

BT Institutional Australian Sustainability Share Fund

Fact Sheet
July 2009

ARSN: 097 661 857



About the fund

The Fund brings together the specialist skills of BTIM and Monash Sustainability Enterprises (MSE). MSE has developed proprietary technology to analyse listed Australian companies for environmental and social best practice within agreed industry sectors. BTIM uses its investment expertise to construct a diversified portfolio of share investments selected from a sustainability ranked universe, according to financial criteria.

Fund objective

The Fund aims to provide a return (before fees) that exceeds the S&P/ASX 200 Accumulation Index over the medium to long term whilst maximising the portfolio's focus on sustainability. The suggested investment timeframe is five years or more.

Investment approach

Each company is assessed using a "triple bottom line" performance approach. MSE evaluates Australian companies based on environmental and social criteria and BTIM evaluates companies on financial performance.

MSE conducts the initial screening process by assigning a 1-5 rating for environmental and social criteria (where one is the highest ranking and five is the lowest ranking) for each stock within the S&P/ASX 200 Index. Stocks that are rated four or five are excluded from the portfolio¹. The fund also excludes stocks which directly mine uranium for the purposes of weapon manufacture.

BTIM then evaluates financial performance for each of the remaining stocks (i.e. the investable universe) and assigns a 1-5 financial rating to each stock. The portfolio is then constructed using an optimisation process. This process seeks to deliver the optimal combination of risk and return within the Fund's investment constraints.

Investment team

The portfolio manager for the Fund is Rajinder Singh in BTIM's Quantitative Investment Strategies team who has more than eight years' industry experience. The team combines fundamental analysis from BTIM's Australian large-cap equities team, one of the largest in the industry, with inputs from MSE to manage the Fund using a disciplined process.

Investment guidelines

Maximum tracking error (ex-ante)	3.5%
Active single sector position	+/- 6.0%
Active single stock position	+/- 3.5%

Fees

Management fee	0.85% pa*
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* You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.



CERTIFIED BY RIAA

BT Investment Management (RE) Limited ABN 17 126 390 627, AFSL 316 455, has been certified by RIAA according to the strict disclosure practices required under the Responsible Investment Certification Program. The Certification Symbol signifies that an investment product or service takes environmental, social, ethical or governance considerations into account along with financial returns. See www.responsibleinvestment.org for details.

¹ Companies rated either 4 or 5 may only be included in the portfolio in the case of a demonstrated need to manage investment risk.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	6.91	6.98	7.31
3 months	11.18	11.42	13.13
FYDT	6.91	6.98	7.31
6 months	20.09	20.60	23.06
1 year (pa)	-8.83	-8.05	-10.20
2 years (pa)	-12.26	-11.50	-12.94
3 years (pa)	-0.61	0.25	-0.96
5 years (pa)	8.13	9.06	8.34

Asset allocation

Energy	10.0%
Materials	26.0%
Industrials	3.7%
Consumer Discretionary	2.7%
Consumer Staples	7.9%
Health Care	4.1%
Information Technology	0.3%
Telecommunication Services	4.6%
Utilities	1.2%
Financials ex Property Trusts	31.2%
Property Trusts	2.7%
Cash & Other	5.6%

Top 10 holdings

BHP Billiton Limited	14.3%
Westpac Banking Corporation	7.1%
Commonwealth Bank of Australia Ltd	6.3%
National Australia Bank Limited	5.4%
ANZ Banking Group Limited	4.9%
Telstra Corporation Limited	4.9%
Wesfarmers Limited	4.1%
Origin Energy Limited	3.8%
Rio Tinto Limited	3.7%
Woolworths Limited	3.5%

Other information

Fund size (as at 31 Jul 2009)	\$98 million
Date of inception	October 2001
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.50%
Income distribution frequency	Semi-annual
APIR code	WFS0285AU

Market Overview

The Australian equity was up for its fifth consecutive month, rising 7.3% for July. Global and Australian equity markets have benefited from signs the recession is nearing an end and from the strong liquidity generated by loose monetary policy.

Cyclical sectors rallied again over the month with Consumer Discretionary (+9.4%) beating the index with the help of positive economic news. Resources (+8.0%) also gained from recovery hopes. In contrast, several defensive sectors lagged the broader market, including Health Care (-2.8%) and Telcos (+4.2%).

After a strong run in June, the Banks were weighed down by a \$2.75bn National Australia Bank raising, but they recovered momentum and still managed to beat the index over the month (+9.4%).

Within the Resources sector, metals and mining significantly outperformed the energy sector as oil prices were flat and Chinese demand for bulk commodities remained strong. This was reflected in the strong performance of the major miners, Rio Tinto (15.7%) and BHP (+9.0%).

The RBA left its cash rate on hold at 3%, the Australian dollar continued to gain ground against the USD and gold fell on increased risk appetite.

Fund Performance

The portfolio underperformed its benchmark over the month of July though achieved strong positive returns in absolute terms. The bulk of moves in the market reflected thematic factors, given limited news flow ahead of the reporting season and the strong directional move in global markets.

Our overweight holding in Origin was a key detractor, reflecting the weaker performance of Energy stocks over the month and concerns over their Gladstone LNG project. We believe the project is viable and Origin with its quality gas reserve base will generate significant value for shareholders as they monetise this.

The portfolio's overweight positions in key defensive stocks Metcash, QBE and Sonic Healthcare were also detractors as the cyclical rally continued, favouring beta stocks.

The key contributors to returns in July were the portfolio's overweight position in Pacific Brands, BlueScope Steel and Wesfarmers. Pacific Brands share price performance was supported by an undemanding valuation and the broader investor rotation into stocks with cyclical exposure. Wesfarmers shares ended the month higher; driven by rising investor confidence regarding the domestic macro environment and improving confidence in Wesfarmers ability to improve the acquired Coles Group businesses.

Portfolio Changes

Possessing a strong Financial, Social and Environmental rating, the portfolio added to its position in Origin Energy Limited. Following from last month the portfolio continued to add to its positions in Westpac Banking Corporation and Wesfarmers Limited. Other moves included the portfolio adding to holdings in Oil Search Limited and BHP Billiton Limited.

Also during the month, as a result of a Social ratings downgrade, the portfolio exited its position in Santos Limited.

MSE Stock Stories

Ausenco Limited (AAX) (SD)

Ausenco Limited (AAX) is a leading provider of engineering, project management and operation solutions for the global resources and energy sectors. The group services key markets through five business lines: minerals, infrastructure, energy, oil and gas and consulting and environmental.

AAX's core activities in the mining, energy and oil sectors indirectly expose the company to a moderate level of environmental risk in its contract operations. Exposure is mitigated however, by the companies involvement in numerous and varied projects spread across 33 locations globally. Regardless, AAX has implemented sound environmental management practices across the group. A number of sites are certified to ISO14001 and the company is working toward implementation of a group wide Environmental Management System and certification of all sites by end 2010.

AAX is involved in a number of projects that promote sustainable development (power, fuel cell engineering, bio-mass cogeneration and hydro-power generation projects) and a great deal of opportunity exists for AAX to leverage its full service offering and expertise in water infrastructure along with its diverse geographic profile, to secure more projects in the high growth areas of port services and water infrastructure.

Although, their diversity of operations mitigates exposure to a large degree, AAX maintains some exposure to a range of social issues: workplace safety, availability of labour and ethics and reputation risk. The company maintains a strong commitment to safety. AAX has a group wide OHS Policy and a Corporate Safety Committee responsible for oversight, review and consultation and has an advanced Health, Safety and Environment system operating across all sites. They aim to have all businesses compliant with OHSAS18001 by end 2010. In 2008, Ausenco's Lost Time Injury Frequency Rate (LTIFR) was 0.68, an improvement on 0.8 reported the previous year. A large proportion of AAX's workforce is employed in occupations experiencing high demand in Australia but the company recognises this risk and has strategies in place to maintain its workforce and achieve future growth objectives. However, oversight relating to HCM risk remains unclear. In relation to ethics and culture, AAX's overall disclosure is poor in comparison to sector peers.

While, on the whole, AAX has comparatively low sustainability risks, ethics risk is becoming more widely recognised. MSE expects clearer recognition of ethics risk and disclosure of specific governance measures to mitigate risk.

Henderson Group Plc (HGG)

Henderson remains one of the leading sustainability performers in the Diversified Financials sector. As a UK-based investment manager and financial planning company, Henderson's main sustainability issues are concerned with how it manages the risks and opportunities associated with climate change, ethics and culture, its customer relations, and workplace. It is one of the leading responsible investment (RI) fund managers in Europe, offering a variety of RI funds to both retail and wholesale clients. Henderson also seeks to take account of relevant social, environmental and ethical factors across the remainder of its investment operations, aiming to ensure that companies and other assets in which it invests have appropriate standards in these areas. Its responsible investment team takes a proactive role in public debate on issues such as corporate governance and climate change; the latter through its involvement in the Institutional Investor Group on Climate Change (IIGCC), the Carbon Disclosure Project (CDP).

Henderson recognizes the range of risks and opportunities that climate change poses for its business. For example, some of its investments may be adversely impacted by climate change legislation that may increase the cost of doing business, or reduce their market opportunities. To reduce such impacts, the company's RI team actively engages with investment companies on climate change, and has pioneered the concept of conducting fund carbon audits, to better understand the carbon footprint of companies in their fund. Henderson also has a strong focus on the management of its own environmental impacts - its office energy and waste management practices are sector leading. A participant in the past three years of the CDP, Henderson provides comprehensive disclosure of its greenhouse gas emissions and energy use, and has a short-term objective of reducing total carbon emissions by 20% by 2010 and to become carbon neutral long-term. It's London head office buys 100% renewable electricity.

The past 18 months has seen significant failures in the diversified financials sector of companies that MSE rated poorly on ethics and cultural indicators (AFG, BNB, CIY, MFS). While Henderson currently has no ethical or cultural issues of concern, governance of this area could be improved through enhancements to risk recognition and identification, and by establishing board oversight of ethics and cultural issues. Henderson continues to manage human capital management well. It offers innovative terms and conditions of employment that are above UK statutory requirements. A recent unique innovation is its workplace stress identification and amelioration program. Past problems with customer relations have been resolved and company-wide performance in this area is now satisfactory.



For more information

Please call 1800 813 886, contact your business development representative or visit www.btim.com.au

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