# Fact Sheet

Above The Index Asset Management Pty Ltd

# ATI Australian Equity Portfolio

Information as at 31 January 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 January 2009)

| | 1 Month (%) | 3 Month (%) | 1 Year (%) | 2 Year (% p.a.) | 3 Year (% p.a.) | Inception (% p.a.) |
|---|---|---|---|---|---|---|
| ATI Equity Portfolio (gross of fees) | (4.7) | (12.3) | (33.5) | (15.1) | (4.7) | (3.3) |
| S&P/ASX 300 Accumulation Index | (4.8) | (11.2) | (34.7) | (18.6) | (6.7) | (5.2) |

*Past performance is not a guarantee of future results and may not be indicative of them. The net returns are calculated using the Portfolios Net Asset Value of a model mandate within the Direct Portfolio Services SMA product. Performance assumes reinvestment of all income. Inception date is 23 December 2005.

## Portfolio Details as at 31 January 2009

| Largest Holdings | Portfolio Weight (%) | S&P/ASX300 Weight (%) |
|---|---|---|
| BHP Billiton | 15.4 | 13.4 |
| Telstra | 7.6 | 5.2 |
| NAB | 6.5 | 4.7 |
| Westpac | 5.9 | 5.9 |
| ANZ | 5.6 | 3.6 |
| Commonwealth Bank | 5.4 | 4.9 |
| QBE Insurance | 5.1 | 3.1 |
| Woolworths | 4.6 | 4.5 |
| Rio Tinto | 3.2 | 1.6 |
| Westfield | 2.6 | 2.8 |

| Sector Allocation | Portfolio Weight (%) | S&P/ASX300 Weight (%) |
|---|---|---|
| Financials | 38.1 | 35.1 |
| Materials | 20.5 | 21.2 |
| Consumer Staples | 9.2 | 10.2 |
| Consumer Discretionary | 8.1 | 3.7 |
| Telecommunications | 7.6 | 5.9 |
| Industrials | 6.0 | 6.2 |
| Energy | 2.2 | 7.3 |
| Utilities | 1.5 | 1.6 |
| Healthcare | 0.9 | 5.2 |
| Information Technology | 0.0 | 0.6 |

## Selected Portfolio Statistics as at 31 January 2009

| | |
|---|---|
| Inception Date | 23-Dec-05 |
| Number of Stocks | 33 |
| ATI Funds under Management | ~ $300m |

| | |
|---|---|
| MER (est.) | ~ 0.80% p.a. |
| Tracking error (forward estimate) | ~ 3% p.a. |

## General Market Commentary

### Australia's Market Performance

The Australian equity market initially started the calendar year on a positive note but ended in much the same way as was seen in 2008, the S&P/ASX300 Accumulation Index declining by -4.8% in January. It was a volatile month for equity markets as renewed concerns over the viability of the US/UK banks and the global financial system in general caused major concerns for investors. Investor risk aversion was compounded by further poor macro data combined with a number of profit warnings ahead of the February reporting season. Equity raisings remained a prominent feature as companies continued to tap the equity market to repair their balance sheets. The modest Christmas rally proved short lived as investor focus moved back to the company financials as a fresh round of profit warnings and government rescue packages were presented in the US and Europe. As a result, investors continued to look for the more defensive style stocks over the month as the amount of poor news at a macro and company level continued.

The RBA did not meet in January but the market was forecasting a further cut in interest rates in February. A 100bp rate cut was officially announced on 3 February 2009, lowering rates to 3.25%. Economic data shifted lower in January with the IMF forecasting 2009 global growth will be the lowest since the depression of the 1920's and there will be little respite from the sharp downturn in the global economy. December building approvals fell significantly while the employment data saw a large decline in full-time jobs. The AUD came under renewed pressure in January and finished the month at 64.7¢ (-5.6¢), after trading above 72¢ intra month. Crude oil broke a six month losing streak as supply cutbacks by OPEC tightened the market and it gained 6.3% to end the month at $41.73 (WTI). Gold rose in January (+25.0%) despite a rebound in the USD as the level of financial asset volatility saw investors looking for safe havens. Metal prices had a mixed January, highlighted by copper rising by +7% and aluminium falling -9.8%.

The key issues for investors near term remains the trade-off between additional earnings risk from the deteriorating economic data, both domestic and global, the weakness in commodity prices and the longer term implications from the global financial crisis; versus increasingly attractive valuations for equities. A longer than expected economic slowdown and a failure for the US authorities to appease the capital markets worldwide still remain key risks to both resource and industrial earnings forecasts.

### The Best and Worst Performing Sectors

The better performing sectors during the month were: Health Care (+6.1); Telecommunications (+0.1%); and Consumer Staples (-0.7%). The worst performing sectors were Industrials (-11.1%); Property Trusts (-9.7%); and Consumer Discretionary (-8.8%).

## Relative Portfolio Performance

Against this backdrop, the ATI Equity Portfolio fell 4.7% compared with a fall of 4.8% by the S&P/ASX300 Accumulation Index. Those stocks that contributed most to the Portfolio's relative performance during the month were:

Transfield Services – TSE (+7.1%) ended the month higher after the company announced that its US facilities management subsidiary, US Maintenance, had been awarded two key contract extensions. Domestically the government fiscal stimulus package was a positive for the future earnings profile of the group.

Incitec Pivot – IPL (+7.0%) moved higher after the completion of the retail entitlement offer mid last month and were also positively affected by industry consolidation in the fertilizer markets in the US. Focus is on the key fertilizers sales period of Feb – May.

Woolworths — WOW (+3.9%) rose modestly in January following the release of a strong result for its 2Q09 sales report. WOW reported Group sales growth of 8.1% with comparable store sales growth for the liquor division accelerating. The government stimulus package had a positive impact in December.

Stocks that detracted most from the Portfolio's relative performance during the month were:

Harvey Norman – HVN (-19.6%) share price gave up their December gains after reporting a disappointing comparable store sales from franchised Harvey Norman stores and confirmation that retail margins remain well and truly under pressure. Store closures and continued concerns surrounding the Ireland and NZ operations also contributed to the negative sentiment.

APN News & Media – APN (-19.0%) fell during January as the major shareholder, Independent News & Media, announced it had ceased plans to sell its stake in APN as it was unable to source a bid given the 'deteriorating state of credit markets'. Further evidence of declines in radio and advertising markets only worsened the outlook for APN.

Fairfax Media – FXJ (-14.1%) shares slumped again during January after the release of various retail profit warnings and other data suggesting further weakness in classifieds. FXJ also announced the sale of the Southern Star television business for a small loss. Continued focus on the possibility of a forced capital raising also contributed to the poor performance. Management was forced to state it had no intention to raise capital but would instead utilise initiatives such as dividend reductions and asset sales.

## 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.