

BT Wholesale Australian Long/Short Fund

Fact Sheet
April 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	-1.65	-1.59	-1.38
3 months	6.39	6.67	6.54
FYDT	26.43	27.75	25.58
6 months	4.53	4.92	5.55
1 year (pa)	32.81	34.34	32.38
2 years (pa)	4.42	6.75	-2.93
Since Inception (pa)	-1.50	0.56	-7.88

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	26.9%
Industrials	10.9%
Consumer Discretionary	5.9%
Consumer Staples	7.1%
Health Care	3.9%
Telecommunication Services	3.6%
Utilities	0.6%
Financials ex Property Trusts	28.8%
Property Trusts	2.9%
Cash & Other	0.3%

Top 10 holdings

BHP Billiton Limited	12.7%
Westpac Banking Corporation	8.8%
Commonwealth Bank of Australia Limited	7.2%
National Australia Bank Limited	4.3%
Telstra Corporation Limited	4.0%
Rio Tinto Limited	4.0%
ANZ Banking Group Limited	3.9%
QBE Insurance Group Limited	3.0%
Qantas Airways Limited	2.9%
Origin Energy Limited	2.6%

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	Australian equities Long: 95 - 135% Short: 0 - 35% Net long exposure max 100% Cash: 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 30 Apr 2010)	\$102 million
Date of inception	November 2007
Minimum investment	\$50,000
Buy-sell spread	0.70% ¹
Distribution frequency	Semi-annual
APIR code	RFA0064AU

1_ The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Fees

Issuer fee ²	0.85% pa
Performance fee ³	15% of the amount (if any) by which the Fund's investment performance (before fees) exceeds the benchmark.

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.

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 slightly underperformed the benchmark for the month of April.

The main detractor to performance over the month was our position in Asciano which corrected following recent strong performance. This was triggered by reports that port volumes had weakened off in March following a strong start to the year. We do not believe this will prove to be the start of a more sustained downturn given that volumes have only just started to recover in recent months and the broader economy is still growing well.

Our position in Rio also detracted as speculation around the Henry Tax review super tax weighed heavily on the sector.

Our underweight in Westfield was another detractor as the market ran on the expectation that improved US consumer sentiment would drive a re-rate of the company. While we would concur that the outlook is improving we prefer to play this theme through News Corp, which will benefit from a recovery in advertising which we expect to be more pronounced given how hard it was hit during the downturn.

The portfolio's holding in News Corp was the main contributor to performance over the month as the stock outperformed and we remain confident in the longer term due to it also benefitting from structural drivers such as the re-pricing of cable programming and the benefit of re-transmission fees being earned as the company garners more value from its content position.

Other contributors to returns included an overweight in WorleyParsons which performed strongly due to the oil price rally and improving macro conditions, and an underweight in CSL.

Strategy & outlook

The market has recoiled back from the top of its six month trading range due to the re-emergence of three key risk factors.

The first has been the flaring up of the sovereign debt crisis in Europe which has transmitted through to bank funding markets and corporate credits. These represent the signals that indicate confidence in financial markets is waning and if left unattended will infect the real economy – a significant concern for investors and policy makers. We are fortunate in one regard in that this is a movie which we have all seen before, relatively recently, and the ending is too unpalatable for it to be allowed to be repeated. There are, as we write, signs that a substantive policy response is being implemented. This will not solve the problem, but will allow it to be parked for a later date, hopefully at a time when other parts of the world are on a more sustainable recovery path, providing a better context to resolve the underlying issues.

The second is the shift in Chinese policy making to a far more aggressive attack on speculation in the property market. Having tried to calm markets in March, the government found that an unintended consequence of their soothing words was a spike in demand for property at a time when they were already concerned over rising property prices. Rather than pulling the interest rate lever, with all its unappetising side effects on manufacturing and infrastructure, the government

has specifically targeted property buyers, making it far harder for people already owning houses or living abroad to buy property. This has triggered a sharp fall in transactions, which will flow through into prices. Such a sharp policy change will impact on sentiment in commodity markets in the near term, particularly given the higher levels of inventory being held in China. We see this however as a temporary respite in the commodity story as once the Chinese get the desired correction in property prices they will ease off on the restrictions and demand growth will resume.

Finally, the domestic economy, which has been transitioning from stimulus-encouraged consumption towards investment, appears to be stuttering more than anticipated. Retailers are clearly struggling in the face of higher rates and the announced tax changes on mining risk triggering meaningful delays to investment spend. This is not an idle threat from the companies impacted, rather the uncertainty created makes it difficult to secure the equity investments, off-take agreements required or financing to enable these large scale projects to be signed off on. A quick resolution in some form to this uncertainty is a pre-condition to a meaningful recovery in our market, given the flow-on effects of the sector on to other parts of the market.

The uncertainty does bring opportunity and the portfolio is seeking to take advantage of the drop in prices to add to positions, particularly in stocks exposed to the US economy, such as News Corp. We also believe that the near term pipeline of pre-approved investment projects will underpin ongoing demand for the engineering sector and we maintain our exposure to this sector. Finally we see good value in those stocks exposed to the 'back end' of the economy, i.e. corporate spend and supply chains, such as Asciano.



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 Wholesale Australian Long/Short Fund (the '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.