

Fact Sheet

ATI Australian Equity Portfolio

Information as at 30 June 2011

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/ASX300 Accumulation Index by 3% p.a. over rolling three-year periods.

Performance Update

(*Returns to 30 June 2011)

	1 Mth (%)	3 Mth (%)	1 Yr (%)	2 Yr (% p.a.)	3 Yr (% p.a.)	5 Yr (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross of fees)	(1.3)	(4.6)	9.3	13.8	5.3	5.3	6.3
S&P/ASX300 Accumulation Index	(2.0)	(4.3)	11.9	12.5	0.3	2.4	3.8
Relative Outperformance	0.7	(0.3)	(2.6)	1.3	5.0	2.9	2.5

*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 OneVue SMA product. Performance assumes reinvestment of all income.

Inception date is 23 December 2005.

Portfolio Details as at 30 June 2011

Largest Holdings	Portfolio Weight (%)	S&P/ASX300 Weight (%)	Sector Allocation	Portfolio Weight (%)	S&P/ASX300 Weight (%)
BHP Billiton	15.9	12.5	Financials	42.0	36.7
ANZ Bank	8.0	5.1	Materials	27.2	27.7
National Australia Bank	7.3	5.0	Consumer Discretionary	7.0	4.0
Commonwealth Bank	7.0	7.3	Consumer Staples	5.8	8.5
Westpac Bank	6.3	6.0	Telecommunications	5.4	3.4
Rio Tinto	5.7	3.2	Industrials	3.5	6.9
Telstra	5.4	3.2	Energy	2.1	7.5
Woolworths	4.0	3.0	Healthcare	1.4	3.3
QBE Insurance	2.9	1.7	Utilities	1.3	1.3
Lend Lease	2.5	0.4	Information Technology	0.0	0.7

Selected Portfolio Statistics as at 30 June 2011

Inception Date	23-Dec-05	MER (est.)	~ 0.90% p.a.
Number of Stocks	32	Tracking error (forward estimate)	~ 3.0% p.a.
ATI Funds under Management	~ \$560m		

Relative Portfolio Performance

The ATI Equity Portfolio fell 1.3% in June compared with a fall of 2.0% by the S&P/ASX300 Accumulation Index. Against this benchmark, ATI is producing excess return on a one month, 2 year, 3 year, 4 year, 5 year and since inception (Dec-05) basis.

The Best and Worst Performing Sectors

The better performing sectors during June were Utilities (+0.8%), Consumer Staples (+0.5%); and Financials (-0.8%) while the worst performing sectors were Energy (-8.4%), Information Technology (-5.3%) and Telecommunications (-4.1%). Our monthly performance was assisted by stock selection in the Materials and Consumer Staples sectors and an underweight position in the Energy sector. Overweight positions in the Telecommunications and Consumer Discretionary sectors detracted from performance.

Attribution of Stocks

The portfolio performance during June was assisted by overweight positions in Metcash (MTS), Rio Tinto (RIO), and Australian Infrastructure Fund (AIX); and by not holding Newcrest Mining (NCM) and Wesfarmers (WES). Stocks in the portfolio that contributed to its relative performance during the month included:

Metcash (MTS) (+10.0%) rose in June after reporting a FY11 profit result (Y/E April) that was slightly above market expectations. FY11 EPS rose 4%, in line with guidance of 3-5% growth. A positive feature was that earnings leverage within the key IGA Distribution business (~83% of group EBIT) improved during 2H11 - we expect food inflation to continue to improve over FY12. The Mitre 10 result (in its first full year under MTS) was better than we expected, and there are further cost (eg. supply chain) and revenue (eg. trade terms and branding) initiatives that should occur during FY12. The key near term catalyst is MTS's Federal Court appeal against the ACCC's rejection of the Franklins acquisition. We believe there is benefit whatever the outcome as a positive result would underpin the EPS profile for IGA Distribution, while if the Federal Court rejects the appeal MTS has indicated that it would consider capital management initiatives. Notwithstanding the share price appreciation in June, MTS remains relatively attractive within the ATI investment universe.

Rio Tinto (RIO) (+1.8%) benefited from positive news flow during the month as it managed to acquire Tata's 26.28% stake in Riversdale (RIV) and moved to compulsory acquisition of the remaining minority shareholdings. RIO also held a week-long site tour to its Pilbara iron ore operations which included an announcement that it intends to accelerate its iron ore expansion programme. RIO remains relatively attractive in the ATI universe and a core portfolio holding.

Australian Infrastructure Fund (AIX) (+8.0%) rose during the month after reporting strong passenger growth across its airport portfolio. For the first 10 months of FY11 passenger numbers grew by 6.3%, driven by a number of factors including AIX's strategy of continued investment in developing its airport portfolio, the prior period containing disruption to European airports because of ash from the Iceland volcano, and a strong Australian dollar stimulating outbound travel. This offset disruption to a number of its Australian airports (Perth, Melbourne and Sydney) experiencing flight cancellations as a result of the volcanic ash cloud from Chile in Australian airspace during the month. AIX remains relatively attractive in the ATI universe and a core ATI portfolio holding.

Positions that detracted most from the portfolio's performance during the month were from being overweight Qantas (QAN), Fairfax Media (FXJ) and Insurance Australia Group (IAG); and from not holding Iluka Resources (ILU) and Fosters (FGL) which both outperformed. Stocks in the portfolio that detracted from performance during the month included:

Qantas (QAN) (-12.4%) underperformed in June after announcing that it expected to report FY11 underlying profit before tax of \$500-550m (v previous market expectations of ~\$650m). The guidance included a \$95m benefit from the Rolls Royce settlement, partially offset by \$66m in increased costs of natural disasters. The company also revealed that Qantas International is forecast to make an EBIT loss of \$200m in FY11, and this result is expected to be worse in FY12. Ongoing industrial relations issues and the disruptions caused by the ash cloud also dampened sentiment in June. On a positive note, the operating statistics for April and May (released late in the month) highlighted an improvement in domestic yields which suggests that the airline is getting some traction in passing through higher fuel prices in the domestic market. Post the downgrade QAN still remains highly ranked and we are maintaining our overweight position based on the potential for earnings upside risk if yields continue to be strong. Lower oil prices, higher currency, and a resolution to the industrial dispute would also be positive for the earnings profile and investor sentiment. The grounding of the entire Tiger Airways fleet by the Civil Aviation Safety Authority in early July is positive for both Jetstar and Qantas Domestic.

Fairfax Media (FXJ) (-8.8%) declined in June after the company confirmed that it was undertaking a strategic review of its entire asset portfolio (including Trade Me), following on from the commencement of the sale process of the metropolitan and regional radio assets which was announced in May. FXJ specifically confirmed that no decision had been made yet with respect to Trade Me, its dominant and highly valued NZ online business. The company also launched new iPad apps for the *Sydney Morning Herald* and *The Age* at the end of May, which will be free for six months under a sponsorship agreement with Telstra (TLS) after which they will cost \$8.99 per month. Initial user reviews and take-up (approaching 100,000 downloads) of the new apps have been encouraging. FXJ remains a portfolio holding and is still relatively attractive within the media sector of our universe.

Insurance Australia Group (IAG) (-4.2%) announced that its maximum net claims cost as a result of the recent Christchurch earthquake would be \$65m (after allowing for a \$50m recovery from the aggregate insurance) and would be included in the FY11 result. The company left FY11 insurance margin guidance unchanged at 8-10%. IAG also held a strategy day where the cost of reinsurance reinstatements for FY11 and 1H12 came in a bit above what the market was expecting. The company also wants Asia to be 10% of group revenue by 2016 (v 5% now). In late June, IAG was the subject of some negative press when the *SMH* (29 June) said the NRMA motoring body had sold a large portion of its IAG shares to “*provoke a restructure of the longstanding agreement between the two groups*”. However, IAG and NRMA released a joint statement saying that “*contrary to allegations made by ‘unnamed sources’ in the media today, both organisations enjoy a positive relationship and at no time have conducted ‘crisis talks’ of any nature*”. In what was an eventful month for IAG, CBA also released a statement indicating it had no interest in buying IAG, “*contrary to media reports*”. Despite the negative news over June, IAG remains a portfolio holding and continues to rank attractively in our investment grade universe.

Portfolio Construction

The ATI portfolio currently has somewhat of a large stock bias with regard to its market capitalisation exposures against the S&P/ASX300 index with 87% of the holdings in the top 50 stocks (81% of the S&P/ASX300 index), 11% in the next 100 (15% of the S&P/ASX300 index), and 3% in the last 150 stocks (5% of the S&P/ASX300 index). The number of stocks (32) in the portfolio remains unchanged from last month with the completion of the Equinox (EQN) takeover. The ATI stock rankings have changed slightly over the last month as the market sell-off continues and has seen some new names becoming relatively attractive. The portfolio is likely to have more holdings in coming months as a number of industrial stocks are expected to become relatively attractive in the ATI stock universe as a result of reporting season updates. These new positions are expected to compliment the overweight positions already held in the larger capitalisation stocks.

Portfolio Risk

The current forecast tracking error of ~2.9% (range of 2-8%) for the ATI portfolio is expected to change in coming months as the risk/return benefit of taking on some smaller capitalisation stocks is assessed over the reporting season.

As at 30 June the main sources of portfolio risk are from a variety of overweight smaller capitalisation stock holdings including Pacific Brands (PBG), PanAust (PNA) and Mount Gibson (MGX). 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), Rio Tinto (RIO), OneSteel (OST), Lend Lease (LLC) and Telstra (TLS).

General Market Commentary

Equity markets remained under pressure during June as investors reacted to the deteriorating macro news flow including the Greek sovereign debt crisis and global growth concerns about a slowing US economy. Domestic factors hardly helped either with the economic data releases suggesting there is now some slowdown occurring in the Australian economy. Commodity prices remained volatile, reflecting shifting views around whether China's inflation will be kept under control and a weaker USD. The Australian market (ASX 300 Accumulation Index) established a new year-to-date low during the month before finding some buying support and rallying to finish the month down 2.0%. The ASX300 Accumulation Index returned 11.9%, including dividends, for the 12 months to the end of June 2011.

Potential earnings risk remained a market feature during June as analyst downgrades outnumbered upgrades by 3:1. The strong AUD, leaking of consumption offshore, and repercussions from natural disasters, all contributed to lower earnings forecasts heading into the FY11 reporting period. A significant blowout in costs and timing of the Pluto project saw investors selling Woodside Petroleum (WPL), while M&A activity remained a feature as SAB Miller made an offer for Foster's (FGL), which was rejected by the FGL board. Telstra (TLS) reached a definitive agreement with the Federal Government over compensation for the use of assets by, and migration of customers, to the National Broadband Network (NBN). Tabcorp (TAH) completed the demerger of its casino business into Echo Entertainment (EGP), after which Crown (CWN) announced a 4.9% stake in both companies.

Concerns over global growth hit the commodity sectors, notably Energy (-8.4%) which also felt pressure from falling oil prices and from the Pluto announcement by sector heavyweight WPL. The Materials sector (-2.0%) lagged, though the miners were boosted late in the month by a comment by Chinese Premier Wen Jiabao expressing confidence that inflation is under control. Banks (+0.2%) held up a bit better than the average but the stronger out-performers were defensive sectors such as Utilities (+0.8%) and Consumer Staples (+0.5%). The Telco sector lagged (-4.1%) due to some disappointment over the terms of TLS's NBN deal.

There was a raft of domestic economic data releases in June, highlighting a sharp slowdown in economic momentum and resulting in downgrades to consensus GDP forecasts for calendar 2011. Disruptions associated with widespread flooding contributed to a 1.2% fall in GDP in the March quarter (+1.0% yoy) – the weakest quarterly outcome since the early 1990s recession. Jobs growth in May was lower than expected for the fifth time in the past six months, resulting in the RBA leaving rates on hold at 4.75% and adopting a more conservative tone in its *Statement of Monetary Policy*. Whilst the RBA held rates steady, it continued to stress the longer-term inflation challenge despite 1Q GDP seeing its largest decline in 20 years as severe flooding hit exports. Interest rate futures reacted to the RBA news by pricing out any further rate increases this year and this saw the AUD/USD trend down to 104¢ before rallying at the end of the month to finish at 107¢ (+0.6¢). The AUD support late in the month reflected the ongoing firm RBA commentary offsetting some soft domestic data releases and worsening economic conditions now expected for Europe and the US.

The International Energy Authority (IEA) agreed to release 60m barrels of oil from its strategic reserves over the next month to offset the loss of production from Libya. This sent oil prices sharply lower to finish down 7.1% for the month, though they were already down with weaker economic growth prospects weighing on sentiment. The spread between Brent and WTI reached a record high (US\$22.79 / bbl) mid-month. Supplies in Europe have dwindled due to a recent decline in North Sea and Middle Eastern production while there remains a glut of supply in Cushing, Oklahoma. Spot gold failed to capitalise on lower risk appetite and sovereign debt concerns in both Europe and the US, slipping 1.8% over the month. Base metals (LME index -0.8%) continued to reflect concerns over policy tightening in emerging markets and developed world growth, though they saw some support from the Chinese Premier Wen's comments that China can still rein in inflation and sustain rapid economic development. A recent out-performer, aluminum, was notably weak (-5.3%). Spot iron ore prices fell again (-1.8%) despite an increase to imports in China in May (+2.4% y/y).

Outlook

ATI continues to hold a diversified portfolio of stocks that provides leverage to the key growth themes driving the domestic economy (mining investment and volumes, plus consumption) with a minority of stocks being exposed to the US economy that is losing the potential for positive earnings surprises to emerge over calendar 2011. The resources sector remains leveraged to any ongoing improvements in global growth forecasts, while the short term sentiment towards the major banks has the potential to continue to improve as the chance for some disappointing earnings reports from some industrial stocks seems possible over the next few months during the reporting season. The recent sell-off for equity markets appears to be based on the anticipation that a synchronised global earnings recovery is now some way off and it will need an improvement in reported FY11 and FY12 earnings prospects to draw investors back to equities.

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 drive the next upward phase in equity markets.

PORTFOLIO RISK SUMMARY

Portfolio Name:	MyPort
Benchmark:	ASX300
Date of Data:	30-Jun-11

Model:	48months - 5 factors
Factor Analysis:	Multi-Factor
Timestamp of Analysis:	1/07/2011 4:04:56 PM

Historic portfolio alpha **5.8%** **Active Exposures:**
 Historic portfolio beta **0.96** Held: 42.7%
 Raw return **-0.9%** Total: 84.6%

Forecast Tracking Error	2.81 %	2.90 %
	(residual risk)	(active risk)

Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A Stocks held in portfolio (B+C)	75%	2.5	6.3
B Overweight positions	75%	2.5	6.3
C Underweight positions	0%	0.1	0.0
D Stocks not held in portfolio	41%	1.9	3.5
E Factors (correlations between stocks)	-16%		(1.3)
F Total (A + D + E)	100%	2.9	8.4
G Systematic risk (undiversifiable)		0.7	0.5
H Residual risk definition tracking error (G - F)		2.8	7.9

