Fact Sheet

ATI·AM
Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 31 October 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 five-year periods.

Performance Update

(*Returns to 31 Oct 2012)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross)	3.1	8.7	11.0	3.0	(0.6)	5.7
Benchmark Index	2.9	7.4	9.8	3.4	(3.6)	3.7
Relative Outperformance	0.2	1.3	1.2	(0.4)	3.0	2.0

*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 2012

Largest Holdings	Portfolio Weight (%)	Benchmark Weight (%)
BHP Billiton	8.5	9.9
National Australia Bank	7.9	5.3
ANZ Bank	7.9	6.2
Westpac Bank	7.2	7.1
Telstra	6.2	4.6
Rio Tinto	4.8	3.3
Woolworths	4.6	3.3
Commonwealth Bank	4.1	8.4
Newscorp	2.9	0.7
Fortescue Metals Group	2.8	0.6

Sector Allocation	Portfolio Weight (%)	Benchmark Weight (%)
Financials	34.4	41.5
Materials	27.6	21.5
Consumer Staples	8.4	8.5
Consumer Discretionary	6.6	3.5
Telecommunications	6.2	4.9
Industrials	4.8	6.8
Healthcare	2.6	4.2
Energy	2.6	6.7
Utilities	2.1	1.7
Information Technology	1.7	0.7

Selected Portfolio Statistics as at 31 October 2012

Inception Date	23-Dec-05
Number of Stocks	32
ATI Funds Under Management	~ $400m

MER (est.)	~ 0.90% p.a.
Tracking Error (forward estimate)	~ 5% p.a.

Portfolio Performance

The ATI Equity Portfolio rose 3.1% in October compared with a rise of 2.9% in the S&P/ASX300 Accumulation Index. Against this benchmark, ATI is producing excess returns on a monthly, quarterly, 1 year, 5 year and since inception (Dec'05) basis.

The Best and Worst Performing Sectors

The best performing sectors for the month were Property Trusts (+5.2%), Industrials (+3.6%) and Financials (+3.1%); while the worst were Information Technology (+1.0%), Energy (+1.1%) and Health Care (+1.6%).

Attribution of Stocks

The portfolio performance during October was assisted by overweight positions in Fortescue Metals Group (FMG), Flight Centre (FLT) and Lend Lease (LLC); and by not holding Worley Parsons (WOR), Sonic Healthcare (SHL) and Origin Energy (ORG). Stocks in the portfolio that contributed most to its relative performance during the month included:

Fortescue Metals Group (FMG) (+16.9%) outperformed the market during October. The company's share price was supported by the ongoing recovery in iron ore prices during the month, and also following a number of significant company-specific developments which occurred late in September. Iron ore prices recovered to ~US$120/t (CFR China 62% Fe) from below US$90/t in late August on signs of restocking from Chinese steel mills, and the reduction in production volumes from high cost producers, in response to the preceding sharp fall in iron ore prices. Several notable sources of new supply were also delayed in response to the price volatility, both from major producers, and hopeful new entrants, which bodes well for longer term prices. The FMG Board and management comprehensively restructured the company's balance sheet in late September, simplifying and increasing the duration of the debt facilities, and lowering the cost of debt capital. The company's T155 expansion project (to lift export capacity to 155mtpa from 55mtpa) was slowed to target 115mtpa in the first instance, with the 40mtpa Kings Project deferred pending a recovery in iron ore prices. Development of the Kings project will likely be reactivated by the end of CY2012. FMG remains relatively attractive and remains a portfolio holding.

Flight Centre (+12.8%) outperformed the market in October due to a combination of earnings certainty and company specific issues. At its AGM, FLT reaffirmed FY13 guidance for PBT of $305-315m (representing growth of 5% - 8% on pcp), based on 1Q13 trading and October sales. Trends observed in FY12 have continued into 1Q13 with corporate business growing faster than leisure; cheap airfares continue to stimulate outbound travel in Australia and further growth is expected in the UK and USA operations. FLT and mentioned potential capital management noting that the aim is to maintain healthy cash balances but it was conscious of the need to return surplus funds to shareholders where possible. The possibility of a higher dividend payout ratio was also alluded to. Finally we note the significant short interest in the stock with 12.7% of the shares on issues representing 44 days turnover, starting to be covered. FLT continues to remain relatively attractive due to its market positioning, earnings growth profile, diversified earnings base, balance sheet strength, quality management and yield support.

Lend lease (LLC) (+10.5%) outperformed during October as the company updated the market on the results of the investigation into the profit errors for two Abigroup division projects that had been surprisingly announced after the annual results in September. LLC confirmed that there will not be any changes to the 2012 financial accounts and profit numbers and that there had been some new managerial appointments to ensure that the misreporting of profit results does not occur again. The market reaction was instantly positive to this announcement and in some other positive news, LLC announced it had been selected as the preferred builder for a $250m hospital project in Italy which increases the large work in hand order book that already exists. LLC remains relatively attractive and an overweight portfolio holding.

Positions that detracted most from the portfolio's performance during the month were from being overweight Transfield Services (TSE), Newcrest Mining (NCM) and Emeco Holdings (EHL); and from not holding Macquarie Group (MQG), Grain Corp (GNC) and Goodman Group (GMG). Stocks in the portfolio that detracted most from performance during the month included:

Transfield Services (TSE) (-9.1%) underperformed during the month on the back of negative sentiment towards Easternwell and the potential for writedowns and downside earnings risk. The share buy-back (37.2m shares costing $79.2m) was also completed in October. At its AGM in late October, TSE announced the appointment of interim CEO Graeme Hunt as the new MD and CEO. TSE re-iterated it was on track to meet FY13 guidance and Consensus ($125m NPAT) …"so long as there is no further deterioration in global and local conditions impacting TSE's business". However TSE did note that market conditions for the remainder of FY13 were expected to be softer market than in 1Q13. This includes a slowdown in the resources sector, falling discretionary expenditure in minerals exploration and delay of some infrastructure opportunities. ATI exited its TSE position during October.

Newcrest Mining (NCM) (-9.3%) underperformed during October. The initial QE-driven euphoria, which boosted gold prices throughout September to almost US$1,800/oz, faded during October, with the gold price retreating to ~US$1,710/oz. NCM kept analysts busy during October, with ATI attending an investor day and site visits to the company's Cadia Valley operations in NSW, and Lihir operations in PNG. Despite the increased transparency over the company's ability to ramp up production volumes and deliver major growth projects to budget going forward, the backward-looking September quarter production statistics show that NCM continues to struggle with operational reliability at its major operations. With SQ2012 production of ~460koz, the company must significantly lift production volumes at its major operations to meet full year guidance of 2.3-2.5moz. The NCM portfolio weighting was actively reduced in September following sustained period of outperformance. It remains a portfolio holding.

Emeco Holdings (EHL) (-4.8%) underperformed during October reflecting ongoing macro concerns over a slowdown in commodity markets due to a slowing Chinese economy and announcements of delays or cancellation of capex and expansion plans from major mining companies. This has impacted earnings visibility and sentiment in the mining services sector generally. We again note that the key risk short term risk for EHL is in the coal sector (50% of Australian revenue) where a number of contracts (4-5) roll off in 2013. Whilst its weighting in the portfolio was reduced during the month, EHL remains a portfolio holding, with the share buyback (~20% complete), strong balance sheet and diversified earnings base (both geographically and sector exposures) underpinning its relative attractiveness within its sector.

Portfolio Construction

The ATI portfolio, with regard to the market capitalisation exposures, remains similar to the benchmark index with ~84% of the portfolio (excluding cash) in the top 50 stocks (compared to 83% of the benchmark index), ~13% in the next 100 (~13% of the benchmark index), and ~3% in the last 150 stocks (~4% of the benchmark index).

Whilst the portfolio's market cap bias is similar to the benchmark index, its underlying sector positioning is not. ATI has maintained the portfolio position of being overweight the materials and underweight financial sectors, even though we expect there to be ongoing market volatility driven by the unresolved European debt issues, a slower Chinese growth profile and the potential impacts for the US economy post elections. 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. The current forecast tracking error of ~4% is slightly lower than the level of last month due to some weighting reductions in some of the smaller materials stocks during the month.

The main portfolio weighting changes during October included the disposal of our holding in Transfield Services (TSE); and some slight weighting reductions for Atlas Iron (AGO), Fortescue Metals Group (FMG), PanAust (PNA) and Sandfire Resources (SFR).

Portfolio Risk

The current forecast tracking error of ~4% (range of 2% to 8%) for the ATI portfolio is unlikely to change in coming months unless we feel that the risk/return benefit of taking on some relatively oversold material stocks requires some amendment with particular reference to a greater than expected deterioration in the global economic outlook. At present the main sources of portfolio risk are from overweight positions in SFR, Pacific Brands (PBG), Lynas Corporation (LYC), PNA, AGO, FMG, EHL and FLT; as well as an underweight position in Commonwealth Bank (CBA).

General Market Commentary

In a month where we had signs of a broader easing in domestic financial conditions and a relatively weak offshore earnings season, Australian equities managed to outperform most other global markets. The Australian equity market continued on with its recent PE multiple expansion trend by being able to buck the lead from weaker offshore markets to be up for a fifth consecutive month, with the ASX300 Accumulation Index rising 2.9% in October. One of the features of our relative market strength appeared to be the ongoing chase for yield which resulted in the defensive sectors again outperforming the broader market this month with property trust, telecommunication and financial stocks amongst the few groups to beat the index.

The start of Australia's annual general meeting season has seen a continued cautionary tone from many companies with examples such as Treasury Wine Estates (TWE), Ansell (ANN) and WorleyParsons (WOR) all talking down their expectations for 1H13 earnings at their respective meetings. This just highlights the ongoing potential risks to equity markets as we are still in the midst of an overall earnings downgrade cycle for consensus expectations. Despite this backdrop, there were still ongoing signs of acquisition activity with US-based agricultural company with Archer- Daniels-Midland emerging as the holder of a 14.9% stake in Graincorp and subsequently made a conditional, all-cash takeover bid of $11.75 a share.

On the domestic economic data front, the Australian unemployment rate rose to 5.4% (highest since 2009 and above market consensus of 5.3%), while consumer sentiment survey results remains depressed. The RBA eased monetary policy in October, cutting its benchmark interest rate by 25bps to 3.25%, citing a slowdown in global economic growth and the forthcoming peak in mining investment. The Australian Treasury also released its Mid Year Economic & Fiscal Outlook (MYEFO) where the Government maintained its pledge to return to surplus by FY13 (projecting a $1.1bn surplus). Key policy changes announced at this update included a move to monthly tax installments for large companies from 1 January 2014, sparking concerns of a cash/ working capital squeeze, and changes to the healthcare rebate and scale back of the baby bonus. Despite the RBA rate cut and a softer domestic economic outlook, the A$ remained basically unchanged from the previous month and closed at ~US$1.04, but slipped against the Euro (-0.8%) for the third month in a row.

The benchmark spot iron ore contract, Tianjin 62% fines, hit its highest level since July this year, ending the month up 14.5%. The rally followed signs of inventory rebuilding amongst Chinese steel mills and occurred despite the World Steel Association downgrading its forecast for 2013 production growth from 4.5% to 3.2%. Oil prices eased for a second consecutive month (spot Brent -1.6%); stronger US supply prospects and inventories weighed on the WTI quote in particular which traded at its widest discount to spot Brent this year. The LME index of base metals lost significant ground in October (-7.6%), reversing nearly all of Septembers 10% spike amid concerns over global demand growth. Zinc was the key laggard (-11.4%) followed closely by aluminium (-10.1%). Copper performed slightly better but not by much (-5.5%). Spot gold (-3.4%) came within 1% of $1,800/oz but in the end was not spared from the broader decline in commodities markets, though it salvaged around half of September's rally.

Outlook

With our equity markets strong start to the new financial year being driven predominately by PE multiple expansion and the 'hunt' for yield, it would seem that an improvement in earnings expectations is now needed for the momentum to continue. As the recent domestic AGM season has highlighted the cautious tone of many companies looking into calendar 2013, we remain positioned to ensure that the portfolio still has around a 5% underlying yield supported by larger cap financial and defensive stocks whilst having an overweight, yet slightly reduced, exposure to some commodity specific materials stocks.

Whilst we feel that further market gains will be supported by an improved earnings outlook, we will continue to monitor the macro related themes that had dominated global equity markets for the year up to June 2012. The most topical of these over the next few months are expected to be: the US elections and their potential impact on the expectations of how the US economy will handle the looming negative fiscal impacts of rising taxes and lower Government spending; Euro nation debt and /or economic announcements; and the release of information relating to the likely Chinese economic growth rate trajectory and leadership transition over 2013. Whilst none of the above issues are new news, they are still expected to result in equity market volatility and this is why we feel that our large cap bias remains the most appropriate portfolio positioning for the time being.

In summary, further equity market gains would seem possible if we get an improvement in the earnings outlook. Aside from this, our market performance may also be supported by some 'not worse than expected' outcomes in relation to the macro issues that currently linger over the Chinese, European and US economies. After the recent portfolio out-performance, we have intentionally wound back some the portfolio's active risk to ensure that we are suitably positioned for the impacts of any increased market volatility in coming months.

PORTFOLIO RISK SUMMARY

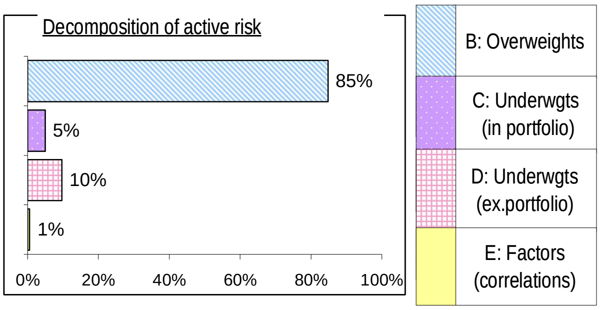
Portfolio Name:	**MyPort**
Benchmark:	ASX300
Date of Data:	31-Oct-12
Sector Type:	BGICS

Model:	AE_PCA48M
Factor Analysis:	Multi-Factor
Timestamp of Analysis:	1/11/2012 3:36:22 PM

		Active Exposures:		%
Historic portfolio alpha	12.0%	Total:	84.9%	100.0%
Historic portfolio beta	1.11	Across sectors:	31.3%	36.9%
Raw return	8.6%	Within sectors:	53.6%	63.1%

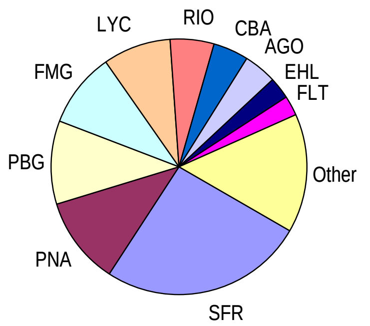
Forecast **Tracking Error**	3.41 %	3.79 %
	(residual risk)	(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	90%	3.6	12.9
B	Overweight positions	85%	3.5	12.2
C	Underweight positions	5%	0.8	0.7
D	Stocks not held in portfolio	10%	1.2	1.4
E	Factors (correlations between stocks)	1%		0.1
F	Total (A + D + E)	100%	**3.8**	14.4
G	Systematic risk (undiversifiable)		1.6	2.7
H	Residual risk definition tracking error (F - G)		**3.4**	11.7



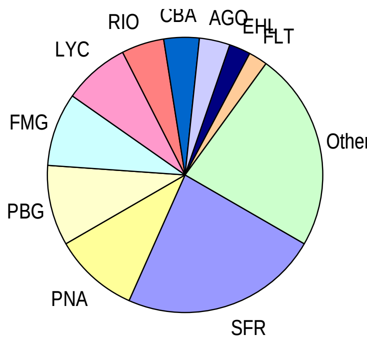
Top 10 sources of risk: Stocks held in the portfolio (A)

1	SFR	26%
2	PNA	11%
3	PBG	11%
4	FMG	9%
5	LYC	9%
6	RIO	6%
7	CBA	4%
8	AGO	4%
9	EHL	3%
10	FLT	3%
	Other	15%



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

1	SFR	23%
2	PNA	10%
3	PBG	10%
4	FMG	9%
5	LYC	8%
6	RIO	5%
7	CBA	4%
8	AGO	4%
9	EHL	3%
10	FLT	2%
	Other	23%



Active Weights