

# Fact Sheet

## ATI Australian Equity Portfolio

Information as at 30 September 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 30 September 2009)

	1 Month (%)	3 Month (%)	1 Year (%)	2 Year (% p.a.)	3 Year (% p.a.)	Inception (% p.a.)
ATI Equity Portfolio (gross of fees)	6.9	25.9	20.5	(4.2)	6.9	8.4
S&P/ASX 300 Accumulation Index	6.3	21.6	8.5	(11.1)	1.6	4.6
Relative Outperformance	0.6	4.3	12.0	6.9	5.3	3.8

\*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 30 September 2009

Largest Holdings	Portfolio	S&P/ASX300	Sector Allocation	Portfolio	S&P/ASX300
	Weight (%)	Weight (%)		Weight (%)	Weight (%)
BHP Billiton	11.6	11.4	Financials	43.6	41.1
Commonwealth Bank	7.7	7.0	Materials	17.2	22.9
Westpac	7.3	6.9	Consumer Discretionary	8.6	3.9
ANZ	6.8	5.5	Consumer Staples	7.4	8.5
NAB	6.5	5.8	Telecommunications	6.1	3.8
Telstra	5.2	3.3	Industrials	5.4	6.7
QBE Insurance	4.2	2.2	Healthcare	4.9	3.5
Woolworths	3.5	3.2	Energy	2.3	7.7
Rio	2.9	2.3	Utilities	1.2	1.3
CSL	2.9	1.8	Information Technology	0.0	0.7

### Selected Portfolio Statistics as at 30 September 2009

Inception Date	23-Dec-05	MER (est.)	~ 0.90% p.a.
Number of Stocks	36	Tracking error (forward estimate)	~ 3.5% p.a.
ATI Funds under Management	~ \$500m		

## General Market Commentary

### Australia's Market Performance

The Australian Equity market continued its strong performance during September with the ASX300 Accumulation Index finishing the month up 6.3%. This was the seventh positive month in a row since February 2009 and the market has now increased over 50% from its lows in March 2009. The market is now at its highest level since August 2008, however, it remains about 30% off its pre global financial crisis highs reached in November 2007. Investor focus during September centred on interpreting the trends from reporting season and economic releases, which maintained a positive bias. The key issues over the next quarter are how much of the recovery has already been priced in. ATI is focusing on identifying companies that will show evidence of a sustainable earnings recovery leading to improved profitability, notwithstanding lower fiscal stimulus in the global economy.

ATI's relative outperformance (alpha) for the month was assisted by an overweight position in banks - which increased 10.4% - driven by expectations of improving margins and further M&A activity (ANZ and ING). ATI was also underweight in the resources sector which relatively underperformed the broader market, increasing only 2.4%, due to commodity prices declining in \$A terms. However, ATI's overweight position in telecommunications detracted from performance as the sector only increased 0.3%, due mainly to the ongoing uncertainty surrounding the impact on Telstra's earnings, following the Government's decision to require it to functionally separate its business.

Australian economic data continued to be interpreted positively. The June quarter GDP report came in above consensus expectations, growing 0.6% qoq, whilst the unemployment rate was steady at 5.8% for a third month, showing the Australian labour market remains resilient to the broader economic downturn. The RBA kept rates on hold at 3.0% (in line with consensus expectations), however the market is now pricing in a 45bp rate increase before year-end, driven by better than expected unemployment and retail sales figures.

The \$A consolidated recent gains to finish the month at 87.9¢ (+3.5¢) and is now over 40% higher than the 2009 low of 63¢. Despite a further fall in US inventories, albeit from high levels, and a weak \$USD, spot oil remained flat in September being up 0.9% to \$US70.61. Spot gold broke out of a four month trading range and went through \$US1,000 for the first time March 2008, ending the month up 5.1% at \$US1,002.67. Base metals generally fell during September, notably copper which fell almost 8% after fears that there is a gap in forecast demand between Chinese re-stocking and developed world recovery.

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. 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 release of September quarter sales and production 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: Information Technology (+10.1%); Financials (+9.8%); and Property Trusts (+9.5%). The worst performing sectors were Telecommunications (+0.3%); Energy (+1.5%); and Materials (+2.5%).

### Relative Portfolio Performance

The ATI Equity Portfolio rose +6.9% compared with a rise of 6.3% by the S&P/ASX300 Accumulation Index. The relative outperformance was assisted by overweight holdings in Fairfax Media, ANZ Bank and APN News & Media and not holding Santos and Fortescue Metals.

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

**Fairfax Media – FXJ (+16.7%)** ended the month up strongly, driven largely by: (1) positive economic data, including better than expected labour force figures; and (2) comments by News Corp's Rupert Murdoch that employment advertising in the first 2 weeks of September was up ~10% on pcp. Fairfax was enveloped late in the month by boardroom hostilities between major shareholder Marinya Media (9.7% shareholder) and independent directors over the reappointment of current Chairman Ron Walker.

**ANZ Bank – ANZ (+14.6%)** announced the purchase of the 51% stake in its Wealth Management joint venture from partner ING for \$1,760m. The transaction included Life Insurance and Wealth Management assets in Australia and NZ and excluded ING Direct, ING Investment Management, ING Wholesale banking and ING Real Estate. Also during the month, ANZ announced the redemption of \$600m hybrid Tier 1 convertible notes (in contrast to National Australia Bank and Commonwealth Bank who both raised non-equity capital). The \$11bn of ordinary share capital raised by ANZ over the last 3 years has allowed it flexibility to redeem hybrid Tier 1 capital that would otherwise be expensive to roll relative to historical spreads.

**APN News and Media – APN (+9.6%)** ended the month higher after it was announced that major shareholder Independent News & Media had reached an agreement in principle with its bondholders and major banks in relation to a proposed financial restructuring. This agreement implies a greatly reduced probability of a forced sell-down (and potential stock overhang) of INM's ~33% interest in APN. The share price was also boosted by evidence of increasing advertising activity in Australia and an improving outlook for the New Zealand economy.

Stocks that detracted most from the Portfolio's relative performance during the month were overweight positions in Telstra, Incitec Pivot and Amcor, as well as from not holding Cochlear, Qantas and Computershare.

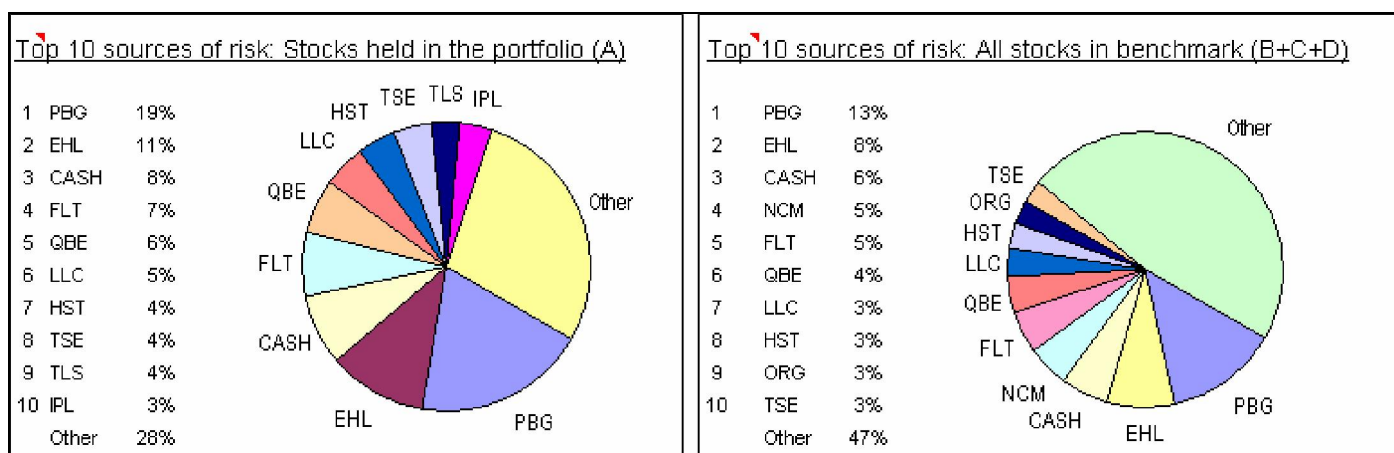
Stocks in the portfolio that detracted from relative performance were:

**Telstra – TLS (+0.3%)** was flat this month due to the government announcing a number of fundamental reforms to existing telecommunications regulations. To address Telstra's vertical integration the Government has presented Telstra with two broad options: (1) structural separation which could mean a number of things including a demerger or a migration of fixed traffic/vending of assets into NBNCo; and (2) if Telstra chooses not to structurally separate, the Government will seek to pass legislation to impose functional separation. In addition, to address Telstra's horizontal integration the government will prevent Telstra from acquiring additional wireless spectrum if it: (1) does not structurally separate; (2) owns its HFC network; or (3) maintains its interest in Foxtel. Senator Conroy has indicated it hopes to complete negotiations with Telstra by the end of the year and the stock is likely to be volatile until further clarification on Telstra's response to the options is known.

**Incitec Pivot – IPL (-6.0%)** traded lower due to lower than expected demand in its explosives business (Dyno) over the US summer months. Also, despite DAP prices presently holding firm, there is an expectation that fertilizer prices might also fall short in the short term and it will take a recovery in soft commodities before the prices are expected to rise again. The market will be monitoring the outlook for the business when the FY09 result to September 2009 are released in November.

**Amcor – AMC (-5.0%)** ended the month lower after announcing AMVIG Holdings announced it would sell Brilliant Circle Holdings International and repurchase some its shares, which would take AMC's holding up from 38.9% to ~46%. During the month, AMC also completed the retail portion of its entitlement offer and this led to some selling of the stock to fund the deeply discounted offer (\$4.30/share).

## Risk Analysis



## 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.