

BT Institutional Australian Sustainability Share Fund

Fact Sheet
February 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*
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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	2.40	2.46	2.16
3 months	-0.84	-0.64	-0.56
FYDT	18.48	19.16	20.41
6 months	4.63	5.07	5.29
1 year (pa)	37.97	39.16	44.70
2 years (pa)	-4.75	-3.93	-4.44
3 years (pa)	-3.38	-2.55	-3.21
5 years (pa)	6.47	7.39	6.68

Asset allocation

Energy	8.8%
Materials	27.5%
Industrials	4.1%
Consumer Discretionary	4.2%
Consumer Staples	8.2%
Health Care	3.7%
Telecommunication Services	3.2%
Financials ex Property Trusts	34.9%
Property Trusts	3.8%
Cash & Other	1.4%

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 28 Feb 2010)	\$152 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 managed to claw back some of January's losses with a rise of 2.0% in February. Conditions were choppy, however, reflecting the volatility in financial market amidst ongoing macro concerns regarding sovereign debt, particularly in relation to Greece, China's monetary tightening and mixed signs of recovery in the US.

Earnings reports were on balance slightly ahead of expectations, however, many companies gave a subdued outlook or appeared to guide conservatively.

Bank results and outlook statements suggested a steeper decline for loan loss charges than previously thought likely, helping the Bank sector (+3.5%) to weather concerns on funding costs and regulatory change. Consumer Staples (+6.2%) was the standout sector within the market with Wesfarmers (+15.1%) the clear outperformer. Woolworths (+3.8%) also had a strong month. The Healthcare sector (+3.8%) also outperformed with key stocks CSL (+10.3%), Resmed (+11.1%), Ansell (+12.5%) and Ramsey Health Care (+10.4%) all posting strong gains.

The Resources sector (+2.1%) rallied with growing expectations of strong bulk commodity price rises outweighing China's moves to moderate stimulus policies. Both BHP (+4.3%) and Rio Tinto (+4.4%) outperformed the broader market after reporting strong half/full-year results that exceeded expectations. Meanwhile Telcos (-10.2%) was the clear laggard as Telstra reported disappointing results and investors expressed caution on the company's competitive pressures and structural challenges.

In economic news, the RBA surprised the market in February by deciding to leave the cash rate on hold despite stronger-than-expected economic conditions. Australian consumer and business confidence remained at record levels, with building approvals and retail sales rising strongly. The unemployment rate recorded a large fall to 5.3% in January, appearing to have peaked at 5.8%, the lowest of all the developed economies.

Fund performance

The portfolio outperformed its benchmark over the month of February.

The main contributor to returns was the portfolio's overweight in Westpac as the bank released significantly higher-than-expected cash earnings for the December quarter. Provisioning for bad debts also dropped significantly. An overweight position to UGL Limited was another key contributor with strong returns driven by better than expected earnings from its Infrastructure and Services divisions.

The main detractors to returns over the month included overweight positions in QBE Insurance and Bluescope Steel. QBE fell as its results came in below expectations, reflecting a fall in margins and lower growth rates. Bluescope Steel fell after its interim result failed to deliver on market expectations.

Portfolio changes

During the month, the portfolio continued to increase its exposure to the banking sector with purchases in Westpac Banking Group and Commonwealth Bank of Australia. Other purchases were in the retail sector with both Wesfarmers and Woolworths having increased weightings in the portfolio.

Due to deteriorating Financial ratings the portfolio exited completely from its Fosters Group holding. Other holdings reduced in January included Austar United Communications Limited and Telstra Corporation Limited.

MSE stock stories

MacArthur Coal (MCC)

MacArthur Coal (MCC) currently has controlling interests in two open cut mines in Queensland, one of which it directly operates. A third mine is under development.

Climate change is MCC's key environmental exposure. Were all of MCC's scope 1 and 2 greenhouse gas emissions to be fully priced at \$25 per tonne this would represent around 3% of EBITDA. MCC is responding to this risk in line with sector peers. It has a greenhouse policy in place and measures its emissions. MCC's response to water risk is strong, with thorough risk assessment and a number of initiatives in place.

MCC has significant exposure to both human capital management and workplace health and safety. Central to MCC's response is a focus on culture, with clear measurement and reporting, as well as links to remuneration. Social performance is in line with coal sector peers.

Ten Network Holdings

Human capital risk, particularly talent attraction and retention, is a material exposure for TEN, specifically competition for talent relating to new media technologies and content development. TEN's multi-channel strategy, expanding digital technologies and increasing focus on integration of internet platforms will maintain pressure on talent retention risk as competition in these segments intensifies with both pay TV and free-to-air rivals.

TEN reported on implementation of human capital strategies over FY2009 including further roll-out of an employee recognition program, performance management initiative (Achieve), and finalisation of a new Enterprise Agreement covering 50% of TEN employees. TEN also states that it successfully recruited staff into start-up channel ONE. Remuneration-focused strategies at senior management levels appear to be consistent with media sector peers, hence mitigating talent retention risk. TEN reported that it commenced an employee engagement survey in 2009, but has not yet reported results. TEN's HCM practices are in the top tier of comparable media companies.

TEN is exposed to reputation risk and ethical conduct risk through compliance to company standards and the Commercial Television Industry Code of Practice. Ethical conduct controls are in line with sector peers. Oversight of ethical standards is exercised at Board level and through the Audit Committee. The Group Code of Conduct and whistle-blower procedures are in line with media sector peers.

Environmental issues are not material to TEN earnings, however TEN is implementing a GHG emission reduction program which contributes to reputation. TEN is also increasing focus on sustainability initiatives within programming as part of its strategy to target younger viewing audiences.



For more information

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

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Performance figures are calculated in accordance with the Investment & Financial Services Association (IFSA) standards. Total returns (post-fee) are calculated: to the last day of each month using exit prices; taking into account management costs of the fund; assuming reinvestment of distributions (which may include net realised capital gains from the sale of assets of the fund). No reduction is made to the unit price (or performance) to allow for tax you may pay as an investor, other than withholding tax on foreign income (if any). Certain other fees such as Contribution fees or Withdrawal fees (if any) are not taken into account. Total returns (pre-fee) are calculated by adding back management costs to the (post-fee) returns. Past performance is not a reliable indicator of future performance.

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