

BT Institutional Australian Sustainability Share Fund

Fact Sheet
January 2010

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*
----------------	-----------

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



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	-6.91	-6.85	-6.18
3 months	-1.57	-1.36	-0.93
FYDT	15.71	16.29	17.86
6 months	8.23	8.70	9.83
1 year (pa)	29.97	31.09	35.16
2 years (pa)	-6.12	-5.31	-5.78
3 years (pa)	-3.67	-2.84	-3.37
5 years (pa)	6.42	7.33	6.69

Asset allocation

Energy	8.9%
Materials	25.6%
Industrials	4.2%
Consumer Discretionary	3.7%
Consumer Staples	7.5%
Health Care	4.0%
Telecommunication Services	4.0%
Utilities	0.3%
Financials ex Property Trusts	33.2%
Property Trusts	3.7%
Cash & Other	4.8%

Top 10 holdings

BHP Billiton Limited	12.9%
Westpac Banking Corporation	7.3%
National Australia Bank Limited	6.2%
ANZ Banking Group Limited	5.7%
Commonwealth Bank of Australia Ltd	5.5%
Rio Tinto Limited	4.7%
QBE Insurance Group Limited	4.4%
Telstra Corporation Limited	4.2%
Wesfarmers Limited	3.1%
Origin Energy Limited	3.0%

Other information

Fund size (as at 31 Jan 2010)	\$144 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 review

The Australian sharemarket started the year with a fall of -6.2% in January, its steepest monthly decline since November 2008, as the initial excitement about a global economic recovery gave way to fears about the pace and extent of that recovery.

The local Resources sector (-9.4%) was hit by moves by the Chinese government to moderate its credit-led stimulus policy by placing limits on bank lending. While the aim is to prevent overheating – China's Q4 GDP increased 10.7% year-on-year – concerns that the economy may be slowed too much had a flow-on effect to commodity prices and metal and mining stocks.

Global markets were also spooked by the possibility of increased US banking regulations. While broadly negative for sentiment the prospect did not translate to underperformance by the local Banks index (-4.3%).

All sectors recorded negative performance over the month. The worst performers were Energy (-9.8%), Materials (-9.1%) and Consumer Staples (-8.4%). Relatively good performers for the month were Information Technology (-0.8%), Property (-2.9%) and Telecommunication Services (-3.1%).

Macro data pointed to a resilient Australian economy though consumer-related stocks were mixed as weaker-than-expected sales figures from Woolworths suggested that retail conditions might be softer than the economic data suggest. The approach of reporting season prompted a number of companies to address earnings expectations; Commonwealth Bank and Computershare announced upgrades; however Worley Parsons lowered guidance.

In economic news, the Australian dollar was down 1.5% against the US dollar over the month. Meanwhile oil fell 8.2%, with indications that China may be withdrawing stimulus adding to the weakness, while gold was down 2.0%.

Fund performance

The portfolio underperformed its benchmark over the month of January. The key detractor to returns was the portfolio's overweight in one of our core holdings, WorleyParsons.

Worley downgraded its profit forecast during the month, cutting its guidance for FY10 by 8%. The two main factors leading to the revision were firstly, power operations – particularly in the US which is adversely affected by decreased demand and increased legislative uncertainty concerning the treatment of carbon – and secondly, the market for services in the US refining and petrochemicals industries which has weakened significantly.

Other detractors to performance included our underweight in Commonwealth Bank which gained after issuing a profit upgrade that was well ahead of market expectations. An overweight position in Oil Search also detracted as the stock declined with the fall in the oil price in January. An overweight position in QBE also detracted from performance.

Not holding Westfield Group was another key detractor to relative performance.

Portfolio changes

During the month, the portfolio increased its exposure to the banking sector by purchasing ANZ Banking Group and National Australia Bank Limited. Also during the month the portfolio increased its stake in the highly regarded real estate companies Stockland Property Group and GPT Group.

Due to deteriorating Social ratings the portfolio exited from Eastern Star Gas Limited and Wotif.com Holdings Limited. Also in January the portfolio took profits in ASX Limited and Austar United Communications Limited.

MSE stock stories

Dexus Property Group (DXS)

Dexus Property Group is involved in the ownership, management and development of industrial, office and retail property in Australia, New Zealand, the US, Canada and Europe. Dexus demonstrates a strong environmental commitment and is one of the best performers in the ASX200 real estate sector. Its commitment to the sustainable ('green') building industry is particularly impressive. For example, Dexus recently commenced development of two buildings in Brisbane and Sydney that are designed to achieve 6 Star Green Star ratings, which, under the Green Star system, signifies "World Leadership" in areas such as energy and water efficiency, materials, and indoor environment quality. According to Dexus, its experience and commitment in the green building industry was crucial in securing the anchor tenant, Rio Tinto, in its Brisbane development. Dexus also recently completed NABERS (National Australian Built Environment Rating System) energy and water ratings for its entire office portfolio. Over the 2009 financial year, energy use in its retail portfolio was reduced by 21 percent and by 6 percent in its office portfolio.

Dexus' social performance is also strong, particularly in areas such as human capital management. It offers employees a range of flexible workplace conditions, such as the ability to purchase an unlimited amount of annual leave. Other initiatives include a study assistance program that extends to fields beyond the employee's direct role within the company. Dexus' approach to people management appears to be yielding results. In its 2008 employee opinion survey, for example, 93 percent of respondents indicated that they would recommend it as an employer, up from 80 percent the previous year. Ethics controls are also strong with a range of best practice systems in place, such as an anonymous whistleblowing facility, and active boardlevel oversight of ethics compliance.

Kingsgate Consolidated Ltd (KCN)

Kingsgate (KCN) operates the Chartree gold mine in Thailand. Environmental issues include water sourcing and management, cyanide management, energy efficiency, and the minimisation of operational and post-closure impacts (such as dust). The maintenance of KCN's social licence-to-operate relies upon local development, local employment and up-skilling, adequate closure planning, and sound safety performance.

KCN's management of environmental impacts is above average for the ASX200 gold sector. The company is a signatory to mining industry sustainability charters and has an ISO14001- based environmental management system. It is also a signatory to the

International Cyanide Management Code and has been audited as compliant. KCN also reports on its cyanide management practices, which are ahead of most industry peers. This provides assurance of sound management of a particularly important environmental issue for overseas mines operating under different regulatory regimes to Australia's. Environmental reporting has improved in recent years, with the disclosure of energy and water intensity figures. Operating in a Kyoto signatory country without emissions reduction targets, KCN is to some extent protected from the cost-pressures of increasing carbon constraints, more so given its reliance on the Queen Sirikit hydro facility. However, the company does not discuss the potential impacts that climate change may have on the long-term availability of this low-emissions energy source.

KCN's management of most social risks is also ahead of industry peers. It leads the ASX200 gold sector with a 6-year Lost Time Injury free record, which includes contractors. A large majority of KCN's employees are Thai nationals (99%). The company offers employee development and consultation initiatives, which, together with several labour relations awards and SA1000 certification, indicate best-practice workplace relations. Other positives include: making 88% of its purchases in Thailand, allocating community relations management responsibilities, and maintaining community relations plans. More information on closure management and planning would be positive, however. With regard to business ethics, management is adequate.



For more information

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

BT Investment Management (RE) Limited ABN 17 126 390 627, AFSL 316 455, is the responsible entity and issuer of units in the BT Institutional Australian Sustainability Share Fund. A product disclosure statement (PDS) is available for the Fund and can be obtained by contacting your business development representative on 1800 813 886 or visiting www.btim.com.au. You should obtain and consider the PDS before deciding whether to acquire, continue to hold or dispose of units in the Fund. This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs. An investment in the Fund is not a deposit with or any other liability of the Westpac Banking Corporation (ABN 33 007 457 141) or any other Company in the Westpac Group of companies. Performance data (post-fee) assumes reinvestment of distributions and is calculated using exit prices, net of management costs. Performance data (pre-fee) is calculated by adding back management costs to the (post-fee) performance. Past performance is not a reliable indicator of future performance. BT Investment Management (RE) Limited is a member of the Westpac Group. Neither BT Investment Management (RE) Limited, nor any other company in the Westpac Group, guarantees the repayment of capital or the performance of the product or any particular rate of return.

BT® is a registered trade mark of BT Financial Group Pty Ltd and is used under licence.