

BT Institutional Australian Sustainability Share Fund

Fact Sheet
September 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	6.11	6.18	6.24
3 months	20.15	20.42	21.50
FYDT	20.15	20.42	21.50
6 months	31.24	31.81	35.21
1 year (pa)	8.26	9.19	8.34
2 years (pa)	-10.06	-9.28	-10.92
3 years (pa)	1.16	2.04	1.66
5 years (pa)	9.58	10.52	9.99

Asset allocation

Energy	9.5%
Materials	24.0%
Industrials	4.0%
Consumer Discretionary	3.4%
Consumer Staples	7.2%
Health Care	4.1%
Information Technology	0.3%
Telecommunication Services	3.6%
Utilities	1.0%
Financials ex Property Trusts	35.9%
Property Trusts	2.3%
Cash & Other	4.8%

Top 10 holdings

BHP Billiton Limited	12.4%
Westpac Banking Corporation	8.0%
Commonwealth Bank of Australia Ltd	6.6%
National Australia Bank Limited	6.4%
ANZ Banking Group Limited	6.1%
Telstra Corporation Limited	3.7%
Rio Tinto Limited	3.5%
Origin Energy Limited	3.5%
Wesfarmers Limited	3.5%
Woolworths Limited	3.3%

Other information

Fund size (as at 30 Sep 2009)	\$117 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 market recorded its seventh consecutive monthly gain in September, rising 6.2%, as confidence in the domestic economy continued to increase on further signs of resilience and the positive impact of strong policy stimulus.

Domestic-focused sectors were among the best performers over the month with Financials and Consumer Discretionary up 9.8% and 9.5% respectively. Banks (+10.4%) were also supported by a growing belief that the loan loss cycle has peaked and Listed Property Trusts (+9.5%) gained on expectations that the improved economy would see a stabilisation of asset values and enable more development.

Defensive sectors were mostly laggards, in particular Telecoms (+0.3%) was weighed down by the proposed new legislation announced by the government. This has been structured in a manner to try to effectively force Telstra into selling assets below fair market value into the government's new NBN network. Clearly this is detrimental to shareholders who should have the right to receive a fair price. Resources were held back due to concerns that China was no longer building inventory in commodities, leading to a fall back in commodity prices. Materials and Energy were up 2.5% and 1.5% respectively.

The strong equity markets continue to encourage new equity supply, although the motivation behind it is shifting. We are now seeing the last of the de-leveraging raisings, the most recent example being AWB, with the focus now on the placement of large blocks from core shareholders, IPOs and funding for acquisitions. Examples over the month were Canwest selling its 50.1% stake in Ten Network, James Packer and Mitsubishi UFJ selling their stakes in Challenger and the announcement of the Myer IPO.

In economic news, the RBA left its cash rate on hold at 3.0%, Q2 GDP gained 0.6% and both consumer and business confidence rose. Meanwhile the Australian dollar built further on its rally against the USD rising 4.6% in September.

Fund Performance

The portfolio performed broadly in line with its benchmark over the month of September and achieved strong positive returns in absolute terms. The portfolio's holdings in Westpac, CBA, NAB and ANZ were key contributors to absolute performance as they benefited from the strong performance of the Financials sector over the month. Our positions in BHP Billiton, Rio Tinto and Origin Energy were also strong contributors to performance.

Portfolio Changes

During the month of September, the portfolio added to its positions in the resource sector, via purchases in Rio Tinto Limited and BHP Billiton Limited. Within the financial sector, the portfolio increased holdings in the highly Social and Environmentally rated Westpac Banking Corporation. Other purchases in this sector included National Australia Bank Limited and ANZ Banking Group Limited.

Also during the month, as a result of deteriorating financial ratings, the portfolio exited its position in Macquarie Infrastructure Group Limited.

MSE Stock Stories

Incitec Pivot Ltd (IPL)

Incitec Pivot (IPL) is involved in two main business activities: the manufacture, trade and distribution of fertilisers and chemicals, and the manufacture and distribution of explosives and related products and services, such as blast analysis and vibration control, to the mining, quarrying and construction industries. With fertiliser manufacturing operations in Australia and explosives manufacturing in North America, IPL has a range of sustainability risks.

The company's key environmental risks are climate change (energy use and greenhouse gas (GHG) emissions) and water use. Product stewardship and land and water contamination, including those relating to legacy sites, are other notable environmental issues for the company. IPL has a Health, Safety and Environment (HSE) Management System to manage environmental and safety issues across its global operations. In particular, it provides a framework for integrating HSE management into the company's business planning and management. For IPL's explosives business, Dyno Nobel, which was acquired in June 2008, integration of environmental management systems is in progress. A range of initiatives are in place to manage the company's environmental issues. In particular, IPL is monitoring the GHG emissions and water use of all its key sites, including manufacturing operations, and recently publicly reported these figures for the first time.

On social risk management, IPL's key issue is workplace health and safety (WHS). Senior management recognises the importance of managing WHS, with safety embedded within the company's corporate values. Operationally, the company has board oversight mechanisms in place and its HSE management system covers both employees and contractors. The company has clearly stated an ongoing commitment to its Zero Harm target, with measures in place to ensure that lessons are learnt from incidents that may arise, and to prevent future injuries. The company's Recordable Injuries Case Rate steadily declined between 2004 and 2007. However, it rose in 2008 due to the acquisitions of Southern Cross Fertilisers and Dyno Nobel. MSE expects injury rates to begin falling again as these new acquisitions are integrated into the company.

AGL Energy Ltd (AGK)

AGL Energy (AGK) is an integrated energy retailer and generator ('gentailer'), with operations in all Australian states where the energy market has been opened to competition. Origin Energy (ORG) is AGK's closest peer within the ASX200, with similar exposure profiles, strategies, controls and performance.

Climate change dominates AGK's exposure profile, with a mixture of upside and downside risks: direct emissions from its generation portfolio (including 32.5% interest in Loy Yang A), indirect emissions from its customers and supply chain (gas production), and expected climatic effects on water availability (AGL Hydro) and energy demand (retail upside and pressure on energy price risk management). AGK has a comprehensive response to climate change, overseen by the 'Safety, Sustainability and Corporate Responsibility' Board Committee, addressing all of these risk elements in a way that is well integrated with its broader business strategy. AGK is Australia's largest private owner and operator of renewable energy assets, with renewables comprising around 34% of its generation portfolio, and emerging positions in coal seam gas and geothermal.

Human capital management (HCM), workplace health and safety (WHS), ethics and stakeholder relations are AGK's key social exposures. AGK has advanced systems and practices in all of these areas. However, social performance has declined somewhat from very strong historical levels in the areas of customer complaints, regulatory compliance, and workplace health and safety. The key driver of this appears to have been problems with the implementation of Project Phoenix, a major systems transformation project, which is now largely complete. AGK has acknowledged and responded to these issues and, overall, we consider that social controls remain strong relative to peers and expectations.

For more information

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

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