BT Wholesale Australian Long/Short Fund

Fact Sheet
December 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	4.28	4.45	3.74
3 months	3.88	4.24	3.39
FYDT	27.76	28.86	25.62
6 months	27.76	28.86	25.62
1 year (pa)	45.72	48.75	37.03
2 years (pa)	-0.27	2.07	-8.16
Since Inception (pa)	-1.25	1.07	-9.07

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	9.3%
Materials	23.6%
Industrials	10.5%
Consumer Discretionary	6.4%
Consumer Staples	7.8%
Health Care	6.3%
Telecommunication Services	4.3%
Financials ex Property Trusts	27.1%
Property Trusts	2.3%
Cash & Other	2.4%

Top 10 holdings

BHP Billiton Limited	13.6%
Westpac Banking Corporation	6.9%
Commonwealth Bank of Australia Ltd	5.7%
National Australia Bank Limited	5.5%
Telstra Corporation Limited	4.8%
QBE Insurance Group Limited	4.2%
Rio Tinto Limited	3.8%
ANZ Banking Group Limited	3.3%
Qantas Airways Limited	3.0%
Wesfarmers Limited	2.6%

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 31 Dec 2009)	$107 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 review

The Australian equity market closed on a high for 2009 with a gain of 3.7% for the month of December and 37.6% for the calendar year.

All sectors recorded positive returns over the month. The best performers were Information Technology (+7.3%), Industrials (+7.0%) and Health Care (+4.3%). Lagging sectors included Telcos (+1.0%), Consumer Staples (+2.0%) and Property (+2.0%).

Bank shares (+2.3%) were pressured by concerns over funding costs, highlighted by Westpac's decision to raise its mortgage rate by 45 basis points following the latest hike by the RBA. Resources (+3.6%) kept pace with the market on the back of higher commodity prices and a rising US dollar.

M&A activity continued its resurgence over the month with activity covering a broad spectrum of sectors. The largest event was AMP raising its bid for AXA Asia Pacific only to see it trumped by a rival offer from National Australia Bank. In other M&A news, Lend Lease together with the Future Fund bought ING's shopping centre portfolio, Nufarm ended its discussions with Sinochem, opting for an arrangement with Sumitomo, and Macarthur Coal bought Gloucester Coal. A busy year for capital raisings also continued with Woodside Petroleum seeking $2.5 billion.

Commodity prices were generally stronger over the month with gains in iron ore, base metals and oil, though oil had fallen initially as the US dollar recovered. The stronger greenback also contributed to gold losing ground in December after four months of gains.

In economic news, the Reserve Bank raised its cash rate target by 25 basis points to 3.75%, the third increase in three months. Another round of strong employment data lent weight to the case for a policy shift, though other releases such as consumer confidence and loan growth gave a softer picture. Meanwhile the Australian dollar lost 1.4% against the US dollar, snapping a 10-month winning streak.

Fund performance

The portfolio outperformed its benchmark over the month of December and registered a positive return in absolute terms.

The main contributor to returns was the portfolio's overweight in News Corp. The stock rose strongly over the month driven by the success of the film Avatar and the likelihood of an agreement being reached whereby News Corp TV stations would be paid to be carried on the cable systems in the US, something they have been trying to achieve for 10 years.

Our overweight position in Asciano also contributed to returns on a continuation of positive news. The company signed its contract for coal haulage with Idemitsu in December as well as recording relatively strong Australian port container volumes.

Another contributor was our overweight in QBE which benefited from the weaker Australian dollar and rising global interest rates. The portfolio's overweight in Qantas also contributed to the month's performance as it upgraded its earnings expectations and benefited from further signs of an economic recovery.

Our Santos overweight detracted from performance in December. The company conducted its annual strategy day which was generally well received though question marks remain about the size and nature of the funding requirement for their upcoming LNG growth options.

The portfolio's underweight in Alumina also detracted as the company participated in the general rally of commodity stocks over the month as a result of generally strong commodity prices.

Strategy & outlook

The strong liquidity environment that has existed for much of 2010 coupled with continued optimism toward recovering OECD economies has ensured that the market finished the calendar year at its year high.

Our overarching view remains that the market continues to be in a consolidation phase driven primarily by lack of clarity with regards to the success of the developed economies in weaning themselves off government stimulus. The signals on the strength of the private sector have continued to be mixed during the month of December. US manufacturing continues to rebound on restocking but the consumer continues to face some headwinds and is not yet in a position to provide a backstop to move the economies sustainably higher.

On the other hand the developing nations driven primarily by China have continued to exhibit very sound economic growth fundamentals which has been a key reason why the commodity spectrum has been well supported.

As companies now rule off their first half results, there will be some clearer instances where the market has gotten ahead of itself in terms of a rebound in earnings. We remain cautious on those names where we feel that there may be some disappointment in first half earnings. However this scenario may also present some attractive entry opportunities, including in the engineering/contracting space.

Our key positions remain similar with selected domestic cyclicals where we see good value (and are more confident about nearer-term earnings prospects) including names such as Asciano and Qantas.

The prospects for News Corp look favourable in the near term with its very strong recent movie releases as well as the company having some success in convincing the users of its TV and newspaper content to begin paying for access to this content – an extremely positive development for the company's earnings.

Continued leverage to Chinese economic growth in the form of commodity exposure (Rio) and energy demand (Oil Search) remain key positions in the portfolio.

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