BT Wholesale Australian Long/Short Fund

Fact Sheet
November 2009

ARSN: 121 948 810

Australian Shares

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 (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	1.30	1.33	1.78
3 months	5.52	5.82	5.88
FYDT	22.52	23.37	21.09
6 months	26.56	27.52	25.94
1 year (pa)	40.68	43.70	31.72
2 years (pa)	-3.34	-1.06	-11.06
Since Inception (pa)	-3.35	-1.06	-11.08

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	9.2%
Materials	23.6%
Industrials	9.2%
Consumer Discretionary	5.2%
Consumer Staples	9.3%
Health Care	5.8%
Telecommunication Services	4.9%
Financials ex Property Trusts	27.7%
Property Trusts	2.6%
Cash & Other	2.5%

Top 10 holdings

BHP Billiton Limited	13.6%
Westpac Banking Corporation	6.7%
National Australia Bank Limited	6.5%
Commonwealth Bank of Australia Ltd	5.7%
Telstra Corporation Limited	5.4%
Rio Tinto Limited	3.8%
QBE Insurance Group Limited	3.3%
ANZ Banking Group Limited	3.2%
Wesfarmers Limited	3.2%
CSL Limited	2.9%

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 Nov 2009)	$103 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 recovered in November rising 1.8% and reversing most of the previous month's losses. This was despite the RBA increasing interest rates, which is seen as confirmation of the durability of the economic recovery.

The Resources sector (+7.2%) was the clear leader against a background of firm commodity prices while Banks (-3.8%) lagged over the month, the first time since May. Risk appetite was tested towards the end of the month when the government of Dubai announced that it intends to ask creditors for a restructuring of its debt; however the initial weakness of equity markets in response to the announcement was short-lived.

The rise in business confidence is also reflected in a pick-up in M&A activity, with AXA Asia-Pacific receiving an offer from AMP which would involve them on-selling the Asian operations to AXA's French parent company. In addition, Metcash announced a proposal to acquire 50.1% of hardware retail co-operative Mitre 10; they are in competition with a private equity bidder. We see M&A as an ongoing theme, albeit with more Australian companies looking to invest offshore.

Following the October rate rise, the Reserve Bank hiked the cash rate target by a further 25 basis points to 3.50%. A spike in employment in October and a jump in house prices in the third quarter reinforced the case for higher rates. Meanwhile, the Australian dollar gained 1.5% against the US$.

Fund Performance

The portfolio underperformed its benchmark over the month of November though registered a positive return for the month in absolute terms.

The portfolio's overweight in Qantas was one of the main detractors to returns as the market was disappointed not to see a more significant recovery in yields on their planes. We see this as a normal lag, which occurs at this stage of the cycle, given the advance nature of bookings. More leading indicators, such as the level of discounts on ticket prices, are signalling a pick-up in the underlying environment which should support the stock next year.

An underweight in Axa Asia Pacific detracted as the stock rose after AMP and Axa's French parent announced a bid for the company. Axa's independent directors rejected the proposal as inadequate, however we think that this time some form of amended deal is likely to eventually be approved.

We participated in the Myer IPO, which has proven to be disappointing at this early stage. The deal was handled poorly in terms of where the stock was allocated, which created an overhang. We do not believe this should cloud the underlying fundamentals which are going well, with good management and improving margins. Christmas trading will prove critical for them as with other retailers, the early indicators are positive with consumer confidence remaining strong.

Our overweight position in Asciano contributed to returns over the month. The stock rose after they announced the signing of a long-term contract for coal haulage with Idemitsu Australia Resources. This is further evidence of the significant growth opportunity there is in their East Coast coal haulage business.

The portfolio's overweight in Boart Longyear also contributed to returns over the month. Post its recapitalisation we believe that Boart is now appropriately capitalised and in a good position to participate in a pick up in drilling activity by both major and junior mining companies. Boart is leveraged to both actual drilling metres as well as supplying consumables and drill rigs to other drilling companies. There has been a noticeable pick up in capital raisings by junior miners recently which is a key leading indicator of drilling activity.

Strategy & Outlook

We believe markets are in a consolidation phase. October saw a small sell-off which was reversed in November. This consolidation is driven by both fundamental and technical factors.

On the technical side, the issue is that as we approach year end the propensity for large risk positions to be closed out rises. Given the rise in the markets over the last nine months, there is a risk of profit taking kicking in short term.

The fundamental reasons for consolidation are two-fold: one relates to macro issues and the other to corporate earnings.

On the macro side, we still have the paradox of a weak and fragile developed world where the recovery has been built on re-stocking and policy stimulus, but a strong developing world driven by Chinese internal demand. The issue is which way growth converges, should the developed world growth stay anaemic. Eventually this could pull down the rest as it did in late 2008. The outlook for growth in the US and Europe is at a transition point, with the key call being whether the private sector will pick up the momentum. The signs are mixed, with the positives being the potential for an investment-led recovery driven by the pick-up in corporate profits and early signs of a stabilisation in the jobs market. The risk is that confidence, both consumer and business, remains subdued leading to spending decisions being deferred, with this coinciding with the government needing to take action to deal with their excessive deficits.

Until we see more clarity on this, markets will struggle to push higher on fundamentals.

The domestic corporate earnings issue relates to companies that have been re-rated on recovery hopes and now need to come through with improved profits. In some cases this will occur, but in others there is the risk of disappointment as to the timing of those improved earnings. There are some headwinds such as currency, but also the timing of investment projects as an example can take longer to come through than expected. Again we believe the market will want to see more clarity on this before having the impetus to push the market higher again.

In this context the market will become more discerning, and a focus back on stock-specific issues will likely prevail. Not all reflation plays will see earnings recover quickly and certain defensives will struggle in the face of currency movements. The portfolio is positioned to reflect this differentiation within themes whether it be based on geography, competitive forces or industry exposure. We see value in domestic cyclicals such as Asciano which is leveraged to the domestic supply chain. In the engineering sector, we anticipate rising investment in power and energy, which in turn makes Worley look attractive. We also like companies where cash flows are strong and industry position is generating high and improving returns on equity, for example QBE and Westpac. Finally the long-term beneficiaries of China's continued growth in demand will support companies such as Rio Tinto and Oil Search. Overall, we remain focussed on investing in a blend of stocks across a broad array of industries, which will be able to perform under the potentially different economic scenarios that we face.

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