

Fact Sheet

ATI Australian Equity Portfolio

Information as at 31 December 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 31 December 2010)

	1 Mth (%)	3 Mth (%)	1 Yr (%)	2 Yr (% pa)	3 Yr (% pa)	5 Yr (% pa)	Inception (% p.a.)
ATI Equity Portfolio (gross of fees)	3.3	3.1	0.5	22.6	(1.0)	7.1	7.1
S&P/ASX 300 Accumulation Index	3.8	4.6	1.9	18.4	(5.0)	4.4	4.5
Relative Outperformance	(0.5)	(1.5)	(1.4)	4.2	4.0	2.7	2.6

*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 December 2010

Largest Holdings	Portfolio Weight (%)	S&P/ASX300 Weight (%)	Sector Allocation	Portfolio Weight (%)	S&P/ASX300 Weight (%)
BHP Billiton	16.4	13.2	Financials	44.6	36.5
ANZ Bank	7.8	5.3	Materials	26.8	28.9
Westpac Bank	7.5	5.8	Consumer Discretionary	5.8	3.9
National Australia Bank	6.9	4.4	Telecommunications	5.1	3.1
Commonwealth Bank	6.3	6.9	Consumer Staples	5.0	8.1
Rio Tinto	6.0	3.0	Industrials	4.3	6.4
Telstra	5.1	2.7	Healthcare	2.6	3.4
Woolworths	3.6	2.8	Energy	2.0	7.6
QBE Insurance	3.2	1.7	Utilities	1.2	1.3
CSL	2.6	1.7	Information Technology	0.0	0.7

Selected Portfolio Statistics as at 31 December 2010

Inception Date	23-Dec-05	MER (est.)	~ 0.90% p.a.
Number of Stocks	32	Tracking error (forward estimate)	~ 3.5% p.a.
ATI Funds under Management	~ \$450m		

Relative Portfolio Performance

The ATI Equity Portfolio rose 3.3% in December compared with a rise of 3.8% by the ASX300 Accumulation Index. Against this benchmark, ATI is producing excess return on a 2yr, 3yr, 5yr and since inception (Dec-05) basis.

The Best and Worst Performing Sectors

The better performing sectors during December were: Information Technology (+6.9%); Materials (+6.5%); and Energy (+4.6%). The worst performing sectors were: Telecommunications (-0.8%); Property trusts (-0.2%); and Consumer Discretionary (+0.6%). Our monthly performance was affected by an overweight position in the Financials and Consumer Discretionary sectors, a relatively neutral position in the Materials sector, and underweight positions in the Energy, Healthcare and Industrial sectors.

Attribution of Stocks

The portfolio performance during December was assisted by overweight positions in Lend Lease (LLC), Alesco Corporation (ALS), and Emeco Holdings (EHL) and by not holding Wesfamers (WES) and Newcrest Mining (NCM). Stocks in the portfolio that contributed to its relative performance during the month included:

Lend Lease (LLC) (+13.9%) rose during December after a raft of announcements including an agreement to acquire Valemus, the Australian operations of German construction company, Bilfinger Berger for \$960m. Management estimate that the acquisition of Valemus will be ~15% EPS accretive from FY12E but has not included any potential cost or revenue synergies as part of its forecasts. It will assess these within the first three months of completing the acquisition. LLC is now Australia's second largest contractor in engineering construction and the largest in non-residential construction. LLC also announced an asset sale in the UK and NSW Government approval for Barangaroo South during the month. LLC remains the most attractive of the large capitalisation property stocks within the ATI universe.

Alesco Corporation (ALS) (+12.1%) performed well during December due to market upgrades following site tours and positive sentiment on the back of corporate transactions (GWA Group acquiring B&D competitor Gliderol and Fletcher Building making a takeover bid for Crane Group). ALS remains a portfolio holding and is still relatively attractive within the industrials sector of our universe.

Emeco (EHL) (+11.3%) performed well during December on the news of further increasing fleet utilisation, efficient use of capital and evidence that CEO Keith Gordon's restructuring strategy (moving away from civil operations to more mining related clients) was working. Evidence of improvement in the Canadian operations was also received positively. EHL remains a portfolio holding and is still relatively attractive within the industrials sector of our universe.

Positions that detracted most from the portfolio's performance during the month were from being overweight Hastie Group (HST), Bank of Queensland (BOQ), and Telstra (TLS), and from not holding Alumina (AWC) and Lynas Corporation (LYC) which both outperformed. Stocks in the portfolio that detracted from performance during the month included:

Hastie Group (HST) (-13.2%) fell during the month as concerns surrounding further earnings downgrades and the potential for the breaching of debt covenants weighed on the stock. The company reiterated that FY11 guidance was heavily skewed to 2H. The company also announced in late December that it had amended three of its financial covenants with its bankers. Despite the reduction in our earnings forecasts, HST remains the most attractive of the industrial stocks within our universe.

Bank of Queensland (BOQ) (-10.4%) fell during the month after the company released an update to the market increasing their bad and doubtful debts (BDD) expense to \$85-90m for 1H11, 60% above previous guidance of \$53m. BOQ noted this increase in BD's was driven by poorly performing commercial property exposures in Queensland. BOQ also downgraded its cash NPAT guidance from \$220-250m to \$210-230m. In addition, BOQ saw some of its prior period out-performance eroded after the Treasurer's proposed banking sector reform fell short of market expectations. Treasurer Wayne Swan announced proposed changes to the banking system which included the establishment of a covered bond market, further support of the residential mortgage backed securities (RMBS) market and the abolishment of exit fees on home loans. BOQ remains a relatively attractive ATI portfolio holding.

Telstra (TLS) (-0.7%) underperformed the broader market during the month after the full NBN Co Corporate Plan was released and revealed an average wholesale access price of ~\$33-34 per month based on pricing of: \$24 for 12mbps, \$32 for 50Mbps, \$100 for 500Mbps and \$150 for 1,000Mbps. Total equity and debt funding for NBN is estimated to be \$40.9bn of which the government will put up \$27.5bn in equity and NBN will borrow \$13.4bn from financial markets between 2015 and 2021. A definitive agreement between Telstra and NBN Co is expected to be reached by 30 June 2011. Despite the ongoing uncertainty about the final details with NBN, TLS remains the most attractive of the telco 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 81% of the holdings in the top 50 stocks, 15% in the next 100, and 4% in the last 150 stocks. The number of stocks (33) in the portfolio changed from last month (32) with the addition of Qantas (QAN) during the month. The ATI stock rankings are currently indicating that the market has rallied to a point where the number of relatively cheap stocks has reduced such that the portfolio is likely to remain holding a similar number of stocks in the near term with overweight positions held in the larger capitalisation stocks which have become relatively attractive in the ATI stock universe.

Portfolio Risk

The current forecast tracking error of 3.5% (range of 2-8%) for the ATI portfolio also reflects the fact that our stock rankings do not currently indicate the benefit of taking on additional risk and moving far above the current level.

As at 31 December the main sources of portfolio risk are from a variety of overweight smaller capitalisation stock holdings including Pacific Brands (PBG), Alesco Corporation (ALS), Emeco Holdings (EHL), Mount Gibson (MGX) and Equinox Minerals (EQN). 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) and Lend Lease [LLC].

General Market Commentary

Equity markets finished a volatile year on positive note and rose strongly in December, reflecting the continued positive momentum in US macro data, diminishing concerns around European sovereign debt issues and the release of positive outlook commentary on markets for 2011 from the majority of research houses. The Australian market (ASX300 Accumulation Index) finished the month higher (+3.8%) and had a total return of +1.9% for calendar 2010. Other major global equity markets indices also rallied during December as sentiment towards the US economy improved on the back of stronger macro data allowing them to overcome the negatives of bond market weakness, tensions in the Korean peninsula and China's move to a policy tightening bias. From a global perspective, Australia lagged the other major global and regional equity markets, despite the strong momentum in the economy, improving terms of trade and strong fiscal position. In USD terms, Australia's relative performance improved, reflecting the strength of the AUD relative to the USD. The Asian markets achieved the best returns during 2010 while Germany was the best performer of the G7 nations.

Domestically, resources sector stocks outperformed for the fourth month in a row as commodity prices rose again, M&A activity continued unabated and a report on the implementation of the new mineral tax regime contained no unexpected surprises. Banks maintained their recent performance as the Government proposals on competition proved less challenging than the market had initially feared. Sector performance across the market during calendar 2010 was very mixed and reflected the constant change in sentiment across the risk spectrum during the year. The strong rebound in resource stocks during the second half resulted in it being the best performing sector during 2010, while the telco sector was negatively impacted by increased uncertainty around the regulatory environment and increased competitive issues facing Telstra. Small cap stocks generally outperformed due in large to the performance of many smaller resource stocks as investors increased their risk exposure.

The NSW Government completed the privatisation of its electricity assets: AGL did not acquire anything in the bidding process while TRU Energy acquired Energy Australia and Origin the other two retailers, Integral and Country. Lend Lease agreed to acquire Valemus, the Australian operations of Bilfinger Berger AG. NBN Co released its full business plan with a range of likely implications for the main players in the telco sector.

The Reserve Bank left the cash rate on hold at 4.75% as expected, stating that the current setting is "appropriate for the economic outlook". The domestic economic data during December indicated the economy slowed during the September quarter, with GDP growth at 0.2% qoq and annual growth at +2.7% yoy. Employment growth, however, remained strong with the November employment growth rate being twice consensus estimates with all jobs created being full-time and the rate of employment growth on a year earlier being the fastest since mid-2005. Stronger commodity prices and firmer short interest rate expectations pushed the AUD higher (+6.7% against the USD) and it ended the month above USD parity for the first time since June 1982 at 101.6¢. The AUD increased by 13.3% during calendar 2010 after starting the year at 89.7¢.

Crude oil performed strongly in December with spot prices rising 8.6% and the closing high level for the month of US\$91.49/bbl had not been seen since October 2008. Very cold weather in the northern hemisphere supported the strength in spot market prices as US inventories saw their biggest weekly drawdown since September 2002. Spot gold rose +2.9% in December and ended the month above US\$1400/oz as the weakness of bond markets may have attracted risk-averse flows to bullion and the continued tension between North and South Korea also helped to maintain buying interest. Disruption to Indian exports continued to support spot iron ore which posted a modest gain in December (Tianjin 62% fines +1.4%). Base metal prices generally rose over December, with copper (+14.6%) reaching a new all-time high closing price. A port terminal accident in Chile halted shipments of copper concentrate, although zinc (+16.1%) and aluminium (+9.5%) were also up strongly during the month.

Outlook

The end of calendar 2010 saw investors increasingly more optimistic about the outlook for 2011, given the more positive tone from the US and diminishing concerns around Europe and China. The ATI portfolio continues to hold stocks leveraged to the key growth themes driving the domestic economy (mining investment and volumes, plus consumption) whilst being mindful of those stocks exposed to the US that have increasing potential for positive surprises to emerge during 2011. The resources sector remains dependent on global growth with an Asian demand focus, while the sentiment towards the banks has the potential to improve post their results. With this in mind, ATI sees the possibility for banks to exceed consensus earnings estimates when they report in 1Q11 and feel the concerns around capital adequacy of the larger banks are now diminishing.

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 provide the next upward phase in equity markets.

PORTFOLIO RISK SUMMARY

Portfolio Name:	MyPort
Benchmark:	ASX300
Date of Data:	31-Dec-10
Timestamp of analysis:	1/4/2011 11:57:21 AM

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

Historic portfolio alpha **6.3%** **Active Exposures:**
 Historic portfolio beta **1.01** Held: 43.4%
 Raw return **2.1%** Total: 85.5%

Forecast Tracking Error **3.42 %** **3.42 %**
 (residual risk) (active risk)

Source of portfolio risk	contribution to active portfolio risk	standard deviation	variance / covar.
A Stocks held in portfolio (B+C)	62%	2.7	7.2
B Overweight positions	62%	2.7	7.2
C Underweight positions	0%	0.1	0.0
D Stocks not held in portfolio	33%	2.0	3.8
E Factors (correlations between stocks)	5%		0.6
F Total (A + D + E)	100%	3.4	11.7
G Systematic risk (undiversifiable)		0.2	0.0
H Residual risk definition tracking error (G - F)		3.4	11.7

