

BT Wholesale Australian Long/Short Fund

Fact Sheet
September 2009

ARSN: 121 948 810



About the Fund

The BT Wholesale Australian Long/Short Fund is a long and short portfolio of Australian equities. The Fund leverages BTIM's existing Australian equity research capabilities to capture additional sources of value-add by using both buy and sell ideas.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 200 Accumulation Index over the medium to long term by taking both long and short positions in Australian shares.

The suggested investment timeframe is five years or more.

Investment approach

The Fund is actively managed and the investment strategy is to invest into a diversified portfolio of Australian shares through both long and short positions.

The Fund is managed based on our core investment style and is unrestricted by a growth or value bias.

BTIM's team of investment professionals select stocks based on BTIM's assessment of their long term worth, regardless of whether they are characterised as value or growth stocks.

Given the depth of BTIM's research there is a large pool of ideas available to both buy and sell.

Investment process

The Fund will aim to short sell up to 35% of the Fund's net asset value and invest that amount in the long portfolio of up to 135% of the Fund's net asset value. This means that at any given time, the Fund's gross market exposure may range from 95% to 170% while generally maintaining a net market exposure of around 100%.

The portfolio is managed holistically with changes arising from:

- analyst recommendations
- price changes leading to a reassessment of valuations, and
- substantial changes in the risk return characteristics of the portfolio.

BTIM manages the Fund by taking a large number of small positions rather than a small number of large positions, a strategy consistent with BTIM's management of core Australian equity portfolios.

Investment team

BTIM's team of nine large cap Australian equities team professionals is one of the largest in the industry and has demonstrated a strong track record of performance.

The portfolio manager for the BT Wholesale Australian Equities Long/ Short Fund is Jim Taylor who has more than 16 years industry experience.

Performance

(%)	Total Returns		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	5.93	6.04	6.24
3 months	22.99	23.63	21.50
FYDT	22.99	23.63	21.50
6 months	37.24	38.32	35.21
1 year (pa)	21.27	24.80	8.34
2 years (pa)	N/A	N/A	N/A
Since Inception (pa)	-3.44	-1.05	-11.86

Until 18 June 2009 the Fund was only open to wholesale investors and performance fees were charged directly to investors and not deducted out of the Fund. The returns for dates prior to 18 June 2009 have been adjusted to reflect the returns that would have been generated if the current performance fee structure applied at that time.

Asset allocation

Energy	8.7%
Materials	22.7%
Industrials	8.6%
Consumer Discretionary	6.8%
Consumer Staples	7.4%
Health Care	2.7%
Information Technology	0.0%
Telecommunication Services	3.1%
Utilities	0.6%
Financials ex Property Trusts	32.8%
Property Trusts	3.5%
Cash & Other	3.1%

Top 10 holdings

BHP Billiton Limited	10.83%
National Australia Bank Limited	7.85%
Westpac Banking Corporation	7.63%
Commonwealth Bank of Australia Ltd	5.90%
ANZ Banking Group Limited	4.59%
Rio Tinto Limited	4.09%
Telstra Corporation Limited	3.54%
QBE Insurance Group Limited	3.21%
Wesfarmers Limited	2.85%
Santos Limited	2.52%

The long/short strategy

The Fund aims to take advantage of BTIM's buy and sell ideas by using a strategy that combines a long and a short portfolio.

To take advantage of the buy ideas, a "long portfolio" is created consisting of securities that are bought and held, consistent with our view that these securities will outperform the market. These securities are referred to as "long positions".

To take advantage of our sell ideas, a "short portfolio" is constructed with "short positions". Short positions are created by selling securities in a process called short selling, where we believe these stocks will underperform the market.

Short selling is where a portfolio sells assets that it has borrowed in the expectation that they will fall in value and can subsequently be bought at a price lower than the sale price. Short selling involves a higher level of risk than buying a security.

Investment guidelines

Risk Limits:	relative to S&P/ASX 200 Accumulation Index
Investable universe	ASX and NZX listed stocks, large cap and small cap, (or those to be listed within 12 months), cash, derivatives
Investment Allocation	Australian equities Long: 95 - 135% Short: 0 - 35% Net long exposure max 100% Cash: 0 -5%
Stock Numbers	Long Portfolio 30-70 Short Portfolio up to 40
Ex-ante tracking error	3 - 8%
Min/max active sector position	+/- 10%
Min/Max active long stock position	+/- 6%
Max active short stock position	- 6%
BARRA risk factors	+/- 0.8 std. dev.

Other information

Fund size (as at 30 Sep 2009)	\$101 million
Date of inception	30 November 2007
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.70% ¹
Income distribution frequency	Semi-annual (June and December)
APIR code	RFA0064AU

Fees

Management costs ²	0.85% pa
Performance fee ³	15% of the amount (if any) by which the Fund's investment performance (before fees) exceeds the benchmark.

Market Overview

The Australian equity market recorded its seventh consecutive monthly gain in September, rising 6.3%, 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 fund underperformed its benchmark over the month of September though achieved strong positive returns in absolute terms. Both the long and shorts positions were small relative detractors for the month.

Our overweight in Santos detracted from performance as it represents somewhat of a defensive position in a market that rose strongly for the month. We remain confident that the new management at Santos will deliver significant value from a very strong collection of new growth prospects over the next 2-3 years.

The overweight in Amcor detracted from performance as it also represents a defensive position. The position has been progressively reduced recently after performing very strongly post the capital raise for the RIO acquisition.

The overweight to Telstra detracted from performance as the market is justifiably concerned about the outcome of current discussions with the Government over the next phase of the development of the NBN.

Our underweight positions in CBA and Macquarie Group were detractors as these stocks performed strongly with the market. However, the CBA underweight is offset by our positions in Westpac and NAB which we believe represent better long term value. For Macquarie we remain concerned that their operational leverage will not be as positive as the market anticipates, given the need to increase staff compensation and to start paying higher taxes.

The Fortescue Metals underweight was a key adder for the month as the market was disappointed by the fact that the company did not succeed in finalising the \$6bn financing package from the Chinese and hence question marks about longer term financing issues for the company remain unanswered.

The overweight to Qantas was a contributor for the month on the back of increased confidence that the domestic economy is in better health than previously thought as well as some emerging signs of stabilisation of yields and volumes in the international business that Qantas operates.

The overweight position in Boart Longyear added to performance as higher commodity prices increased the ability of junior mining companies to raise money which in turn will flow to the global drilling companies.

The Crown overweight was also an adder for the month and was helped by renewed optimism about the prospects for the operations they have in Macau. Some US competitors to Crown have recently partially listed their Macau gaming assets and the valuations they have attracted have provided good support to the Crown valuation.

Strategy & Outlook

The drivers of the positive market sentiment remain in place. Firstly, the developed economies have seen a stabilisation of growth after what was an unprecedented free fall at the beginning of the year. Secondly, the Chinese economy is accelerating, which is driving better Asian growth and demand for commodities. Finally, the extremely loose monetary policy is generating surplus liquidity which is finding its way into investment markets.

These factors are driving a self-reinforcing rally in markets with the higher prices enabling more capital raisings which in turn facilitate bond issuance – all of which enables companies to de-risk their balance sheets. The situation in Australia is even more constructive with the emerging boom in China fuelling strong commodity prices and improving the terms of trade as well as supporting new investment. The fiscal stimulus has supported the retail sector and the rise in unemployment has not been as dramatic as feared. This is feeding through into evidence that housing prices are beginning to rise again. Reporting season provided more evidence that the underlying operating environment was improving particularly for domestically exposed companies.

The key issue is the pace and duration of any recovery. It is clear the level of policy medicine has been so overwhelming that it has revived the patient. While this medicine continues to be administered it is likely that the world economy will continue to be on a path for recovery and liquidity will remain strong. Australia will benefit in a more concentrated way, given its leverage to the strong Chinese economy and resource prices. This is most evident in the level of investment in the commodity sector, notably some of the large scale LNG projects which have recently been announced. The risk to investors is what happens once the policy medicine starts to be withdrawn, particularly now market valuations are pricing in some recovery. China continues to jawbone about the need for balanced growth and is placing more constraints on capacity expansions in certain industries believed to suffer from overcapacity such as steel and aluminium. Overall however we do not yet see enough concerted action to have concerns over Chinese growth in the next few months.

In Europe and the US we have greater concerns about the fragility of the recovery as unlike Australia, both business and consumer confidence remains fragile. For the time being we are of the view that policy makers are far more concerned about triggering a second slowdown than they are of dealing with the widening fiscal deficits and will err on the side of stimulating for longer. This should support markets in the near term, but the risks remain that policy makers lose control of the situation. Finally in Australia, economic momentum is so strong we are seeing the first steps on slowing the economy through both interest rates and also indirectly through the exchange rate, this will likely check the performance of early cyclical sectors such as the consumer discretionary and building sectors.

1 Unit price spreads represent transaction costs and may vary from time to time without notice.

2 You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

3 The Performance fee is calculated each Business Day based on the investment performance and value of the Fund that day and accrued daily in the Fund's unit price. The fee is payable from the assets of the Fund as at 30 June of each year.



For more information

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

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