Fact Sheet

Above The Index Asset Management Pty Ltd

ATI Australian Equity Portfolio

Information as at 30 June 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 30 June 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)	(2.3)	(10.2)	18.6	3.3	(2.8)	4.3	5.6
S&P/ASX 300 Accumulation Index	(2.6)	(11.2)	13.0	(5.1)	(8.1)	0.1	2.1
Relative Outperformance	0.3	1.0	5.6	8.4	5.3	4.2	3.5

*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 30 June 2010

Largest Holdings	Portfolio Weight (%)	S&P/ASX300 Weight (%)
BHP Billiton	14.5	12.3
Westpac	7.0	6.1
Commonwealth Bank	6.4	7.3
NAB	6.2	4.8
ANZ	6.0	5.3
Telstra	5.7	3.5
Rio Tinto	4.6	2.8
QBE Insurance	3.6	1.8
CSL	3.3	1.8
Woolworths	3.3	3.2

Sector Allocation	Portfolio Weight (%)	S&P/ASX300 Weight (%)
Financials	40.2	38.2
Materials	23.4	25.4
Telecommunications	6.7	4.0
Consumer Staples	6.0	8.9
Industrials	5.8	6.2
Healthcare	5.6	3.6
Consumer Discretionary	5.2	4.3
Energy	2.3	7.3
Utilities	1.5	1.4
Information Technology	0.0	0.8

Selected Portfolio Statistics as at 30 June 2010

Inception Date	23-Dec-05
Number of Stocks	38
ATI Funds under Management	~ $460m

MER (est.)	~ 0.90% p.a.
Tracking error (forward estimate)	~ 3.0% p.a.

Relative Portfolio Performance

The ATI Equity Portfolio fell 2.3% in June compared with a fall of 2.6% by the ASX300 Accumulation Index. ATI is outperforming its benchmark - the ASX300 Accumulation Index - on a 1mth, 3mth, 12mth, 2yr, 3yr, 4yr and since inception (December 2005) basis.

The Best and Worst Performing Sectors

The better performing sectors during June were: Telecommunications (+9.5%), Utilities (+0.7%) and Consumer Staples (+0.5%). The worst performing sectors were: Industrials (-8.0%), Financials (-5.9%), and Consumer Discretionary (-5.3%).

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Our monthly performance was assisted by an overweight position in the Telecommunications sector, a relatively neutral position in the Financials and Materials sectors, and an underweight position in the Energy sector.

Attribution of Stocks

The portfolio performance during June was assisted by overweight positions in Telstra (TLS), Metcash (MTS) and Emeco Holdings (EHL), and by not holding Brambles (BXB) and Qantas (QAN).

Stocks in the portfolio that contributed to its relative performance during the month were:

> **Telstra (+10.5%)** rallied in June after it and NBN Co reached a non-binding heads of agreement. Under the agreement, NBN Co will pay TLS $11bn; $9bn of this is for the use of TLS's infrastructure and $2bn for the transfer of universal service obligations (USO) and retraining of staff. TLS is to migrate its clients onto the new fibre platform. We see this as a win - win for both TLS and NBN Co as TLS is able to realise the value from its existing copper network, while NBN Co can complete its rollout more effectively using TLS's infrastructure and avoiding over build. This will also reduce the take up time frame highlighted in the NBN study as existing customers are migrated to the new platform. This agreement is expected to be put to TLS shareholders to vote on in early 2011. Interestingly, the opposition coalition has highlighted its intention to scrap the NBN if it is successful in the upcoming election. TLS remains a core portfolio holding and is the most attractive of the telecommunication stocks in the ATI universe.

> **Metcash (+8.8%)** performed strongly after reporting its FY10 result which was above market expectations. The result was positive as MTS faced a difficult 2H10 from the effects of rolling-off Government stimulus, interest rate increases, and operating in a low food inflation environment. MTS was able to reduce supply chain and administration costs to generate operating leverage, and it also increased national market share to 19%. Management has guided to 6-8% growth in underlying EPS for FY11. Over the next 6 months, the market will be focussing on the integration of the Mitre 10 business, and the recent Franklins acquisition (announced in July). Despite the recent out-performance, MTS remains a portfolio holding and is the most attractive of the supermarket stocks within the ATI universe.

> **Emeco Holdings (+7.4%)** bounced back during June, after underperforming in May, as the market began to reassess the potential impact of the resource super profits tax (RSPT). In addition, as miners placed capex spend on hold due to the tax uncertainty, some thoughts were also expressed that this might actually benefit EHL's equipment hiring model. We eagerly await the presentation of EHL's 5 year strategic plan on 13 July by new CEO Keith Gordon, where we expect the company to outline plans to focus on its 3 core markets (Australia, Indonesia and Canada) using larger, more specialised equipment to service larger clients under longer term contracts in order to significantly raise its return on capital. EHL remains a portfolio holding as it is relatively attractive within the Industrial sector.

Positions that detracted most from the portfolio's performance during the month were from being overweight Downer EDI (DOW), Transfield Services (TSE) and Pacific Brands (PBG), and from not holding Newcrest Mining (NCM) and Lihir Gold (LGL) which both outperformed the market.

Stocks in the portfolio that detracted from performance during the month were:

> **Downer EDI (-57.4%)** fell sharply during June after shocking the market with a $190m provision on the $1.9b Waratah train contract for the NSW Government, despite indicating just weeks earlier that the project costs were largely tracking to plan. ATI now estimate that the manufacturing contract will be loss making for DOW, and we also have concerns that the subsequent 30 year maintenance contract may also prove to be less profitable than originally thought. Furthermore, Reliance Rail (the JV vehicle responsible for delivering the trains which has contracted its 49% major shareholder DOW as lead builder), is potentially facing a funding shortfall in 2012. Despite new contracts wins for its contract mining division and an improved outlook for the industry following the recent changes to the RSPT, the stock continues to be impacted by the uncertainty regarding the Waratah train contract and the potential for a discounted equity raising. We are currently assessing the potential impacts on the forecast earnings and valuation for DOW and will be reviewing our portfolio position once the appropriate work has been completed.

> **Transfield Services (-18.2%)** was sold off during June following completion of the capital raising for Transfield Services Infrastructure Fund (TSI). The market was disappointed that TSE's interest in TSI only fell from 47.5% to 44.5% after TSE, as major shareholder and sub-underwriter, was forced to contribute $43m out of TSI's $110m raising. However, TSE re-confirmed guidance towards the end of the month (along with some contract wins) and remains a portfolio holding as it is relatively attractive within the Industrial sector.

> **Pacific Brands (-12.8%)** was weaker during the month due to: (1) softer trading conditions currently impacting the retail sector; (2) a challenging outlook in FY11 for consumer discretionary companies in the retail sector; and (3) a weaker currency (AUD) potentially impacting PBG's relative purchasing power. PBG is still in the process of rationalising its business and the market will be looking for further evidence of cost savings in its FY10 result. PBG remains a portfolio holding and is currently the most attractive of the retail 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 ~78% of the holdings in the top 50 stocks, ~17% in the next 100 and ~6% in the last 150 stocks. These exposures indicate ATI does not currently see a great disparity in value between either the larger or smaller capitalisation stocks.

The number of stocks (38) in the portfolio is currently near our maximum of 40. Since the May sell-off in equities and announcement of the proposed RSPT, the ATI stock ranking process has identified a number of new potential investment opportunities. Before any of these stocks can enter the portfolio, we must clarify whether the current earnings forecasts imply too optimistic assumptions surrounding the anticipated global economic recovery, expected earnings leverage and potential taxation implications. Some clarification will occur in late July as companies begin to announce their results to June 30.

Portfolio Risk

The current forecast tracking error of ~3% (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 towards the higher end of the range. As at 30 June, the main sources of portfolio risk are coming from a variety of overweight smaller capitalisation stock holdings including Pacific Brands (PBG), Emeco Holdings (EHL), Mount Gibson (MGX), Panoramic Resources (PAN), PanAust (PNA) and Equinox Minerals (EQN).

General Market Commentary

June 2010 was another difficult month for equities with no shortage of negative news including European sovereign debt issues, moderating growth expectations for China and the US, the leaking well in the Gulf of Mexico and potential impacts of the Australian Government's proposed resources super profits tax (RSPT) weighing heavily on investor sentiment. Towards the end of the month, the potential for some modification in the parameters of the RSPT became a reality in the face of strong mining sector pressure and a change in leadership, with Julia Gillard replacing Kevin Rudd as Prime Minister. Against this backdrop, the Australian equity market (ASX300 accumulation index) finished down 2.6% for the month of June but was still up 13.0% for the 2009/10 financial year

A rare piece of positive news in June was that the Government and Telstra (TLS) announced they had signed a non-binding heads of agreement (HoA) with respect to TLS's copper network and associated infrastructure being sold into the national broadband network (NBN). This resulted in the strong performance of TLS during June that flowed to the portfolio out-performance as it is one of our largest overweight positions. Other notable domestic news releases included lowered earnings guidance provided by Brambles (BXB), IAG and Macquarie Group (MQG) (ATI holding), and an upgrade to earnings guidance from AGL (ATI holding).

Despite the general negativity of investors to equities at the moment, domestic M&A activity continued to increase in June as over the last couple of years there has been an ongoing improvement in the general health of corporate balance sheets. We believe the combination of underleveraged companies and the new rules for dividend payments in Australia could easily give rise to ongoing capital management initiatives by some of the larger companies in the year ahead. Examples of corporate activity in June were News Corporation (NWS) making an offer for the remaining 60% of BSkyB in the UK and Amcor (AMC) acquiring further packaging assets in the US.

The overall momentum and resilience of the Australian economy is also now in focus as the economic data was quite mixed during June. Housing finance and consumer confidence were softer, while the unemployment rate fell 0.2ppt to 5.2%. Hours worked increased 4.2% (yoy) providing a strong backdrop for household income following a 4.8% increase in the minimum wage from 1 July 2010. GDP increased 0.5% in the March quarter, in line with market expectations. The RBA left interest rates unchanged in June at 4.5% while the $A rebounded slightly with improving sentiment towards the end of the month, finishing at 85.5¢ (+0.8¢).

After falling below US$66 towards the end of May, the spot WTI oil price extended its recovery to end June at US$75.63, up 2.2% for the month. US inventories remained at elevated levels but the market was supported by the shift in China's currency policy, which was seen as potentially stimulating demand. The US Energy Information Administration also raised its demand forecast for 2010 and warned that a moratorium on offshore drilling would hit supply. Spot gold broke the US$1250 mark for the first time and ended the month just shy of that level at US$1243, up 2.5%. Ongoing financial market volatility and concerns over sovereign debt continued to underpin buying interest, whilst the World Gold Council reported that the central banks of the Philippines and Kazakhstan had made major purchases in the first quarter of 2010. Spot iron ore slipped a little further in June after May's sharp fall. China's currency policy shift was seen as supportive but its reduced import volumes continued the gradual decline seen in May. Base metals also lost ground (copper -6.2%, aluminium -5.5%) with developed world growth revisions now a major concern.

Outlook

Investors appear to have shifted their attention back to more defensive stocks in light of the increasing global risk aversion. Current market valuations remain increasingly leveraged to the nervousness about the potential for earnings downgrades to increase as we move into the June 2010 reporting season. If the European sovereign debt concerns manage to dampen or curtail the much expected US economic recovery and there is another round of weaker economic data out of China, then we could see some more negative growth revisions in the coming quarter.

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 economic recovery remain the standout risks over the course of the next quarter as the market PE expansion phase seems to finally have come to an end and signs of earnings growth are now required to trigger the next upward phase in equity markets.

PORTFOLIO RISK SUMMARY

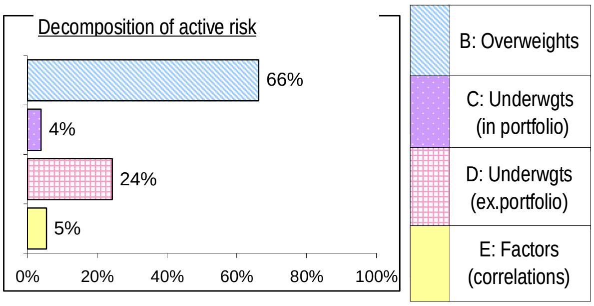
Portfolio Name:	**MyPort**
Benchmark:	ASX300
Date of Data:	30-Jun-10
Timestamp of analysis:	7/5/2010 3:38:29 PM

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

Historic portfolio alpha	7.4%	**Active Exposures:**	
Historic portfolio beta	0.98	Held:	42.1%
Raw return	3.1%	Total:	77.9%

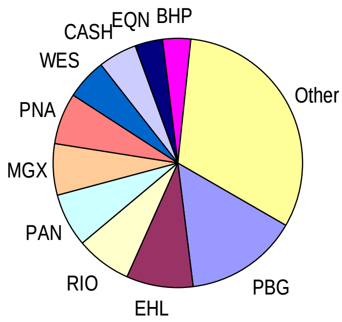
Forecast Tracking Error	**3.00 %**	**3.03 %**
	(residual risk)	(active risk)

	Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A	Stocks held in portfolio (B+C)	70%	2.5	6.4
B	Overweight positions	66%	2.5	6.1
C	Underweight positions	4%	0.6	0.4
D	Stocks not held in portfolio	24%	1.5	2.2
E	Factors (correlations between stocks)	5%		0.5
F	Total (A + D + E)	100%	**3.0**	9.2
G	Systematic risk (undiversifiable)		0.4	0.2
H	Residual risk definition tracking error (G - F)		**3.0**	9.0



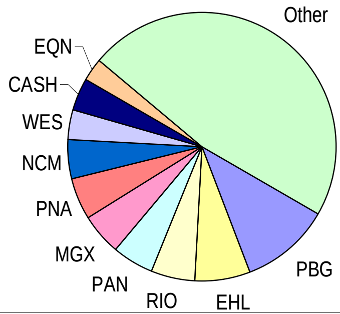
Top 10 sources of risk: Stocks held in the portfolio (A)

1	PBG	15%
2	EHL	9%
3	RIO	7%
4	PAN	7%
5	MGX	7%
6	PNA	7%
7	WES	5%
8	CASH	5%
9	EQN	4%
10	BHP	3%
	Other	32%

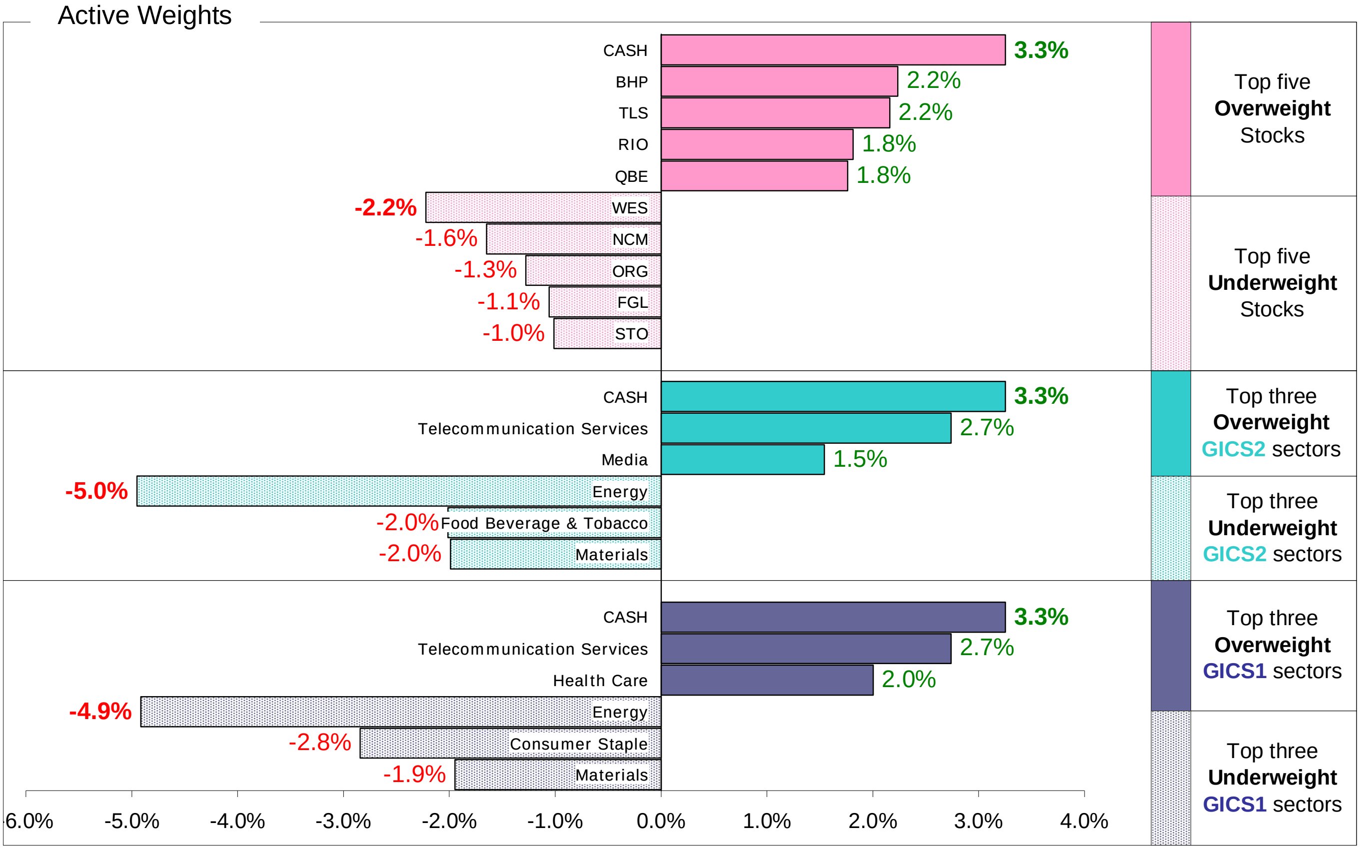


Top 10 sources of risk: All stocks in benchmark (B+C+D)

1	PBG	11%
2	EHL	7%
3	RIO	5%
4	PAN	5%
5	MGX	5%
6	PNA	5%
7	NCM	5%
8	WES	4%
9	CASH	4%
10	EQN	3%
	Other	47%



Active Weights



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