# Fact Sheet

Above The Index Asset Management Pty Ltd

# ATI Australian Equity Portfolio

## Information as at 31 March 2010

### 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 March 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) | 5.2 | 1.2 | 50.5 | 6.3 | 3.0 | 7.1 | 8.6 |
| S&P/ASX 300 Accumulation Index | 5.7 | 1.2 | 41.9 | -0.2 | -2.6 | 3.1 | 5.1 |
| Relative Outperformance | (0.5) | 0.0 | 8.6 | 6.5 | 5.6 | 4.0 | 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 31 March 2010

| Largest Holdings | Portfolio Weight (%) | S&P/ASX300 Weight (%) |
|---|---|---|
| BHP Billiton | 14.0 | 12.6 |
| Westpac | 7.0 | 7.1 |
| Commonwealth Bank | 6.5 | 7.4 |
| ANZ | 6.1 | 5.5 |
| NAB | 6.0 | 5.0 |
| Telstra | 5.2 | 2.9 |
| Rio Tinto | 4.0 | 2.9 |
| Woolworths | 3.9 | 3.0 |
| QBE Insurance | 3.5 | 1.8 |
| CSL | 3.2 | 1.8 |

| Sector Allocation | Portfolio Weight (%) | S&P/ASX300 Weight (%) |
|---|---|---|
| Financials | 40.1 | 39.4 |
| Materials | 22.6 | 25.1 |
| Consumer Staples | 7.5 | 8.2 |
| Consumer Discretionary | 6.3 | 3.3 |
| Telecommunications | 6.2 | 4.4 |
| Healthcare | 5.3 | 3.6 |
| Industrials | 5.0 | 6.7 |
| Energy | 2.1 | 7.3 |
| Utilities | 1.3 | 1.3 |
| Information Technology | 0.0 | 0.8 |

### Selected Portfolio Statistics as at 31 March 2010

| | |
|---|---|
| **Inception Date** | 23-Dec-05 |
| **Number of Stocks** | 38 |
| **ATI Funds under Management** | ~ $500m |

| | |
|---|---|
| **MER (est.)** | ~ 0.90% p.a. |
| **Tracking error (forward estimate)** | ~ 3.5% p.a. |

## General Market Commentary

### Market Performance

Equity markets had a strong month in March as they managed to shrug off rising bond yields and macro economic concerns ranging from the Greek debt problems to Chinese monetary policy tightening. Despite these concerns, major offshore equity markets achieved new 12-month highs, indicating investors are increasingly positive on the recovery potential over the remainder of calendar 2010 and into 2011. Domestically, the generally positive macro data and leads from the RBA commentary saw the Australian equity market (ASX300 accumulation index) consistently stronger to finish March +5.7% higher and record its best month since September 2009 and its highest close since August 2008.

Investors continued to digest the key result trends emerging from the February reporting season in the absence of any particular information flow emerging at the stock level. Investor risk appetite appears to be returning to markets as the preference for increasing cyclical risk in portfolios at the expense of the defensive sectors seemed to be an ongoing trend. Stronger commodity prices, particularly across the bulks, and the confirmation that bulk price negotiations would move to a quarterly basis saw renewed interest in the resources and energy stocks. The strongest sector was indeed energy which was boosted by corporate activity in the gas industry with a takeover offer for Arrow Energy's Australian assets. The wider resources sector also outperformed as mining stocks responded to strong iron ore and coal pricing and a shift by BHP Billiton (BHP) and Brazilian miner Vale from annual pricing to shorter term contracts. The bank sector was also strong in March as investors continued to revise down their expectations for bad debt charges, especially for the major banks.

The key domestic economic indicators remained generally strong during March which lead the RBA to increase interest rates by 25bp to 4% as expected by the market. The economy expanded by 0.9% (+2.7% yoy) with strong upward revisions to prior data and broad-based growth across the economy which meant the RBA delivered its fourth rate hike in the current tightening cycle. The RBA commentary was also quite upbeat, particularly regarding the investment pipeline and house prices, though the outlook for the global economy was more downbeat with the anticipated recovery described as "hesitant". Consumer sentiment remained strong despite the rate hikes in March and house prices for the 12 months to January have now increased by ~12%.

The AUD gained against most currencies as expectations for both bulk commodity prices and interest rates firmed over March. The AUD finished the month at 91.7¢, gaining +2.4% against the USD and the AUD also improved against the struggling Euro. Spot WTI oil was +5.1% stronger in March after breaking through $82/barrel mid-month on the back of some emerging signs of an economic recovery in the US, strong Asian growth and higher demand forecasts from OPEC and the US Energy information Administration. A firm USD recovery over the month and a rise in US crude inventories capped the extent of eventual rise in the oil price. Spot gold fell 0.3% in March with the stronger USD and an interest rate hike in India weighing on market sentiment. Spot iron ore prices were strong in March and had their seventh consecutive monthly gain. The annual benchmark pricing system appeared to be coming to an end as BHP and Vale agreed with a number of customers to a quarterly pricing system using spot prices as a reference. Base metals prices generally built on February's recovery and rose in March with aluminium (+11.6%) being particularly strong.

Following the generally benign reporting season, 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. The key catalysts in the coming months will be further evidence of a recovery in the international markets and a resolution in relation to the Greek sovereign debt situation. Domestically, further analysis post the reporting season is expected to focus on FY11 earnings expectations and the potential for downgrades in companies where the recent results were impacted by lower than expected sales or higher than expected costs or where the share price has rallied too much in anticipation of an expected recovery.

### The Best and Worst Performing Sectors

The better performing sectors during March were: Energy (+8.9%); Materials (+7.8%); and Information Technology (+6.0%). The worst performing sectors were; Property Trusts (-0.2%); Telecommunications (+0.3%); and Utilities (+1.6%).

## Relative Portfolio Performance

The ATI Equity Portfolio rose 5.2% compared with a rise of 5.7% by the ASX300 Accumulation Index. The monthly performance was largely due to a sector neutral position in financial stocks and an underweight position in the Materials and Energy sectors.

The portfolio performance was assisted by over-weight positions in Panoramic Resources (PAN), Equinox Minerals (EQN) and Pacific Brands (PBG) and by not holding Origin Energy (ORG) and Fosters Group (FGL).

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

**Panoramic Resources (+31.1%)** rose during March due to a number of significant developments at the company's Savannah nickel mine in Western Australia and the ongoing strength in the nickel price. PAN released a maiden ore reserve for the lower (deeper) zone at Savannah, which provided the market with greater confidence that the mine life at Savannah will be extended for at least a further ten years. Subsequently the company extended the concentrate off-take agreement with Chinese nickel refiner Jinchuan for a further ten years on terms considered favourable to PAN. The company also paid a significant dividend of 10¢ during March which included a special dividend of 5¢ in addition to the standard underlying dividend of 5¢.

**Equinox Minerals (+17.4%)** shares rallied during March as the company continues to ramp up production at its large scale and long life Lumwana copper mine in Zambia. EQN reported a maiden annual operating profit for CY2009 of US$196m in its first year of production, with average operating cash costs of US$1.49/lb copper, versus an average price received of US$2.61/lb. However the operating profit was subsequently offset by a non-cash loss on marking to market the hedge book. EQN also successfully refinanced its US$400m corporate debt facility with a maturity of 3-5 years, which provides additional flexibility compared to the original project financing facility. Under the new facility, EQN is no longer required to hedge production, and no longer has to maintain a US$45 cost overrun facility.

**Pacific Brands (+16.2%)** had a strong month due mainly to the increase in the AUD. PBG now sources the majority of its product from China in USD. Its hedging policy seeks to cover 75%-85% of purchases 6-9 months out. For each 1c rise in the hedged AUD/USD adds ~1.7% to earnings. In March the AUD rose ~2.4%. At the 1H10 result PBG also indicated it was on track to achieve $80m-90m in FY10 cost savings, ahead of the original $50m target.

Positions that detracted most from the portfolio's performance during the month were from being overweight Emeco Holdings (EHL), Hastie Group (HST) and Lend lease (LLC) and from not holding Arrow Energy (AOE) and Santos (STO) which both outperformed the market.

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

**Emeco Holdings (-12.3%)** fell during March following the release of its 1H10 result in late February that provided some disappointment in terms of no dividend and a reduction in the level of disclosure of some operational data. This came after management had pre-released the result in early February at which time it lowered its FY10 NPAT guidance from "the lower end of $46-53m" to "$40-44m" and also announced the closure of its European business and scaling back of the US operations (along with associated one-off costs). March also saw a substantial shareholder reduce its position, while we believe some in the market may have some short term concerns over a potential impact from the wet weather in Queensland.

**Hastie Group (-12.2%)** also fell during March after most brokers cut their FY10 forecasts by 5-10% following the 1H10 result released in late February that highlighted that conditions remain tough for HST given the significant downturn in the non-residential construction cycle. There was no other company specific news.

**Lend Lease (-7.3%)** fell in March after completing its $806m equity raising priced at $7.70 with the retail book-build entitlement offer being completed for the allotment of new shares. As the price was $9.67 before the issue was announced, the market price moved down towards the price of the new issue over the month, albeit the new shares still ending the month in positive price territory.

## 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.

# PORTFOLIO RISK SUMMARY

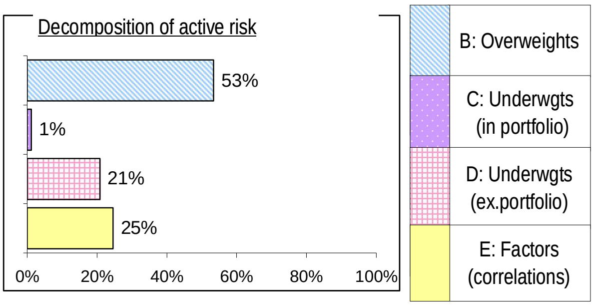
| | |
|---|---|
| Portfolio Name: | **MyPort** |
| Benchmark: | ASX300 |
| Date of Data: | 31-Mar-10 |
| Timestamp of analysis: | 4/6/2010 11:43:47 AM |

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

| | | | |
|---|---|---|---|
| Historic portfolio alpha | 6.9% | **Active Exposures:** | |
| Historic portfolio beta | 0.95 | Held: | 38.6% |
| Raw return | 5.7% | Total: | 73.0% |

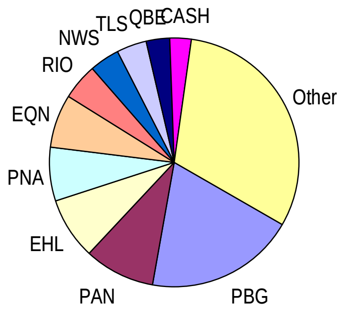
| Forecast **Tracking Error** | 2.98 % | 3.09 % |
|---|---|---|
| | (residual risk) | (active risk) |

| | Source of portfolio risk | contribution to active portfolio risk | standard deviation | variance / covar. |
|---|---|---|---|---|
| A | Stocks held in portfolio (B+C) | 55% | 2.3 | 5.2 |
| B | Overweight positions | 53% | 2.3 | 5.1 |
| C | Underweight positions | 1% | 0.3 | 0.1 |
| D | Stocks not held in portfolio | 21% | 1.4 | 2.0 |
| E | Factors (correlations between stocks) | 25% | | 2.4 |
| F | Total (A + D + E) | 100% | 3.1 | 9.6 |
| G | Systematic risk (undiversifiable) | | 0.8 | 0.7 |
| H | Residual risk definition tracking error (G - F) | | 3.0 | 8.9 |



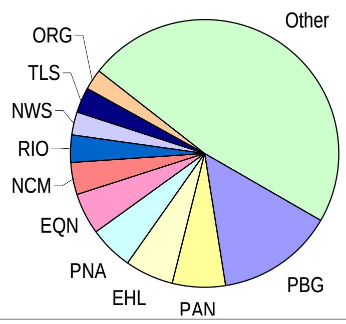

## Top 10 sources of risk: Stocks held in the portfolio (A)

| | | |
|---|---|---|
| 1 | PBG | 20% |
| 2 | PAN | 9% |
| 3 | EHL | 8% |
| 4 | PNA | 7% |
| 5 | EQN | 7% |
| 6 | RIO | 5% |
| 7 | NWS | 4% |
| 8 | TLS | 4% |
| 9 | QBE | 3% |
| 10 | CASH | 3% |
| | Other | 31% |

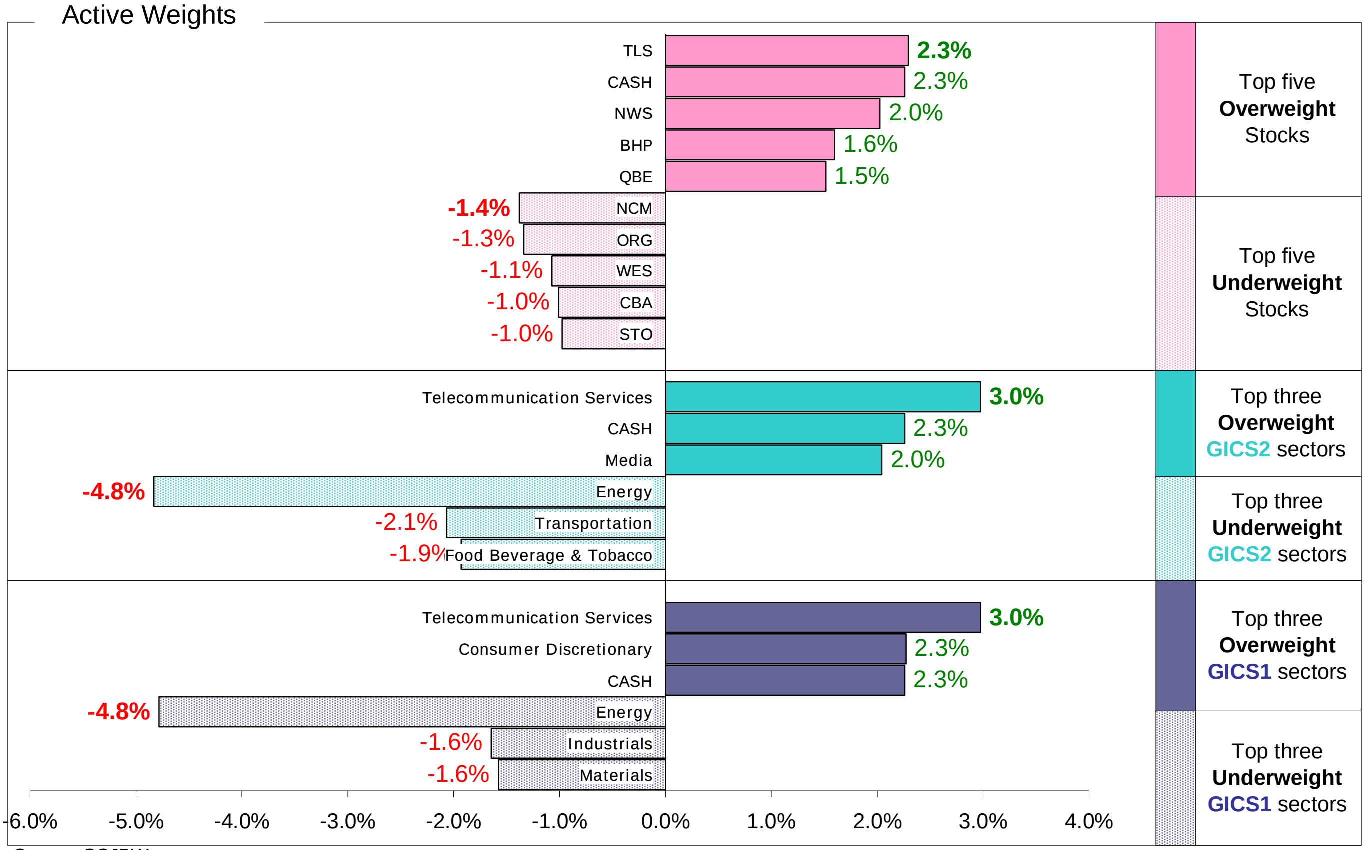



## Top 10 sources of risk: All stocks in benchmark (B+C+D)

| | | |
|---|---|---|
| 1 | PBG | 14% |
| 2 | PAN | 6% |
| 3 | EHL | 6% |
| 4 | PNA | 5% |
| 5 | EQN | 5% |
| 6 | NCM | 4% |
| 7 | RIO | 3% |
| 8 | NWS | 3% |
| 9 | TLS | 3% |
| 10 | ORG | 3% |
| | Other | 48% |




## Active Weights




*Source: GSJBWere*