

BT Institutional Australian Sustainability Share Fund

Fact Sheet
April 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 recommended 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 Fund is managed by 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.



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	-2.00	-1.93	-1.38
3 months	6.54	6.76	6.54
FYDT	23.27	24.16	25.58
6 months	4.87	5.32	5.55
1 year (pa)	28.20	29.31	32.38
2 years (pa)	-3.41	-2.58	-2.93
3 years (pa)	-3.86	-3.03	-3.81
5 years (pa)	8.02	8.95	8.43

Asset allocation

Energy	8.8%
Materials	27.3%
Industrials	3.3%
Consumer Discretionary	4.3%
Consumer Staples	7.6%
Health Care	4.0%
Telecommunication Services	3.3%
Financials ex Property Trusts	36.1%
Property Trusts	2.8%
Cash & Other	2.5%

Top 10 holdings

BHP Billiton Limited	12.4%
Westpac Banking Corporation	8.6%
Commonwealth Bank of Australia Limited	6.4%
National Australia Bank Limited	6.1%
ANZ Banking Group Limited	5.6%
Rio Tinto Limited	4.9%
QBE Insurance Group Limited	3.8%
Woolworths Limited	3.4%
Telstra Corporation Limited	3.3%
Wesfarmers Limited	3.0%

Other information

Fund size (as at 30 Apr 2010)	\$166 million
Date of inception	October 2001
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.50% [#]
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.

[#] 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 fell -1.4% in April with the Resources sector down -4.1% as it contended with the prospect of cooling in the Chinese economy and concerns that the Henry review might recommend additional taxes on mining companies. The fiscal crisis in Greece also took its toll on both risk appetite and expectations of economic growth.

The Banks sector outperformed, down -0.1%, although ANZ underperformed the sector as they reported a weaker than expected dividend and expenses that grew faster than expected. The Real Estate sector posted strong gains in April (+4.1%) led by Goodman (9.2%) and Westfield (+7.1%) while the Retail sector (-2.8%) was weighed down by a slowdown in retail sales and sequential interest rate rises.

The Healthcare sector (-5.5%) largely underperformed the broader market, as several stocks within the typically defensive sector underperformed. CSL (-11.1%) fell heavily after its largest US competitor, Baxter, lowered guidance for 2010 on a slower growth rate in the IVIG market in the US.

In major company news, National Australia Bank's offer for the Australian business of AXA Asia-Pacific met with a rebuff from the ACCC while Lihir Gold rejected a takeover offer from Newcrest Mining, deeming it inadequate.

In economic news, the Reserve Bank raised the cash rate by 25 basis points to 4.25%, Australian employment data showed continued jobs growth, the housing market remains firm, however consumer data provided more mixed signals. The Australian dollar gained +0.8% against the US dollar in April with higher bulk commodity prices supportive. Oil gained +2.9% while gold rose +5.9%, recording its highest close since December, with concerns over sovereign debt supporting sentiment.

Fund performance

The portfolio underperformed the benchmark for the month of April. One of the key detractor to return's was the portfolio's overweight position Rio Tinto Limited. Rio stocks were impacted by concerns relating to the Henry review recommendation for additional taxes on mining companies.

Other detractors to performance included our underweight in Commonwealth bank that outperformed with the Banking sector. Commonwealth Bank stock rose as the bank entered into an agreement to form a strategic partnership with Vietnam International Bank (VIB). The partnership will see CBA take a 20 per cent stake in VIB at the end of completion (subject to regulatory approval).

An overweight position in Oil Search also detracted as its share fell after reporting a Quarter 1 result which was only marginally stronger than estimates.

Positive contributors to performance included an overweight position in QBE. Its stocks rose on the announcement of its acquisition of NAU, a US multiperil crop insurer. Other positive contributors to performance include an overweight position in the National Australia Bank.

Portfolio Changes

The portfolio increased its holdings in Incitec Pivot Limited due to improving financial prospects. Also during the month, the portfolio took advantage of share price weakness to increase holdings in David Jones Limited and Macquarie Group Limited.

During the month of April the portfolio modified its holdings in the listed property sector. Specifically, holdings in Stockland Property Group and CFS Retail Property Trust were increased. These were funded by reductions in Dexus Property Group and GPT Group.

MSE Stock Stories

Billabong International Ltd (BBG)

Billabong produces surf wear and sports apparel and accessories for the surf, skate and snowboard markets in more than 60 countries.

NGO campaigns against Nike and the Gap in the past illustrate the potential for reputation and brand damage that can occur when apparel manufacturers like BBG fail to ensure that working conditions in their supply chain conform to internationally-accepted labour standards.

Supply chain risks are potentially material for BBG given its network of over 400 supplier factories (many located in developing countries) and significant brand capital in its environmentally and socially conscious under-30s target market. BBG has strong governance systems in place to manage such risks, including a supplier code of conduct that outlines the ethical standards to which it expects suppliers to comply. BBG has also adopted the Social Accountability SA8000 standard to manage working conditions in supplier factories. SA8000 is a best practice standard based on the workplace rights outlined in standards such as the International Labour Organisation (ILO) Conventions and UN Convention on the Rights of the Child. The standard includes: implementation of management systems in supplier factories; audits; and assistance with corrective action to improve working conditions.

BBG has established its own audit team, which in FY09 undertook 500 SA8000 full audits or "corrective action plan" audits. Its public reporting on these audits indicates that BBG is prepared to terminate supplier contracts for non-compliance with its standards. BBG's has established ethics controls that compare favourably with sector peers. These include a comprehensive whistle blowing system and active board-level oversight of ethical compliance. However, limited disclosure makes it difficult to assess the quality of its human capital management in relation to its own direct workforce.

Climate change and other environmental exposures do not pose material risks at present for BBG. Nevertheless, it is proactive in its approach to environmental management and was the only apparel retailer in the ASX200 to respond to the 2009 Carbon Disclosure Project questionnaire. This approach may enhance its reputation among younger consumers who are increasingly conscious about the environmental image of the fashion products they purchase.

Newcrest Mining Limited (NCM)

Newcrest (NCM) produces gold and copper. It operates in Western Australia, New South Wales, Queensland and Indonesia, with projects in Papua New Guinea and Fiji.

Water access is a key issue for NCM's Cadia Valley (CV) operations in New South Wales, where, in an area with limited water supply, expansion plans may be affected by the needs of other local water users. NCM has responded to these conditions by increasing water recycling, using grey water from nearby towns, and implementing water efficiency initiatives. Daily water use at CV has fallen since 2007, and NCM reports that water recycling now covers approximately 82.5% of daily requirements. The Cadia East expansion project has a water management plan that aims for 90% reliability of water supply. NCM is a signatory to the International Cyanide Management Code, which can assist consistent management of cyanide in overseas operations. NCM states it estimates GHG emissions for future projects and conducts carbon price sensitivity analyses for its operations, however, performance in this area is patchy, with fluctuations in the company's greenhouse gas emissions intensity in recent years. While there is disclosure on energy efficiency initiatives at several sites (Telfer, Cracow and Cadia Valley), it is not clear whether NCM has specific targets and action plans to reduce its greenhouse footprint.

As a signatory to the Minerals Council of Australia's framework for sustainable development, NCM is required to adhere to a range of principles including respect for human rights and local cultures, and the support of community development. NCM has three agreements with indigenous people at the Telfer operations, and one at the Cracow operations, which contain specific community benefits. It also has a Community Partnerships program at Cadia Valley and several consultation and communication activities at the site. Overseas, illegal mining has been an ongoing challenge for Newcrest operations in the Toguraci area in Indonesia, and in 2003 illegal miners were involved in a violent confrontation with government security forces. MSE has found no evidence of further violent incidents and continues to monitor this aspect of the company's operations. However, MSE notes that NCM is not yet a signatory to the Voluntary Principles on Security and Human Rights.

Human capital management at Newcrest is relatively strong. The employee turnover rate declined from 17.4% to 11% in 2008-2009, possibly as a result of the implementation of retention initiatives maturing in 2009. The company reports the implementation of apprenticeship and graduate programs and actions to better understand turnover and improve retention.

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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