

# Fact Sheet

## ATI Australian Equity Portfolio

### Information as at 31 October 2010

#### 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/ASX 300 Accumulation Index by 3% p.a. over rolling three-year periods.

#### Performance Update

(\*Returns to 31 October 2010)

	1 Mth (%)	3 Mth (%)	1 Yr (%)	2 Yr (% pa)	3 Yr (% pa)	4 Yr (% pa)	Inception (% p.a.)
ATI Equity Portfolio (gross of fees)	1.4	4.2	4.2	16.9	(2.7)	4.3	7.0
S&P/ASX 300 Accumulation Index	1.8	5.6	4.7	13.0	(7.6)	0.7	4.0
Relative Outperformance	(0.4)	(1.6)	(0.5)	3.9	4.9	3.6	3.0

\*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 Share Invest SMA product. Performance assumes reinvestment of all income.

Inception date is 23 December 2005.

### Portfolio Details as at 31 October 2010

Largest Holdings	Portfolio Weight (%)	S&P/ASX300 Weight (%)	Sector Allocation	Portfolio Weight (%)	S&P/ASX300 Weight (%)
BHP Billiton	16.0	12.5	Financials	43.4	35.4
Westpac	7.0	6.0	Materials	26.9	27.4
NAB	7.0	4.8	Consumer Discretionary	5.9	4.2
ANZ	6.8	5.7	Industrials	5.4	6.8
Commonwealth Bank	5.8	6.7	Consumer Staples	5.2	8.9
Rio Tinto	5.5	3.4	Telecommunications	4.8	3.1
Telstra	4.8	2.6	Healthcare	2.5	3.2
Woolworths	3.7	3.1	Energy	2.3	7.0
QBE Insurance	3.5	1.6	Utilities	1.3	1.5
CSL	2.5	1.6	Information Technology	0.0	0.7

### Selected Portfolio Statistics as at 31 October 2010

Inception Date	23-Dec-05	MER (est.)	~ 0.90% p.a.
Number of Stocks	34	Tracking error (forward estimate)	~ 3.1% p.a.
ATI Funds under Management	~ \$470m		

## Relative Portfolio Performance

The ATI Equity Portfolio rose 1.4% in October compared with a rise of 1.8% by the ASX300 Accumulation Index. Against this benchmark, ATI is producing excess return on a 2yr, 3yr, 4yr and since inception (December 2005) basis.

### The Best and Worst Performing Sectors

The better performing sectors during October were: Materials (+5.6%); Info Technology (+3.4%); and Telecommunications (+1.8%). The worst performing sectors were: Healthcare (-0.8%); Property trusts (-0.6%); and Consumer Staples (-0.5%). Our monthly performance was affected by an overweight position in the Financials sector, a relatively neutral position in the Materials sector, and underweight positions in the Energy, Industrials and Consumer Staples sectors.

### Attribution of Stocks

The portfolio performance during October was assisted by overweight positions in Mount Gibson (MGX), BHP Billiton (BHP) and NewsCorp (NWS) and by not holding Fosters Holdings (FGL) and Wesfarmers (WES). Stocks in the portfolio that contributed to its relative performance during the month included:

**Mount Gibson (MGX) (+15.4%)** delivered an excellent return for the month. The company is a beneficiary of rising iron ore prices from its two existing Western Australian iron ore mines, with its high grade iron ore receiving a material premium in the current market to other producers of lower grade iron ore. Further, Mount Gibson continues to progress development of its third operation, Extension Hill, with production to commence in 2H CY2011 and contribute to increasing overall company production from 7mtpa to 10mtpa of iron ore. Although MGX earnings are negatively impacted by a rising A\$/US\$ exchange rate, the company has implemented currency hedging to partially alleviate this negative impact. Further, MGX continues to maintain a very strong balance sheet, with net cash of ~A\$300m, and continues to assess acquisition opportunities in iron ore, coking coal, and manganese. MGX remains a relatively attractive ATI portfolio holding.

**BHP Billiton (BHP) (+7.7%)** outperformed the market during October after reporting a strong set of operating statistics for the September quarter. The highlights for the September quarter were a second consecutive quarter of strong metallurgical coal shipments from Queensland, and the delivery of record production from the Petroleum division despite ongoing constraints on well development in the Gulf of Mexico. The confluence of a strong operating performance and ongoing strength in the emerging economies outweighed ongoing uncertainty over the likely regulatory treatment of BHP's attempted takeover of Potash, and the official demise of the proposed iron ore joint venture with Rio Tinto. BHP remains a portfolio holding and remains relatively attractive amongst the materials stocks within the ATI universe.

**NewsCorp (NWS) (+4.9%)** rose during the month as the company's Fox TV network was in dispute with cable TV operator Cablevision. After 2 weeks during which Fox withdrew its FTA stations (including the World Series baseball) from Cablevision, the warring parties have just agreed to a new re-transmission agreement which the market believes will result in higher fees (and earnings) flowing through to Fox and NWS. Elsewhere for NWS, the ratings for the World Series are down on last year, and with the Giants also winning a short series 4 games to 1, this is a negative for Fox. Meanwhile, Film has had a relatively quiet month, but the Newspapers division continues to be boosted by strong circulation figures for the Wall Street Journal. NWS remains the most attractive of the large capitalisation media stocks within the ATI universe.

Positions that detracted most from the portfolio's performance during the month were from being overweight Lend Lease (LLC), Onesteel (OST), and Bank of Queensland (BOQ) and from not holding Fortescue Metals (FMG) and ASX (ASX) which both outperformed. Stocks in the portfolio that detracted from performance during the month included:

**Onesteel (OST) (-7.8%)** underperformed the market during October due to investor concerns over the ongoing weakness in steel prices, uncertainty over the impact of the proposed Australian Mineral Resources Rent Tax, and the negative impact of a rising A\$/US\$ exchange rate on the company's earnings. OST's steel-related earnings remain depressed due to low capacity utilisation in the global steel industry, and accordingly an inability to pass on high raw material prices to customers. As an integrated iron ore and steel producer, however, OST is more insulated from raw material price increases than its peers. Indeed, as a net exporter of iron ore, OST's exports of 6-7mtpa of iron ore from Whyalla currently contribute ~70% of the company's overall earnings. OST remains a portfolio holding and is still relatively attractive within the materials sector of our universe.

**Bank of Queensland (BOQ) (-7.1%)** was weaker during October after the release of its FY10 result. BOQ delivered FY10 cash earnings of \$197.1m which was slightly below (~2%) consensus expectations and driven by a higher than expected provision charge and lower net interest margin. The result also highlighted the intention of BOQ to diversify its earnings base by entering into the insurance and equipment leasing businesses which are considered to be both higher margin and risk. BOQ remains the most attractive of the regional bank stocks within our universe.

**Lend Lease (LLC) (-5.3%)** fell during October despite the company making no specific announcements. Any ongoing clarity about the capacity for Lend Lease to continue recycling assets is something the market will be looking for information on in the coming months. LLC remains the most attractive of the large capitalisation property stocks within the ATI universe.

## Portfolio Construction

The ATI portfolio remains fairly neutral with regard to its market capitalisation exposures (vs the ASX300 index) with 79% of the holdings in the top 50 stocks, 15% in the next 100, and 6% in the last 150 stocks. These exposures indicate that ATI does not currently see a great disparity in value between either the larger or smaller capitalisation stocks.

The number of stocks (34) in the portfolio is less than last month (36) due to the exiting of Panoramic Resources (PAN) and Healthscope (HSP) being de-listed post the private equity takeover. The ATI stock rankings are currently indicating that the market has rallied to a point where the number of relatively cheap stocks has reduced such that the portfolio is likely to remain holding a similar number of stocks in the near term.

## Portfolio Risk

The current forecast tracking error of 3.01% (range of 2-8%) for the ATI portfolio also reflects the fact that our stock rankings do not currently indicate the need to take on additional risk and move above this level.

As at 31 October, the main sources of portfolio risk are coming from a variety of overweight smaller capitalisation stock holdings including Pacific Brands (PBG), OMH Holdings (OMH), Emeco Holdings (EHL), Mount Gibson (MGX) and Equinox Minerals (EQN). Larger capitalisation stocks that provide a contribution to portfolio risk include having no holding in Newcrest Mining (NCM) and Wesfarmers (WES), and having overweight positions in BHP Billiton (BHP) and Rio Tinto (RIO).

## General Market Commentary

Equity markets in October generally consolidated on the gains made in September with the majority of markets finishing the month higher. The start of the domestic AGM's and bank results combined with the US third quarter reporting season provided the main news flow for investors. The prospect of the US Federal Reserve recommencing a second round of quantitative easing (QE2) and its implications for various asset classes was also a focus. Within the Australian equity market, the resources sector was buoyed by a continuing expectation of US monetary stimulus and ongoing demand for commodity exports and outperformed all other sectors. The resource sector strength meant the Australian market (ASX300 Accumulation Index) finished the month up +1.8%.

Domestic corporate activity picked up strongly in October. M&A activity remained a market feature with the Singapore Stock Exchange making an offer for ASX, takeover bids made for Perpetual and ING Industrial while Tabcorp opted to pursue a demerger. Full year earnings results from NAB and ANZ were in line with market expectations and did not raise any concerns but equally failed to generate renewed investor support for the bank sector. Macquarie Group's half-year result was well received by the market following recent downbeat guidance. BHP and RIO confirmed their proposed iron ore production JV in the Pilbara would not proceed due to regulatory issues while James Packer emerged as a substantial shareholder in TEN.

The economic data flow during October took on a softer tone with house prices, credit growth and retail sales all trending lower while the RBA surprised markets by leaving rates unchanged, although retaining its tightening bias. Employment growth remained robust (six consecutive months) suggesting the economy is close to full employment. Benign inflation data (PPI and CPI) at the month end increased the possibility of a further delay in the next rate hike, causing the AUD to decline from its intra-month peak of parity to finish the month at 97.7¢ (+1.0¢).

Crude oil's rally slowed in October (spot WTI +1.8%) after a strong September (+11.2%). With the USD's slide also slowing, high inventory levels weighed on the market with US stockpiles rising to within 2.3% of the post-1990 high set in May 2009. Following a strong September spot gold's rally slowed with a 2.1% gain in October. A bounce in the US dollar in the second half of the month prompted profit-taking. After lagging the September rally, spot iron ore was one of the stronger commodities in October (Tianjin 62% fines +5.7% to \$149/tonne); September data showed Chinese imports rising even though steel production fell. Base metal prices were mostly firm, an exception being aluminium (-0.5%). Tin (+5.4%) became the first base metal to break its 2008 high and zinc was very strong (+10.6%).

## Outlook

Despite the improved general economic outlook globally, ATI continues to expect that stocks leveraged to the robust domestic economy to outperform those stocks leveraged to the US and European economies, particularly where the strength of the AUD impacts on translated earnings. The number of potential investment opportunities ATI is identifying in the resource sector remains increasingly linked to sentiment towards the overall global recovery story and the ongoing commodity demand from China. Regarding financials, the bank sectors record profit releases for ANZ Bank and National Australia Bank continued during October but investors are now wary of the capability of major banks to continue to grow earnings from these record positions.

ATI's relative value process is still identifying some attractive opportunities, particularly in stocks where operating leverage may emerge during our three year forecast period. 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 next quarter as signs of earnings growth are now required to provide the next upward phase in equity markets.

# PORTFOLIO RISK SUMMARY

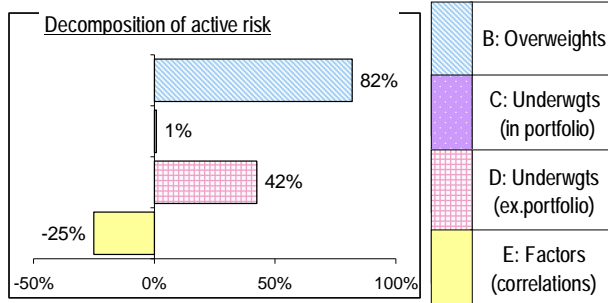
Portfolio Name:	<b>MyPort</b>
Benchmark:	ASX300
Date of Data:	31-Oct-10
Timestamp of analysis:	11/1/2010 2:47:58 PM

Data Frequency:	Monthly
No. of Periods:	48
Price or Accumulation:	Accumulation
Factor Analysis:	Multi-Factor

Historic portfolio alpha **7.3%** **Active Exposures:**  
 Historic portfolio beta **1.02** Held: 45.1%  
 Raw return **3.9%** Total: 87.4%

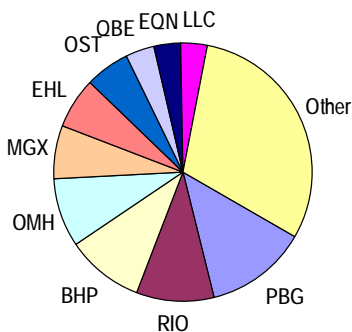
Forecast Tracking Error  
**2.99 %** **3.01 %**  
 (residual risk) (active risk)

Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A Stocks held in portfolio (B+C)	83%	2.7	7.5
B Overweight positions	82%	2.7	7.4
C Underweight positions	1%	0.3	0.1
D Stocks not held in portfolio	42%	2.0	3.8
E Factors (correlations between stocks)	-25%		(2.3)
F Total (A + D + E)	100%	3.0	9.1
G Systematic risk (undiversifiable)		0.4	0.1
H Residual risk definition tracking error (G - F)		3.0	8.9



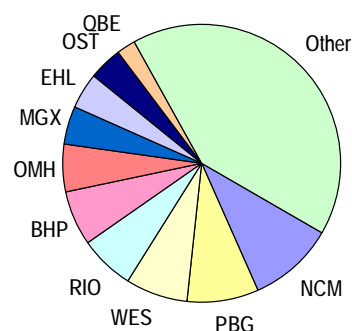
## Top 10 sources of risk: Stocks held in the portfolio (A)

- PBG 13%
- RIO 10%
- BHP 10%
- OMH 9%
- MGX 7%
- EHL 6%
- OST 6%
- QBE 3%
- EQN 3%
- LLC 3%
- Other 30%



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

- NCM 10%
- PBG 8%
- WES 7%
- RIO 6%
- BHP 6%
- OMH 6%
- MGX 4%
- EHL 4%
- OST 4%
- QBE 2%
- Other 41%



## Active Weights

