

EquityPortfolio Mandate Profile

Managed Imputation



June 2009

Investment manager

OneVue Limited (OneVue) outsourced management to ATI Asset Management (ATI) in 2005.

Company background

ATI Asset Management (ATI)

ATI was established in September 2004 as a high conviction boutique Australian equities manager. The principals have extensive experience in the Australian funds management/finance industry. ATI has developed a proprietary Equity Ranking System (ERS) that forms the basis for the active management of Australian equity portfolios with a value style bias.

Investment process and strategy

ATI's broad investment philosophy is that structured and disciplined active management of its portfolios is the key to consistent and risk controlled outperformance. ATI's investment style is strongly based on the relationship between forecast earnings and dividends, relative market return (RMR) and current share price.

ATI utilises a four stage investment process that provides the framework for stock selection and portfolio construction. The ERS produces an ordinal ranking of an investment grade universe of stocks available for portfolio inclusion. ATI focuses on selecting those companies whose share prices appear cheap relative to the universe of stocks and the GICS industry sector that they are in. The ATI relative value approach applies at both the asset allocation and at the specific stock selection level.

Tax - aware investment management

Taxation effects are generally considered before switching between holdings. The "tax-aware" nature of portfolio management differentiates OneVue from external managers. As part of the tax management of portfolios, OneVue can realise capital losses while allowing, where feasible, unrealised gains to remain unrealised each year. Tax parcels are optimised to take advantage of any capital gains tax discount rules.

Mandate objective

Aims to earn returns primarily on dividends (with associated imputation credits) and some capital growth from managed exposure to companies predominately within the ASX 200 Index. Selections and activity assume the investor can utilise imputation credits. Switching between stocks allows for additional dividends and imputation credits over and above that achieved in a passive portfolio, while taking into account the 45 day rule.

Designed for investors who are:

- long term investors (minimum 5 years)
- seeking tax effective capital growth

Inception date

1 April 2005



Mandate commentary

The Managed Imputation portfolio rose 16.60% in the June quarter compared with a rise of 11.5% for the S&P/ASX 300 Accumulation Index and returned - 5.93% in the 12 months to June 30 versus a fall of 20.3% for the S&P/ASX 300 Accumulation Index.

The better performing sectors this quarter were: Consumer Discretionary +17.4%; Industrials +13.1%; and Property Trusts +12.9%. The worst performing sectors were: Utilities -2.2%; Health Care +3.9% and Telecom's +6.3%.

Shares contributing to portfolio's relative quarterly performance;

- **Pacific Brands – PBG +285%** shares rose sharply during the quarter as investors reacted positively to the news that PBG had extended the maturity of two debt tranches. Responding to a share price enquiry, PBG advised that FY09 EBIT (pre restructuring costs) would not vary by more than 15%. In June, PBG successfully completed a \$256M capital raising to be used to pay down debt, allaying market concerns about their ability to service debt.
- **Macquarie Countrywide Trust – MCW +127%** rose during the quarter as market concerns about its debt burden were addressed via the successful completion of the sale of 7 properties and the refinancing of two US debt facilities totalling \$165M. MCW like many other property trusts was re-rated during the quarter as the market bought deep value cyclical stocks.
- **Flight Centre – FLT +62%** was a stock that rose during the quarter as the market took the "green-shoots" view that the worst has passed and rotated from defensive stocks into cyclical companies with earnings leveraged to economic recovery. FLT's share price recovered in June, after falling significantly in April when it issued a profit downgrade to FY09 earnings.

Shares detracting from portfolio's relative quarterly performance;

- **CSL Limited - CSL -1.0%** shares fell during the quarter as the US anti-competition watchdog, the Federal Trade Commission (FTC), moved to initiate legal action to block the acquisition of Talecris. The FTC said the transaction would substantially reduce competition in the US. As a result, CSL terminated the proposed merger. In June, CSL announced an on-market \$1.6B share buyback and signed a contract with the US Government to produce vaccines for swine flu, which saw the stock recover.
- **QBE Insurance Group – QBE +3%** underperformed during the quarter. The lower than market returns were due to the rising Australian dollar negatively impacting overseas revenues, the probability of one off expenses and the resulting possibility that QBE will be required to raise additional capital which would dilute existing shareholders. Over the long term, however, QBE remains an attractive business with an excellent and stable management team that have guided the business successfully through several challenging conditions previously.

Mandate composition guidelines

Benchmark index	ASX 200 Accumulation Index
Investment universe	Stocks shall be selected from the universe of listed and intended to be listed securities
Number of securities	10 - 25
Minimum number of market sectors	5
Financial sector maximum stock limit	60% of portfolio value
Property sector maximum stock limit	25% of portfolio value
Individual stock weighting limits	Maximum of 15% of portfolio value, and the greater of 6% or 30 times the index weight
Maximum cash holding	40%
ETO's	Yes
Taxation rules	This mandate takes into account the 45 day rule on franking

Top 10 holdings

Sum of Weighting %			
Holding	Total	Index	Stock Tilt
BHP	11.17	13.13	-1.96
ANZ	6.67	4.33	2.34
CBA	6.39	6.67	-0.28
NAB	6.4	4.85	1.55
QBE	3.45	2.25	1.20
TLS	4.25	3.99	0.26
WBC	7.69	6.64	1.05
WES	3.01	2.96	0.05
CBAPB	2.95	0.00	2.95
WOW	4.01	3.65	0.36
Sub Total	55.99	48.46	7.53
Other stocks	37.79	51.54	-13.75
Cash	6.22	-	6.22
TOTAL	100.00	100.00	-

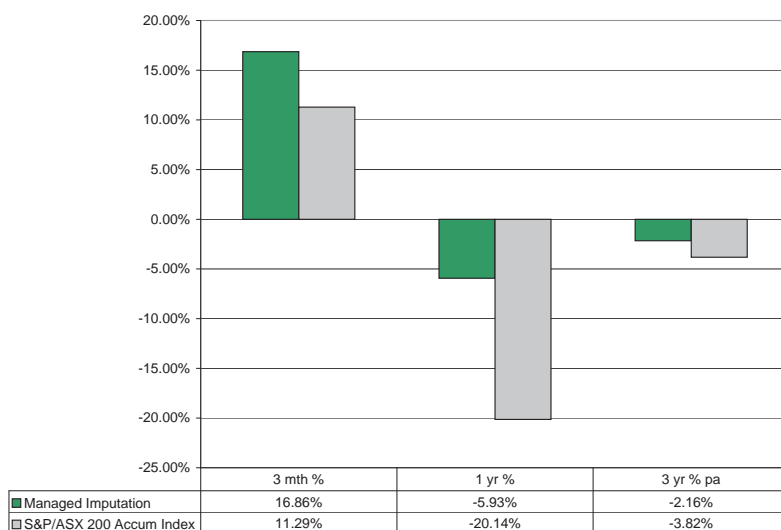
Information as at 30 June 2009

Market sector exposure

Australian equities	%	Index	Sector Tilt
Consumer Discretionary	8.27	3.97	4.30
Consumer Staples	9.51	9.45	0.06
Energy	0.00	8.23	-8.23
Financials	44.22	37.36	6.86
Health Care	2.46	3.93	-1.47
Industrials	10.17	5.61	4.56
Information Technology	0.00	0.56	-0.56
Materials	14.90	24.93	-10.03
Telecommunication Services	4.25	4.58	-0.33
Utilities	0.00	1.39	-1.39
Cash	6.22	0.00	6.22
TOTAL	100.00	100.00	0.00

Information as at 30 June 2009

Performance



Mandate weightings changes - June Quarter 2009

Bought	CSL, EHL, RIO, TEL, WOW
Sold	HVN
Unchanged	ANZ, BHP, BSL, BXB, CBA, CBAPB, DOW, DXS, FGL, FLT, FXJ, HST, IPL, LLC, MCW, MQG, NAB, PBG, QAN, QBE, SHL, SUN, TAH, TLS, TSE, WBC, WDC, WES

Disclaimer

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