

# BT Wholesale Australian Long/Short Fund

Fact Sheet  
January 2010

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 Return
	(post-fee)	(pre-fee)	
1 month	-6.98	-7.06	-6.18
3 months	-1.74	-1.64	-0.93
FYDT	18.84	19.77	17.86
6 months	9.97	10.59	9.83
1 year (pa)	40.72	43.11	35.16
2 years (pa)	1.57	3.83	-5.78
Since Inception (pa)	-4.45	-2.33	-11.38

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	9.1%
Materials	24.6%
Industrials	10.8%
Consumer Discretionary	4.9%
Consumer Staples	8.0%
Health Care	4.8%
Information Technology	0.0%
Telecommunication Services	4.7%
Utilities	0.0%
Financials ex Property Trusts	29.1%
Property Trusts	2.4%
Cash & Other	1.6%

## Top 10 holdings

BHP Billiton Limited	13.5%
Westpac Banking Corporation	7.7%
Commonwealth Bank of Australia Limited	6.4%
National Australia Bank Limited	6.1%
Telstra Corporation Limited	5.2%
Rio Tinto Limited	4.4%
ANZ Banking Group Limited	3.8%
QBE Insurance Group Limited	3.6%
Qantas Airways Limited	3.2%
Asciano 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	<b>Australian equities</b> Long: 95 - 135% Short: 0 - 35% Net long exposure max 100% <b>Cash:</b> 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 Jan 2010)	\$100 million
Date of inception	30 November 2007
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.70% <sup>1</sup>
Income distribution frequency	Semi-annual (June and December)
APIR code	RFA0064AU

## Fees

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

## 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 local 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 main 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 included an overweight holding in Bluescope which was hit by a credit downgrade and concerns about the likelihood of continued recovery in the global steel sector emanating from concerns about China slowing. An overweight position in Oil Search also detracted as the stock declined with the fall in the oil price in January.

Among the main contributors over the month were the portfolio's overweight holdings in Telstra and SP Ausnet as the Telcos and Utilities sectors outperformed the market.

## Strategy & outlook

After finishing the year at its high, global sharemarkets have shown in January that the path to sustainable economic recovery will contain many twists and turns. We have once again seen how highly correlated and interconnected markets and asset classes have become.

An overheating Chinese economy and the resultant steps by Chinese authorities to slow things down coupled with a stark reminder that governments all around the world will likely play a much more interventionist role have caused a significant sell-off in all major equity markets and commodities in January.

In contrast to this negative sentiment that is impacting equity markets, the reporting season in the US and early profit guidance from Australian companies in general paint a positive picture when it comes to companies meeting or exceeding their profit forecasts.

These positive results are showing the tangible benefits of the liquidity and stimulus packages that have been characteristic of many economies during calendar year 2009. However the true test of the ability of these economies to emerge on to a stimulus-free sustainable footing will not be evidenced until the middle and latter half of calendar 2010.

We continue to believe that the equity market remains somewhat range-bound until the view on the strength of the recovery becomes clearer. The market also remains somewhat on alert with respect to the sovereign risks that are emerging in Europe.

We remain somewhat cautious toward sectors that we feel have benefited significantly from stimuli such as Retail, and favour later-cycle domestic businesses such as transport. Our portfolios also reflect a bias toward Australian businesses given the higher level of uncertainty in many offshore economies.

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](http://www.btim.com.au)

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