

BT Institutional Australian Sustainability Share Fund

Fact Sheet
October 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.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-2.17	-2.10	-2.08
3 months	9.95	10.19	10.86
FYDT	17.55	17.89	18.97
6 months	22.25	22.78	25.41
1 year (pa)	18.52	19.54	21.39
2 years (pa)	-11.88	-11.12	-13.10
3 years (pa)	-1.04	-0.18	-0.55
5 years (pa)	8.26	9.19	8.85

Asset allocation

Energy	8.4%
Materials	25.9%
Industrials	5.8%
Consumer Discretionary	3.7%
Consumer Staples	7.3%
Health Care	3.4%
Telecommunication Services	3.5%
Financials ex Property Trusts	35.1%
Property Trusts	2.9%
Cash & Other	4.1%

Top 10 holdings

BHP Billiton Limited	12.2%
Westpac Banking Corporation	7.9%
National Australia Bank Limited	7.0%
Commonwealth Bank of Australia Ltd	5.9%
ANZ Banking Group Limited	5.1%
Rio Tinto Limited	4.7%
QBE Insurance Group Limited	3.9%
Telstra Corporation Limited	3.6%
Wesfarmers Limited	3.5%
Woolworths Limited	3.4%

Other information

Fund size (as at 31 Oct 2009)	\$130 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

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.

Market Overview

The Australian equity market fell 2.1% in October, in line with world sharemarkets, on concerns about the durability of the US recovery. It was the market's first decline after registering seven consecutive monthly gains.

The best performers for the month included defensive sectors Consumer Staples (+1.4%) and Telcos (+0.4). Banks (-1.4%) outperformed the index for the fifth straight month with NAB and ANZ reporting earnings for the September half which appeared to confirm market expectations of stronger margins and loan losses peaking. Most sectors were negative in October with Property (-9.0%) and Energy (-5.3%) the worst impacted by further capital raisings in the respective sectors. The continued rise in the Australian dollar weighed on sectors with overseas earnings such as Healthcare (-4.1%).

Capital raising activity over the month included issues by CSR, Graincorp, ING Industrial and Oil Search.

In economic news, the Reserve Bank raised rates for the first time since the financial crisis reached its crescendo, with the cash rate target up by 0.25% to 3.25%. The rise in rates reflects the continued firm domestic economic data, such as employment data, which in combination drove the Australian dollar higher.

Fund Performance

The portfolio performed broadly in line with its benchmark over the month of October. The portfolio's overweight in Rio was one of the major contributors to returns over the month. Rio raised its full year iron ore production guidance after posting a record third quarter of iron ore production. The new Chairman has helped to restore a focus on operational performance which is supportive for the long term performance of the company. Other contributors to performance were overweight positions in Pacific Brands and Orica. Not holding Westfield Group was also a key positive for relative performance.

Detractors from performance over the month included the portfolio's overweight holding in WorleyParsons which suffered mainly from the rise in the Australian dollar impacting the translation of foreign currency earnings. We remain positive on the stock given the early indicators that investment in the power and energy sectors will start to pick up through 2010, which will lead to a significant uplift in their earnings. Other key detractors were overweight positions in Billabong and United Group.

Portfolio Changes

During the month of October, the portfolio continued to add to its positions in the materials sector. In particular, purchases were made in Orica Limited, Rio Tinto Limited and BHP Billiton Limited. Other resource related purchases included United Group Limited, BlueScope Steel Limited and Boart Longyear Limited. Within the financial sector, the portfolio increased holdings in the highly Social and Environmentally rated Westpac Banking Corporation and National Australia Bank Limited. Also during the month, as a result of deteriorating financial ratings, the portfolio exited from its positions in Nufarm Limited and AGL Energy Limited.

MSE Stock Stories

Seek Ltd (SEK)

The SEEK on-line employment business has emerged as the leading job ad business in the country. While sustainability exposures are generally low, human capital management is core to its business model, particularly given its very significant intangible assets. SEEK has built market leadership on the strength of the innovation capacity of its people and development of the brand. We believe increasing investment by rivals FXJ (mycareer.com.au) and NWS CareerOne in online job ad services

will intensify competition in this segment over the short to medium-term, which is likely to drive competition for talent. Additionally, rapid growth and diversification into new markets (e.g. Seek Learning) will add to people management risk.

SEEK demonstrates industry-leading performance on human capital management. Strong human capital strategies place SEEK in a strong position to protect and grow markets, particularly as job placements increase with a recovering economy. SEEK has sector-leading management controls in place, as benchmarked against peers in the media sector. Additionally, SEEK is consistently recognised externally as a 'Best Employer'. In MSE's opinion, SEEK's robust people management provides a strong platform to build on its leadership position.

SEEK also demonstrates strong ethical conduct controls. Oversight of ethical conduct is evidenced at Board level, and compliance is overseen by the audit committee. SEEK provides a Statement of Values to all employees and separate Codes of Conduct for Directors and general staff. MSE believes these policies contribute to enterprise protection.

Worley Parsons Ltd (WOR)

WOR provides engineering and project management services to oil and gas, minerals, power and infrastructure projects. Its key social risks are the attraction and retention of skilled staff and workplace health and safety. As a service provider, WOR's environmental risks are relatively low. However, it has strong upside potential through the provision of environmental services.

WOR exhibits industry leadership in safety management. It has one of the best safety records in the S&P/ASX 200 with a Total Recordable Case Frequency Rate (TRCFR) of 0.11 and Lost Workday Case Frequency Rate (LWCFR) 0.02. A comprehensive safety management system and the linkage of health and safety KPIs with the at-risk remuneration of key executives support this result. WOR is also expanding its management system to address contractor safety management, one of the few gaps in its controls.

Despite the economic downturn, attraction and retention of talent remains critical to WOR's short-term success. The level of board oversight of people management is not clear from WOR's reporting, however, strategic commitment can be inferred from WOR's development of recruitment strategies and related internal policies and procedures, such as equal opportunity, work-life balance and local employee participation. While WOR has cut staff in affected regions (Canada, Australia and New Zealand) to control costs in the downturn, MSE considers the 15% (CEO) and 10% (executive directors) fixed pay reductions to be a positive way to improve employee morale during restructuring. Greater transparency on staff-related performance measures (e.g. absenteeism, voluntary turnover, engagement) would provide assurance that WOR's is effectively managing human capital risk.

Expansion of WOR's professional services to include sustainability related services (via EcoNomics™, which incorporates environmental, social, and financial sustainability considerations into project delivery across the asset lifecycle) provides increased income opportunities as clients begin to implement climate change adaptation and mitigation projects. Additionally, a growing presence in LNG and nuclear and renewable energy positions WOR to capitalise on any long-term switch from Greenhouse Gas (GHG) intensive fuels, such as petroleum and thermal coal power, to low-emission alternatives. As a provider of sustainability services, we consider strong GHG management to have potential reputation benefits. WOR have recently commenced measuring and reporting GHG emissions and the development of a GHG reduction plan.



For more information

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

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