BT Wholesale Ethical Share Fund

Fact Sheet March 2010

ARSN: 096 328 219

Social Responsible Investments

About the Fund

The BT Wholesale Ethical Share Fund is an actively managed portfolio of Australian shares that seeks to ensure that funds are invested in an ethical or socially responsible manner. Investors are becoming increasingly aware of the link between a company's sustainability focus and its long term success and profitability. As a result, ethical fund investing combines the best of both worlds – the potential to achieve strong performance over the long term while contributing to a sustainable environment.

Fund objective

The Fund aims to provide a return (before fees) that exceeds the S&P/ASX300 Accumulation Index over the medium to long term. The suggested investment timeframe is 5 years or more.

Investment approach

The Fund will not invest in companies which:

- directly mine uranium for the purpose of weapons manufacture
- produce alcohol or tobacco
- manufacture or provide gaming facilities
- manufacture weapons and armaments
- have been subject to environmental and/or human rights prosecutions

Investment process

The Fund uses the same investment process as BTIM's flagship Australian equities products with the addition of sustainability screens.

1. The negative screen effectively determines the investment universe of the BT Wholesale Ethical Share Fund
2. The positive screen identifies companies for active consideration, given their focus on the production of sustainable goods and services. The ethical screen is provided by Monash Sustainability Enterprises (MSE), a leading independent research organisation. Examples of positively screened companies include those that derive greater than 20% of their revenue from sustainable technologies, products and services.

Investment team

BTIM's nine-member Australian large-cap equities team is one of the largest in the industry. The portfolio manager for the Fund is Jack Chemello, who has more than 11 years industry experience.

Investment guidelines

Ex-ante (forward looking) tracking error	2.0% - 6.0%
Min/max stock position	+/-4%
Min/max sector position	+/-6%
Number of stocks	50-90

Fees

Management fee	0.95% pa*

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	6.30	6.39	5.74
3 months	0.21	0.45	1.25
FYDT	24.56	25.45	27.31
6 months	3.90	4.39	4.66
1 year (pa)	37.18	38.49	41.94
2 years (pa)	-0.91	0.04	-0.18
3 years (pa)	-2.47	-1.56	-2.58
5 years (pa)	9.54	10.55	8.00

Asset allocation

Energy	10.7%
Materials	25.6%
Industrials	9.6%
Consumer Discretionary	4.4%
Consumer Staples	3.5%
Health Care	5.5%
Information Technology	0.2%
Telecommunication Services	4.0%
Utilities	0.9%
Financials ex Property Trusts	29.9%
Property Trusts	2.9%
Cash & Other	2.9%

Top 10 holdings

BHP Billiton Limited	14.4%
Westpac Banking Corporation	8.8%
Commonwealth Bank of Australia Ltd	6.1%
ANZ Banking Group Limited	5.3%
National Australia Bank Limited	4.8%
Rio Tinto Limited	4.3%
Telstra Corporation Limited	4.0%
Metcash Trading Limited	3.5%
Asciano Limited	3.2%
News Corporation Inc CDI CL B	2.8%

Other information

Fund size (as at 31 Mar 2010)	$215 million
Date of inception	May 2001
Minimum investment	$50,000
Buy-sell spread	0.50%#
Distribution frequency	Quarterly
APIR code	RFA0025AU

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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.

The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Market review

The Australian sharemarket had a strong month, up 5.7% in March, its best performance in six months. Factors behind the positive momentum included increased confidence in the likelihood of a US recovery, the view that China's tightening won't be as aggressive as once thought and continued strong commodity prices.

However some macro concerns remain, with the Greece sovereign debt issue still unresolved, despite the European Union and IMF agreeing to provide loans as a last resort.

The renewed confidence over the month saw investors move back into cyclicals. Energy was the strongest sector (+8.9%), boosted by corporate activity in the gas industry. The wider Resources group (+8.4%) also outperformed as mining stocks responded to strong iron ore and coal pricing and a shift by BHP and Brazilian miner Vale from annual to short term pricing contracts.

Increased M&A activity appears to be an emerging theme in Resources. Shell and Petrochina made a bid for Arrow Energy's Australian LNG assets resulting in the stock finishing up over 51% for the month while Peabody bid for Macarthur Coal which saw Macarthur stocks rise over 37%. Also, post month end Newcrest bid for Lihir Gold.

Materials also performed well in March (+7.8%) driven by increasing demand for resources. Healthcare was up +5.3% on strong CSL (+5.9%) and Cochlear (+14.8%) performance as well as the resolution to US healthcare reform removing uncertainty around the sector. The Bank sector (+6.8%) also rose strongly as investors continued to revise down their expectations for loan loss charges.

On the other hand traditional defensives were the clear laggards. Consumer staples were up only 2.0% and Utilities up only 1.6%. Utilities and REITs (-0.2%) were held back by rising bond yields while the Telco sector (+0.3%) continued to struggle with concerns over Telstra's regulatory regime.

In economic news, the Reserve Bank raised the cash rate target by 25 basis points to 4% at its March meeting, the fourth hike in the current tightening cycle. Australian economic data was on balance softer than expected with employment, retail sales and housing finance coming in short of forecasts. Meanwhile, the Australian dollar gained against the US dollar in March (+2.4%) as markets priced a stronger trajectory for short-term rates and bulk commodity prices.

Fund performance

The portfolio outperformed the benchmark for the month of March.

Our overweight positions in Oil Search and Bluescope Steel were among the key contributors to returns over the month, beneficiaries of the strongly performing Resources sector.

Oil Search has been trading cheap relative to the imputed value of its stake in the PNG LNG project, reflecting the lack of near term news flow, however the bid for Arrow Energy was a reminder that the energy sector is consolidating and the market began to close up that discount. Ironically, Bluescope steel also performed well, despite the continued rise in its key input costs. This was due to the rise in steel prices seen throughout Asia as the steel companies find they are able to pass through their higher costs. This had been a concern for the market and had led the stock to trade at a discount to its book value.

The main detractor to performance over the month was our overweight in defensive name Metcash. Concerns around competition in the retail sector continue to weigh on Metcash, despite clear evidence that both Woolworths and Coles are not choosing to price aggressively. Other detractors were our underweight in Arrow Energy, subject of the Shell/Petrochina takeover bid, and overweight in defensive Origin Energy.

Strategy & outlook

The rally in equity markets off their recent lows has reinforced our view that we remain in a consolidation phase. We are now 12 months on from the turn in the markets as the potential financial crisis was averted and the domestic economy started its recovery. The market has re-rated back to its long-term valuation, contingent on a recovery in earnings of 20% in the 2011 financial year. It is the confidence in this earnings recovery which will drive markets from here.

The key swing factors relate to the US and Chinese economies. During March there were favourable developments on both these fronts. In the US the signs are beginning to emerge that employment is improving, following a lull over the northern winter. We believe that we will see a short term step up in US activity, however we are concerned that this will be relatively short lived given the continued structural issues relating to debt in both households and at the government level. In China we got a clear message from policy makers that they will not aggressively tighten policy, reflecting their concerns about the uncertainty of the global economic environment. Our recent trip to China highlighted that underlying infrastructure investment is continuing, with the projects started last year providing plenty of work to continue growth through this year. In addition, we anticipate a pick up in property investment as the government seeks to increase supply to deal with the rise in prices. The economy will start to slow later in the year, but the policy mistakes of 2008, when the Chinese over tightened are fresh in their mind, and will lead them to err towards growth.

The domestic economy is transitioning from being driven by government stimulus and the consumer towards growth coming from investment, particularly relating to the resource sector. The terms of trade shock will generate substantial growth in the second half and in addition continued strong population growth will underpin the economy.

In this environment, the portfolio's key exposures are to the resource sector, but rather than concentrate that solely in mining stocks it is spread across a number of themes being bulks, energy and engineering services, covering companies such as Rio, Oil Search, Worley and United Group. In addition we are exposed to the 'back end' of the domestic economy, i.e. companies exposed to greater corporate spend in the supply chain such as Qantas and Asciano. Finally, we are cautious for the near term on consumer-sensitive stocks as we see the effects of rising interest rates kick in.

For more information

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