

Fact Sheet

ATI Australian Equity Portfolio

Information as at 31 August 2009

Portfolio Objective

The ATI Australian Equity Portfolio seeks to achieve total returns (includes income and capital appreciation and before the deduction of fees and taxes) that exceed those on the S&P/ASX 300 Accumulation Index by 3% per annum over rolling three-year periods.

Performance Update

(*Returns to 31 August 2009)

	1 Month (%)	3 Month (%)	1 Year (%)	2 Year (% p.a.)	3 Year (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross of fees)	8.1	21.4	3.7	(5.2)	4.8	6.7
S&P/ASX 300 Accumulation Index	6.6	17.9	(8.0)	(11.3)	0.0	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 August 2009

Largest Holdings	Portfolio Weight (%)	S&P/ASX300 Weight (%)	Sector Allocation	Portfolio Weight (%)	S&P/ASX300 Weight (%)
BHP Billiton	11.9	11.9	Financials	43.2	39.3
Westpac	7.9	6.9	Materials	18.2	23.8
Commonwealth Bank	7.2	6.7	Consumer Discretionary	8.8	3.8
ANZ	6.9	4.8	Consumer Staples	7.7	8.9
NAB	6.2	5.4	Industrials	5.7	6.7
Telstra	5.5	3.5	Telecommunications	5.5	4.0
QBE Insurance	4.2	2.2	Healthcare	3.9	3.6
Woolworths	3.8	3.3	Energy	1.9	8.0
Rio	3.7	2.4	Utilities	0.9	1.3
Wesfarmers	2.6	2.8	Information Technology	0.0	0.7

Selected Portfolio Statistics as at 31 August 2009

Inception Date	23-Dec-05	MER (est.)	~ 0.90% p.a.
Number of Stocks	36	Tracking error (forward estimate)	~ 3% p.a.
ATI Funds under Management	~ \$450m		

General Market Commentary

Australia's Market Performance

The Australian equity market recorded its sixth consecutive monthly rise in August with the ASX300 accumulation index gaining 6.6%. The key driver of the increase was the lack of downside surprises during the reporting season and the greater than expected number of positive earnings upgrades. Approximately 40% of companies beat EPS expectations by more than 1% offset by approximately 28% of companies missing EPS expectations by more than 1%. With no significant negatives emerging from reporting season investors continued to increase positions in the more leveraged cyclical exposures to an improving economy. The property trust and financial stocks outperformed during the month after responding well to earnings reports, lack of significant write-downs and evidence of improving liquidity in the debt markets. Industrials benefited from the evidence of domestic economic resilience driven by the fiscal and monetary stimulus, and improving commodity sales. The telecoms, utilities and materials sectors all lagged the market.

The market has now rallied +42% from its low in March 2009 but still remains -34% off its pre global financial crisis high in November 2007. The expected pull-back associated with previous bear market rallies did not materialise as the majority of macro data around the world continued to surprise on the upside; with many of the central banks now believing (and commenting) that the worst seems to have past.

The Australian economic data in August continued to be received positively. Jobs data for July provided further evidence of the relatively shallow nature of the Australian downturn as employment actually rose for the month, albeit with part-time gains outweighing full-time losses. Housing finance data (housing prices and building approvals) remained solid suggesting an improvement in housing activity is still expected later in the calendar year. Consumer confidence increased to its highest level since October 2007. The RBA kept rates on hold at 3.0%, however the strength of the domestic economy has led to the market now pricing in a 50bp increase in interest rates before year end. The AUD consolidated recent gains to finish at 83.7¢ (+0.2¢). Base metal prices rebounded strongly towards the end of the month as copper rallied 13% moving to a 9-month high. Oil was flat over the month with the help of a sharp fall in US oil inventories and ended August up only 0.7% at \$69.96. Spot gold was little changed in August and ended at \$954.15, up 1.6%.

Investors appear increasingly convinced the worst of the news flow is behind us and are beginning to focus on the length and sustainability of the recovery phase. The key issue currently facing investors remains how much recovery has already been priced in and the timing and potential impact of any reduction in the level of stimulus in the global economy. Despite the recent rally, ATI's relative value process is still identifying attractive opportunities, particularly in stocks where there is earnings leverage forecast to emerge in our three year forecast period. The key catalysts in the upcoming months will be the September quarter sales and productions reports as well as the AGM season, where the market will be looking for evidence of further underlying EPS improvement.

The Best and Worst Performing Sectors

The better performing sectors during the month were: Property Trusts (+14.1%); Financials (+11.8%); and Industrials (+11.3%). The worst performing sectors were Telecommunications (-7.1); Utilities (-3.8%); and Materials (-1.3%).

Relative Portfolio Performance

The ATI Equity Portfolio rose +8.1% compared with a rise of 6.6% by the S&P/ASX300 Accumulation Index. The relative outperformance was assisted by overweight holdings in Flight Centre, Transfield Services, QBE Insurance, National Australia Bank and Emeco Holdings. Stocks in the portfolio that contributed to its relative performance during the month were:

Transfield Services – TSE (+44.6%) moved higher after reporting underlying FY09 NPAT growth ahead of consensus (+16% vs +10%). Operating cash flow was close to flat with the cash flow conversion strong at over 100%. TSE provided FY10 guidance of flat to modest NPAT growth (ie an upgrade to previous expectations) assuming a forecast average AUD/USD exchange rate of \$0.80 and an effective tax rate of around 15%. The key positive was evidence that the US operations and overall work in hand, were turning around quicker than expected.

QBE Insurance – QBE (+20.5%) rallied strongly during August, initially on the back of the acquisition of 75% of Elders Insurance agency business for \$315m, and then after its 1H09 result exceeding market expectations. The insurance profit came in ahead of expectations with the upside coming from an improvement in margins. QBE reiterated its local-currency revenue guidance and stated that it was on track to achieve its targeted premium rate increases for the year. The reserve releases were lower than pcp and the company is well positioned to take advantage of additional acquisition opportunities.

National Australia Bank – NAB (+17.1%) rose strongly after it announced the purchase of Challenger's mortgage management business for \$385m. The purchase included Plan, Choice and Fast mortgage aggregator businesses, Challenger's multi-brand white label product capability as well as its ~\$4bn residential mortgage portfolio discounted for provisions. NAB early in the month also announced it would appeal a recent judgement by the New Zealand High Court in relation to tax issues.

Stocks that detracted most from the Portfolio's relative performance during the month were from not holding Sonic Healthcare, Goodman Group and Leighton Holdings which all outperformed the market.

Stocks in the portfolio that also detracted from performance were:

Rio Tinto – RIO (-7.1%) fell during the month as the interim profit came in a little below market expectations with a nil dividend. The major source of difference being a realised price for iron ore which was lower than expected and, significantly lower than that achieved by BHP. The key driver of the material year on year decline (54%) was lower commodity prices (-US\$4.7bn), while lower volumes were a contributor (-US\$294m), but to a much lesser extent. The quality of the result was poor as lower exploration and evaluation costs, as well as a one-off derivative gain, helped boost the result.

AGL Energy – AGK (-6.3%) was weaker this month after reporting its FY09 result with NPAT of \$379m being in line with consensus. The result was driven by a strong merchant segment (pcp +33% EBIT), but offset by a weaker than expected retail result (-2% EBIT on pcp) which led to FY11 downgrades. AGL did not provide FY10 guidance.

Tabcorp – TAH (-3.2%) fell lower despite its gaming business benefiting from the fiscal stimulus. Overall, TAH's FY09 result was at the lower end of expectations. Wagering was very weak in the 2H09 due to higher costs and flat racing revenue. The Casino's business surprised on the upside at the revenue line but this was completely offset by weaker margins. Gaming EBIT was 1% better than expected driven by slightly higher market share and margin expansion. However, post 2012 any further cost savings will be offset by an investment in Tabcorp Gaming solutions. Cash flow was also weak. Star City capex was announced to have increased 21% to \$575m which will impact on ROE.

Outlook

Looking ahead, ATI will continue to search for opportunities to invest in companies that, subject to our disciplined investment process, trade at a discount to our assessment of their intrinsic 'fair' value. ATI believes that a combination of bottom-up fundamental analysis of intrinsic value and use of select earnings data, together with a sound risk management overlay, will continue to add value for our investors over the medium to long-term.