

Fact Sheet

ATI Australian Equity Portfolio

Information as at 31 October 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 October 2011)

	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	6.4	(1.5)	(5.4)	8.9	2.3	4.8
S&P/ASX300 Accumulation Index	7.2	(1.5)	(3.9)	7.0	(0.3)	2.6
Relative Outperformance	(0.8)	0.0	(1.5)	1.9	2.6	2.2

*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 October 2011

Largest Holdings	Portfolio Weight (%)	S&P/ASX300 Weight (%)	Sector Allocation	Portfolio Weight (%)	S&P/ASX300 Weight (%)
BHP Billiton	10.0	10.6	Financials	45.0	35.5
Westpac Bank	8.8	5.9	Materials	16.4	25.8
ANZ Bank	8.6	5.0	Consumer Staples	10.8	7.9
National Australia Bank	8.2	4.9	Telecommunications	6.4	3.9
Commonwealth Bank	7.9	6.8	Consumer Discretionary	6.1	5.0
Telstra	6.4	3.4	Industrials	2.9	7.6
Woolworths	4.6	2.5	Healthcare	2.6	3.4
Wesfarmers	4.2	2.8	Energy	2.0	8.5
News Corporation	2.9	1.2	Utilities	1.7	1.7
Newcrest Mining	2.8	2.2	Information Technology	1.4	0.7

Selected Portfolio Statistics as at 31 October 2011

Inception Date	23-Dec-05	MER (est.)	~ 0.90% p.a.
Number of Stocks	27	Tracking Error (forward estimate)	~ 3.0% p.a.
ATI Funds Under Management	~ \$500m		

Portfolio Performance

The ATI Equity Portfolio rose 6.4% in October compared with a rise of 7.2% in the S&P/ASX300 Accumulation Index. Against this benchmark, ATI is producing excess returns on a 3 year, 5 year and since inception (Dec-05) basis.

The Best and Worst Performing Sectors

The best performing sectors in October were Energy (+12.3%), Financials (+10.3%) and Materials (+7.9%); while the worst were Telecommunications (-0.2%), Consumer Staples (+0.3%) and Healthcare (+0.9%).

Attribution of Stocks

The portfolio performance during October was assisted by overweight positions in National Australia Bank (NAB), ANZ Bank (ANZ) and Qantas (QAN); and by not holding Westfield Group (WDC), Transurban (TCL) and Foster's (FGL). Stocks in the portfolio that contributed most to its relative performance during the month included:

National Australia Bank (NAB) (+14.9%) reported FY11 cash earnings of \$5,460m during October, which was in line with consensus forecasts. The company managed to achieve 10% total loan growth after aggressively competing for residential mortgage market share over the year. Despite this, NAB's FY11 net interest margin (NIM) of 2.25% was surprisingly resilient and at similar levels to FY10. Management anticipates that NIM pressures will increase in FY12 due to rising wholesale funding costs, heightened lending competition, ongoing deposit competition and regulatory changes. The bank managed to improve its capital adequacy over the year and is already in a position to satisfy the Basel 111 Common Equity Tier 1 ratio requirements that come into place from 1 January 2013. NAB remains relatively attractive in the ATI rankings and is an overweight portfolio position.

ANZ Bank (ANZ) (+11.1%) outperformed the market in the lead-up to its FY11 result on 3 November. The developments in the Eurozone debt negotiations over the month seemed to support the sentiment for local banks as the likelihood that wholesale funding markets would remain open for business improved. In company specific news, ANZ appointed Alistair Currie to the role of Chief Operating Officer and announced its ongoing IT expenditure would allow for faster delivery of value to customers and productivity gains. ANZ remains relatively attractive in the ATI rankings and is an overweight portfolio position.

Qantas (QAN) (+14.4%) rose at the end of the month following a decision by Fair Work Australia to terminate industrial action by three unions representing long haul pilots, engineers, baggage handlers and caterers. The possibility of an arbitrated end to the issue in the near term was seen by the market as positive for the underlying business. At its AGM, QAN guided for 1H12 yield growth of 4-6% (ex FX) and capacity guidance growth of 6-7%. It also noted that costs associated with the industrial action had cost the company \$68m, and was running at \$15m per week. The cost associated with the grounding of the entire fleet between 29-31 October is estimated at \$50m. After taking into account these expected costs associated with the industrial action the stock remains relatively attractive on fundamentals. We also feel the actions to bring the dispute to a head improves the possibility of a resolution, which would be positive for sentiment.

Positions that detracted most from the portfolio's performance during the month were from being overweight Woolworths (WOW), Telstra (TLS) and Pacific Brands (PBG); and from not holding Iluka (ILU), Santos (STO) and Oil Search (OSH). Stocks in the portfolio that detracted most from performance during the month included:

Woolworths (WOW) (-4.3%) underperformed during October following a weaker than expected 1Q12 sales result. The core Australian Food & Liquor division reported 1.9% like-for-like sales growth (v market expectations of 2.6%). Volume growth for Australia Food & Liquor slowed and the gap between Coles and WOW widened in the quarter. Big W and Consumer Electronics reported negative sales in 1Q12, in line with weakness across department stores generally thus continuing to highlight the difficult outlook for discretionary retail. WOW remains an overweight portfolio position due to its relative attractiveness within the investment grade universe of stocks.

Telstra (TLS) (-0.2%) was flat for the month, despite TLS shareholders overwhelmingly approving the NBN deal, after the ACCC released its preliminary view that TLS's Structural Separation Undertaking (SSU) can not be accepted in its current form and that important changes would be required. The main sticking point for the ACCC seems to be TLS's proposed interim equivalence and transparency measures. The concern for the market is that this may either result in an increase in costs for TLS, or another shareholder vote for any revised NBN deal. (If the value varies by more than 20% then the SSU must go back to shareholders for another vote). TLS has since released a discussion paper detailing possible approaches to deal with the concerns and an Industry Forum is scheduled for 4 November.

Pacific Brands (-11.5%) fell following a weak trading update at its AGM. The company noted that market conditions were becoming more challenging so far in FY12 and underlying sales and earnings were below initial company expectations. Management now expects underlying sales, EBIT and NPAT (before significant items) to be below FY11, with earnings in 1H12 materially lower than pcp. PBG noted its online journey began in June through the launch of *Sheridan* and *Volley*, with initial trading exceeding expectations. PBG also launched *Mossimo* online in early October and expect to be online with *Bonds* within the next few weeks. We feel there is significant opportunity available to brand owners through vertical

integration online. PBG remains relatively attractive based on fundamentals and the share price should be supported by the buyback (~25% complete) and dividend yield (~9%).

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 93% of the portfolio (excluding cash) in the top 50 stocks (compared to 81% of the S&P/ASX300 index), 5% in the next 100 (14% of the index), and 2% in the last 150 stocks (4% of the index). We expect the portfolio to remain overweight the larger cap stocks in these volatile markets and the number of holdings in coming months will only increase if those stocks that have become relatively attractive also improve the expected risk/return profile of the portfolio. Any new positions would be expected to compliment the overweight positions already held in the larger cap stocks which history has shown us is a relatively good place to be in these uncertain and erratic market conditions.

During October the number of stocks (27) in the portfolio remained unchanged with the removal of PanAust (PNA) and the addition of Newcrest Mining (NCM). NCM entered the portfolio for the first time (in almost six years) as the share price fell to the point that it has become relatively attractive, while also enabling us to largely neutralise our previously underweight exposure to gold via the best quality, large cap stock in the sector. In other major portfolio changes for the month, we further increased our overweight position in the major banks, funded by a further reduction in our Materials exposure.

Portfolio Risk

The current forecast tracking error of ~3.2% (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.

As present the main sources of portfolio risk are from overweight positions in Pacific Brands (PBG), ANZ Bank (ANZ), National Australia Bank (NAB), Telstra (TLS) and News Corporation (NWS); and having no holding in Origin Energy (ORG).

General Market Commentary

After falling in August and September, equity markets rebounded strongly during October as the European Union (EU) tried to put together a package to deal with the region's sovereign debt crisis. The package, which includes a 50% voluntary write down of Greece's debt held by private sector investors, a EUR106b European bank recapitalisation plan, a leveraged European Financial Stability Facility (EFSF), and a new insurance scheme covering peripheral sovereign debt; was initially well received by equity investors. However, with implementation of the plan still to come, equity markets remained volatile, as did commodity prices. Meanwhile in the US some economic data during October surprised on the upside (although expectations were very low), such that markets began to talk more about a soft rather than a hard landing. Nonetheless, the economic outlook in the US and the Euro Zone remains poor and continues to weaken, and the European debt situation is still unresolved. However, after two months of significant risk aversion, October saw some investors adding risk to their portfolios. Overseas markets (S&P500 +10.8%, Euro Stoxx 50 +9.4%) outperformed Australia (ASX 300 +7.2%).

Domestic economic news was dominated by the release of a benign CPI result (2.5% yoy), followed by increasing expectations of an interest rate cut on 1 November after the RBA's noticeable change in tone in recent weeks. The AUD climbed 9.0% to \$1.053 during the month on the back of a recovery in risk appetite despite the fact that expectations of an interest rate cut increased and iron ore prices fell sharply (see below). Elsewhere, employment growth rebounded and retail sales were again ahead of expectations, while consumer and business confidence improved slightly (although both remain at pessimistic levels), and credit growth remained weak.

Commodity prices were generally firmer in October after some significant falls the previous month. Spot Brent crude rose 3.5% as some evidence emerged of tightening supply, while base metals returned strongly (LME Index +12.0%) with copper up 16.7%. Despite the market's shift towards risk assets, gold rallied 5.9%. However, Chinese destocking and a property market slowdown saw iron ore prices fall sharply (Tianjin 62% fines -30.9%) to their lowest level since November 2009.

Outlook

ATI has responded to the recent market conditions with a series of active portfolio management decisions that have been implemented during this period of significant market instability. These decisions had the cumulative effect of concentrating and de-risking the portfolio into those large capitalisation stocks which provided the greatest expected return for the lowest level of expected risk. The recent sell-off in equity markets reflects the fact that a synchronised global earnings recovery is now some way off as both Europe and the US are attempting to deal with mounting debt problems. As a result of revised global growth expectations, the ongoing domestic earnings downgrade cycle for equities is likely to continue, and until we see some improvement in the global macro backdrop, investors are likely to remain somewhat wary.

ATI's relative value process is still identifying some attractive opportunities in conjunction with some more defensive holdings that we feel are appropriate for these market conditions. 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 coming year as signs of earnings growth are now required to drive the next upward phase in equity markets.

PORTFOLIO RISK SUMMARY

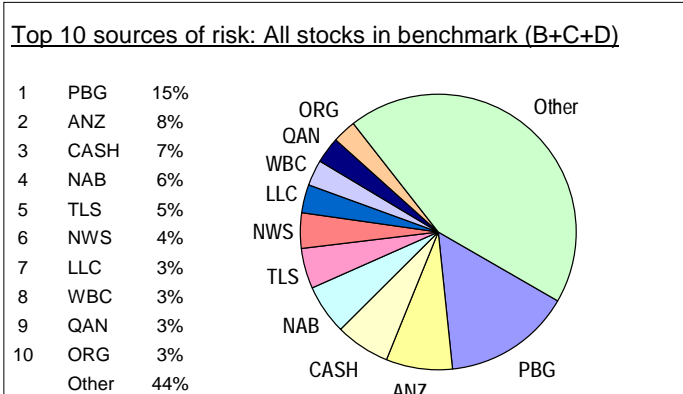
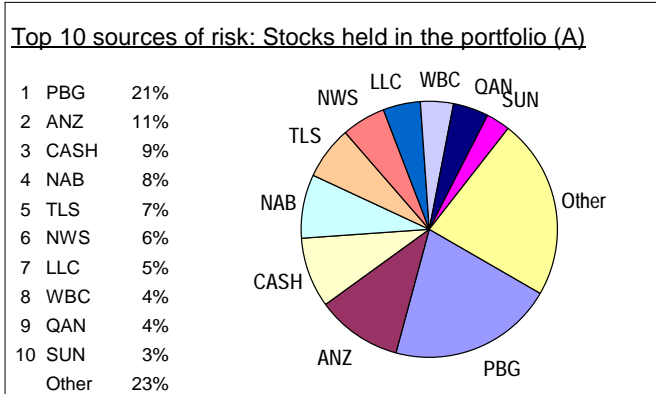
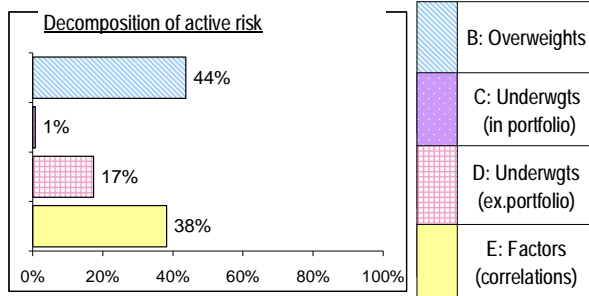
Portfolio Name:	MyPort
Benchmark:	ASX300
Date of Data:	31-Oct-11

Model:	48months - 5 factors
Factor Analysis:	Multi-Factor
Timestamp of Analysis:	2/11/2011 9:53:14 AM

Historic portfolio alpha **4.7%** **Active Exposures:**
 Historic portfolio beta **0.89** Held: 40.5%
 Raw return **-5.0%** Total: 77.6%

Forecast Tracking Error	2.66 %	3.22 %
	(residual risk)	(active risk)

Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A Stocks held in portfolio (B+C)	44%	2.1	4.6
B Overweight positions	44%	2.1	4.5
C Underweight positions	1%	0.3	0.1
D Stocks not held in portfolio	17%	1.3	1.8
E Factors (correlations between stocks)	38%		4.0
F Total (A + D + E)	100%	3.2	10.4
G Systematic risk (undiversifiable)		1.8	3.3
H Residual risk definition tracking error (G - F)		2.7	7.1



Active Weights

