than the commentary provided at the recent AGM with earnings now expected to be "in line with, or exceed" the restated and lower FY13 net profit of $593m (vs previous guidance of profitable growth). This outlook is somewhat predicated on volume improvement in the second half of the year which may not occur should commodity prices continue to fall. Management also expect that their customers will be looking to reduce costs given lower revenue and this will make it difficult to sustain recent trends of improving product mix offsetting weaker Indonesian and USA coal volumes. Internally, ORI is itself embarking on a further cost down and efficiency program reflecting the tougher external environment. Nevertheless, ORI trades at a significant discount to the broad market and offers an attractive yield. Strong cashflows, a lowly geared balance sheet and a "capex light" period ahead suggest ongoing potential for capital management. Miners can only delay development of mines for a limited time and forecast growth in Pilbara iron ore, US and Europe quarrying and construction markets should limit any significant downside to explosives prices. Finally, ORI continue to study the most optimal way to separate the chemicals division from explosives and this may result in a better than expected outcome. We continue to retain a small overweight position in ORI and will look to increase the extent of the position as appropriate.
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> **National Australia Bank (NAB) (-5.1%)** underperformed during May and was the worst performer among the major banks over the month. NAB reported 1H14 cash earnings of $3,150m (up 8.5% yoy) and underlying earnings of $5,031m (down 4.2% yoy). Despite the UK rebound boosting the group result in conjunction with a much reduced life insurance loss, NAB's 1H14 group cash revenue increased by just 1.8% on 2H13, with the margin off -8bps hoh. 1H14 cash NPAT rose to £73m in UK banking (from £47m in 2H14) despite higher conduct related costs, and the UK commercial real estate (CRE) run-off

portfolio lost just £7m in 1H14, compared to losses of £149m in 1H13 and £90m in 2H13. Balance sheet trends relative to peers were mixed as gross impaired asset ratios remain about 60% higher than peers, but NAB achieved a much bigger fall in new and increased impaired assets than rivals (-40% on 2H13). NAB's core equity tier 1 capital ratio reached 8.64% in 1H14, up 21bp on 2H13. NAB became the first of the big four banks to announce an official D-SIB loaded CET1 target ratio for 1 January 2016 at 8.75-9.25%. NAB will not be neutralising its 1H14 DRP. In addition, NAB remains the most relatively attractive of the major banks in the ATI rankings and an overweight bank portfolio holding.

Worley Parsons (WOR) (-4.5%) underperformed during May during the month as sentiment towards the sector turned negative following some profit downgrades in the mining services sector and benign trading updates from overseas comps. WOR did announce that it was awarded several contracts which included a five-year EPCM contract for the Trans Anatolian Natural Gas Pipeline Project (TANAP) and a long-term Improve contract by the Atlantic Company of Trinidad and Tobago for portfolio management services at its four LNG trains at Point Fortin, and a front-end engineering design (FEED) contract for the LNG Canada Project at Kitimat as part of a joint venture with Chiyoda Corporation, Foster Wheeler and Saipem (CFSW JV). We retain our overweight portfolio position in the company based on valuation support. WOR reiterated FY14 guidance in April and as we are in the last month of the financial year, we would have expected any further material industry weakness relative to guidance to have been disclosed to the market.

Portfolio Construction

The main portfolio weighting changes during May included: a new portfolio position in Investa Office Fund (IOF); top-ups for our portfolio holdings in Ansell (ANN), ASX (ASX), Crown Resorts (CWN), Pacific Brands (PBG), Seven West Media (SWM) and Westfield Holdings (WDC); and slight portfolio reductions for our holdings in BHP Billiton (BHP), Commonwealth Bank (CBA), CSL (CSL), Dexus Property Group (DXS), LLC, Telstra (TLS) and Wesfarmers (WES). Cash at the end of May was 4.1%, slightly up from 3.7% in April, reflecting our view that the overall equity market is looking quite stretched at these levels.

The ATI portfolio, with regard to its market capitalisation exposures, remains differentiated to the benchmark index with ~89% of the portfolio (excluding cash) in the top 50 stocks (benchmark ~83%), ~8% in the next 100 (benchmark ~13%), and ~3% in the last 150 stocks (benchmark ~4%). The 10 largest holdings constitute ~65% of the portfolio (benchmark ~55%), the dividend yield is 4.4% (benchmark 4.2%) and the portfolio's historic or trailing PE is 15.9x (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. The main point of differentiation is that the portfolio remains underweight the materials sector and overweight the financials sector. We remain comfortable holding positions in a number of resource stocks, particularly BHP & Rio Tinto (RIO), and copper exposure, Sandfire Resources (SFR), whose expected returns are sufficiently attractive to justify some additional portfolio risk at this stage. We also continue to 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, RMD and WES in combination with other opportunities that we feel have fundamental valuation support, such as Challenger (CGF), MTU, PBG, Suncorp Group (SUN) and Virtus Health (VRT).

Portfolio Risk

The current forecast tracking error of ~2.3% is similar to last month (~2.3%). We are continuing to be presented with a number of stock opportunities in the materials, industrial and consumer staples 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), Resmed (RMD), IAG, MTU and Ardent Leisure (AAD).

General Market Commentary

Australian equities under-performed most global equity markets in May as the sharp fall in iron ore prices and the potential fiscal tightening expected from the Federal Budget put a dent in consumer sentiment. The market still finished the month in slightly positive territory with the benchmark ASX300 accumulation index gaining 0.6%. The materials stocks generally underperformed as iron ore prices again fell quite sharply, while the rally in bonds tended to support the higher yielding sectors including property trusts, utilities and banks. Interim results from the major banks and a continuation of the recent focus on yield saw the banks up as the results season was broadly positive with revenues in line with expectations, costs a little worse and asset quality continuing to improve. Elsewhere, the discretionary retail sector fell after being weighed down by post-Federal Budget consumer pessimism.

Over the last few years, May has been a month where investors have been greeted by a slew of profit warnings and this May was notable for the lack of large cap downgrades. Downgrades during the month were mainly concentrated in the smaller mining services space and included Emeco Holdings (EHL), Bradken (BKN), Sedgman (SDM), and ALQ (ALQ). The M&A scene was again a feature and saw a number of developments in May, including: SFG Australia (SFW) and SAI Global (SAI) receiving takeover bids; Aurizon Holdings (AZJ) and Chinese steelmaker Baosteel offered $1.42bn ($3.42 per share) for Aquila Resources (AQA), which has a

50% stake in the West Pilbara Iron Ore Project; Spark Infrastructure (SKI) acquired a 14.1% stake in Duet Group (DUE), costing $405m to be funded via an equity placement and debt; Treasury Wine Estates (TWE) rejected a $4.70 per share conditional proposal from private equity group KKR; Goodman Fielder (GFF) received a revised non-binding, conditional bid from private equity.

The Federal Budget also dominated domestic economic news with the central focus on reducing spending to invest in infrastructure over the median term. Direct equity market implications were relatively small with the major negative for healthcare providers affected by change in funding mix. Consumer confidence in May fell sharply post budget and is now almost 16% lower than it was around the Federal election in September 2013, and more than 9% lower than just prior to when the RBA last cut rates in August 2013. Whilst the announcement of a major $11.6bn infrastructure investment package in FY15 was positive from the Budget, the economy continues to face notable challenges in smoothly transitioning from the mining sector investment boom to a more balanced profile of domestic demand. Indeed, the recent Q1 capex data again highlighted the void that is opening up as a result of the rapid run-off in mining sector investment projects with Australian business investment falling for the second quarter in a row as new private capital expenditure was -4.2% in the March quarter.

The RBA kept the cash rate on hold at 2.5% and there was no change in emphasis at the RBA board meeting with the "period of stability" language being maintained. May's Statement of Monetary Policy revealed that the RBA has lowered its near-term headline and core inflation forecasts by 25bp, while long-term headline numbers were marginally lifted as expected depreciation in the currency could add 0.25% - 0.5% to inflation in 2015 and 2016. With little in the way of change to interest rates or futures, the AUD was little changed in May, finishing the month 0.5% stronger against the US dollar at US$0.9302 which was slightly up when compared to the previous month's close of US$0.9287. This should indeed be considered a surprising and resilient performance given a fiscally tight Federal Budget and a very weak iron ore price over the month.

With regards to domestic economic data releases, the general trends remained quite positive: the NAB business confidence survey rose to +6 from +4 in April; the Westpac-MI consumer confidence index declined 7% m/m in May with the outlooks for family finances and the economy over the next 12 months were the hardest hit, plunging 23% m/m and 14%, respectively; the unemployment rate held steady at 5.8% (consensus 5.9%) in April as the economy added ~14k jobs (consensus ~7k)and the participation rate was also unchanged at 65%; building approvals under-whelmed in March rising 20.0% y/y (consensus +31.0%) with the weaker-than-expected increase being underpinned by soft high density approvals which have now declined for five of the past six months; housing finance commitments eased -0.9% m/m in March (consensus +1.0%) following a 2.3% m/m increase in February; March retail sales rose 0.1% m/m (consensus +0.4%), the slowest m/m gain in a year, after a revised 0.3% gain in February with discretionary categories mostly improved, while food and hardware moderated; new private capex slumped a much worse-than-expected 4.2%q/q (consensus -1.5%) or -5.0%y/y, the worst y/y performance since 2009 with the ongoing reductions in new mining contracts (-8.7%q/q) driving the fall.

Commodity markets had mixed results during the month. Spot Brent crude oil (+1.8%) continued to be supported by geopolitical tensions surrounding Ukraine and blockades at Libyan oil ports as protesters occupying the ports failed to support the new government. Iron ore plunged over the month as the benchmark contract, Tianjin 62% fines, dropped -12.9%, extending the 9.8% loss in April and taking the price to its lowest level since September 2012. The iron ore price went from US$105.4m/t at the start of the month to US$91.8m/t at the end of the month on concerns about rising global supply of the commodity coupled with fears of falling demand given a weakening Chinese property market. Economic data from China was not helpful, but given the resilience of copper it is likely that concerns about higher supply and de-stocking were significant drivers of the weakness. The spot gold price fell 3.2% over the month as minutes from April's FOMC meeting revealed members consider there to be little inflation risk in the near term. A rising USD also weighed on gold, which has now given back most of its February-March strength. Base metals rose by 2.8% as measured by the LME spot price index.

Outlook

Outside of the smaller cap mining contractor space, it has been a fairly mild start to the financial year end confession season with ongoing upgrades to financial stocks broadly offsetting modest downgrades in other, mainly industrial, parts of the market. After taking account of the upgrades for the major banks post reporting in May, the consensus earnings growth forecasts continue to hold up at ~8% for FY14 and FY15. This still provides room for further appreciation in the domestic equity market although we note that the current market levels mean that the global macro and geopolitical backdrop still warrant a healthy level of investor caution.

As investors are still grappling with the strength of the global economy, we expect this uncertainty may linger for a while longer and any macro-led sector rotation out of the more relatively expensive (and defensive) higher yielding stocks may take longer to occur. We remain positioned with a bias to the large cap stocks due to better relative transparency in their earnings forecasts, during times of global and domestic economic uncertainty. We also remain positioned with a number of stocks having USD earnings exposure that are likely to benefit from any weakness in the Aussie dollar and we also 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 at which 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-May-14
Sector Type:	GICS1

Model:	AE_PCA60M
Factor Analysis:	Multi-Factor
Timestamp of Analysis:	10/06/2014 10:31:53 AM

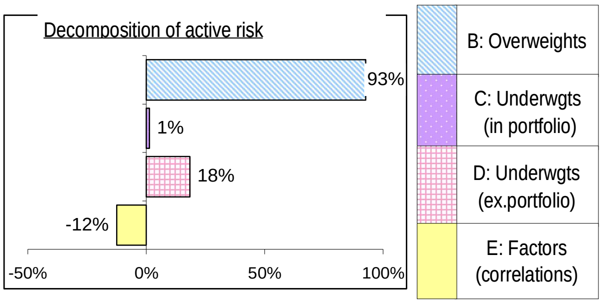
			Active Exposures:	%
Historic portfolio alpha	6.6%	Total:	70.9%	100.0%
Historic portfolio beta	0.98	Across sectors:	28.4%	40.0%
Raw return	17.5%	Within sectors:	42.5%	60.0%

Forecast Tracking Error

2.32 %

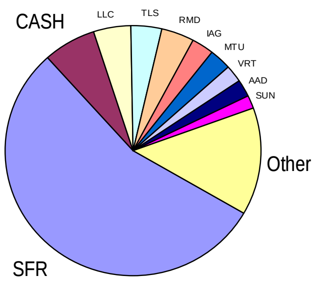
(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	94%	2.3	5.1
B	Overweight positions	93%	2.2	5.0
C	Underweight positions	1%	0.3	0.1
D	Stocks not held in portfolio	18%	1.0	1.0
E	Factors (correlations between stocks)	-12%		(0.7)
F	Total (A + D + E)	100%	**2.3**	5.4



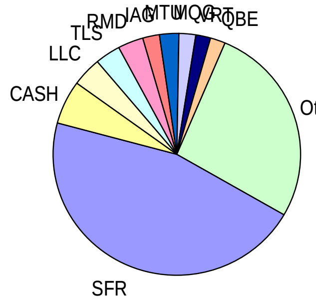
Top 10 sources of risk: Stocks held in the portfolio (A)

1	SFR	55%
2	CASH	7%
3	LLC	5%
4	TLS	4%
5	RMD	4%
6	IAG	3%
7	MTU	3%
8	VRT	2%
9	AAD	2%
10	SUN	2%
	Other	14%



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

1	SFR	46%
2	CASH	6%
3	LLC	4%
4	TLS	3%
5	RMD	3%
6	IAG	2%
7	MTU	2%
8	MQG	2%
9	VRT	2%
10	QBE	2%
	Other	27%



Active Weights