

BT Institutional Australian Sustainability Share Fund

Fact Sheet
June 2010

ARSN: 097 661 857



Social Responsible Investments

About the Fund

The Fund brings together the specialist skills of BTIM and Regnan Governance Research and Engagement. Regnan 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. Regnan evaluates Australian companies based on environmental and social criteria and BTIM evaluates companies on financial performance.

Regnan 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 may invest in companies which mine or use uranium primarily in relation to power generation but the Fund will not invest in companies which directly mine or use uranium for the purpose of weapons 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 Australian Equity Strategies team who has more than nine 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 Regnan 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.

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.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	-2.42	-2.35	-2.59
3 months	-11.82	-11.64	-11.14
FYDT	10.91	11.87	13.15
6 months	-10.78	-10.39	-9.93
1 year (pa)	10.91	11.87	13.15
2 years (pa)	-4.80	-3.98	-4.94
3 years (pa)	-7.82	-7.02	-7.85
5 years (pa)	3.97	4.87	4.52

Asset allocation (as at 30 June 2010)

Energy	9.3%
Materials	27.1%
Industrials	3.4%
Consumer Discretionary	4.9%
Consumer Staples	8.5%
Health Care	2.6%
Information Technology	1.4%
Telecommunication Services	3.9%
Utilities	1.1%
Financials ex Property Trusts	31.5%
Property Trusts	3.5%
Cash & Other	2.8%

Top 10 holdings (as at 30 June 2010)

BHP Billiton Limited	12.5%
Commonwealth Bank of Australia Ltd	7.0%
Westpac Banking Corporation	6.3%
ANZ Banking Group Limited	4.9%
National Australia Bank Limited	4.4%
Rio Tinto Limited	4.4%
Telstra Corporation Limited	3.9%
Woolworths Limited	3.6%
Wesfarmers Limited	3.6%
QBE Insurance Group Limited	3.5%

Other information

Fund size (as at 30 Jun 2010)	\$150 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

Market review

The Australian sharemarket lost ground in June (-2.7%) for the third month in a row and ran up its fourth monthly loss for the year. Fears that the US recovery could falter spooked investors, concerns emerged of a slowdown in Chinese growth and survey data suggested that the Australian economy might be losing momentum.

The Resources sector outperformed the index (-1.3%) as the RSPT looked likely to be renegotiated following the change in Government leadership. As a result, Metals and Mining (-0.8%) outperformed Energy (-2.9%), as the Energy sector is not impacted to the same extent as mining stocks.

Otherwise, it was the more defensive sectors which performed better as risk aversion remained high. Telcos (+9.2%) was the standout sector, with Telstra (+10.5%) significantly outperforming after it signed an agreement with the Government to build a National Broadband Network. Other outperforming defensives were Consumer Staples (+0.5%), Utilities (+0.7%) and Healthcare (-0.2%).

In contrast, cyclical stocks underperformed in June led by the Media sector (-7.6%). Key media stocks drove the sell off as investors expect advertising spending to slow in line with business confidence. Banks (-4.9%) were once again a negative contributor to market returns with CBA (-5.3%) and WBC (-7.5%) while Diversified financials (-10.3) was driven by a heavy fall in Macquarie Group, (-14.3%).

In economic news, the RBA left its cash rate target unchanged in June after six hikes in seven meetings citing market volatility in Europe and its potential implications for growth. Economic signals were mixed with employment recording another strong gain in May while consumer and business confidence surveys recorded falls. The Australian dollar fell slightly against the US dollar over the month (-0.6%) while ongoing global uncertainty led to further increases in the gold price (+2.5%) in June.

Fund performance

The portfolio performed broadly inline with its benchmark for the month of June.

Our overweight in Metcash was the main contributor over the month as it reported a solid FY10 result in line with forecasts. The company said they are pleased with the result given they are cycling the effects of government stimulus, battling interest rate increases, and operating in a low inflation environment.

The portfolio's underweight position in Macquarie Group also contributed as the stock fell sharply on its release of a very cautious update revealing that market conditions were adversely impacting business activity levels.

Other key contributions to performance were overweight position in Avoca Resources, Newcrest Mining and Amcor.

The main detractor to performance over the month was our overweight position in News Corporation. The company confirmed it had approached BSKyB with a proposal to buy the 61% of BSKyB that it doesn't already own. BSKyB's directors said the proposal undervalues the company and has agreed to work with News Corp to gain the necessary regulatory clearances in advance of a formal offer. News Corp's bid to increase its exposure to the UK pay television market continues the group's move away from being reliant on the cyclical advertising market. The transaction would create a much more efficient balance sheet and would be accretive to earnings in the order of 15%.

Other key detractors to performance were overweight positions to QBE Insurance & WorleyParsons Ltd.

Portfolio changes

During the month of June the portfolio continued to increase its holdings in AGL Energy Limited. AGL Energy possesses high Environmental and Social ratings as well as improving Financial outlook. The portfolio also took advantage of share price weakness to add to AMP Limited and ASX Limited. Also during the month, the portfolio added to positions in both News Corporation Limited, and Stockland Group Limited.

These purchases were funded by reductions in the financial sector with sales of Macquarie Group Limited, National Australia Bank Limited, and Westpac banking Corporation.

Regnan stock stories

SMS Management and Technology Limited (SMX)

SMX is an information and communications technology services and business management company with offices in Australia, UK and Asia. SMX provides services through a number of business units: SMS Consulting, SMS Technology Solutions, M&T Resources, SMS Defence Solutions and SMS Enterprise Solutions.

SMX is highly reliant on human capital and Regnan believes it may be affected by increasing skills shortages. Major upgrades to core banking systems currently being undertaken by Australia's big four banks and a surge in hiring for the National Broadband Network is expected to drive competition for talent. However, SMX recognizes the strategic importance of human capital management (HCM) for its competitive advantage and has implemented a number of initiatives aimed at attracting and retaining employees. Controls are strong, with HCM being overseen at executive level, while recruitment and retention targets are explicitly linked to executive remuneration.

In relation to business ethics and conduct, SMX has a comprehensive code of conduct that is overseen by the company's Audit, Risk and Compliance Committee. However, there is no evidence of a formal whistleblower policy or system.

As a service company, the operations of SMX are not subject to any significant environmental regulation. Regardless, SMX demonstrates a strategic understanding of environmental risks and opportunities. In FY09, SMX acquired Pelion Group Pty Ltd, a specialist provider of Information and Data Management Solutions, enabling SMX to offer its clients a greenhouse gas reporting solution ('ecoAnalytics').

SMX has also won a number of federal and state water reporting and related contracts. In FY09, the Water Division of the Bureau of Meteorology appointed SMX to assist in the management and delivery of the Australian Water Resources Information System (AWRIS).

AMP Limited (AMP)

As a leading provider of financial services in Australia, including life insurance and investment management, AMP's key sustainability issues include human capital management (HCM), business ethics and conduct, and the impacts of climate change on its funds and properties under management.

The damage to the financial planning industry following the collapse of Storm Financial highlights the importance of ethical conduct in rebuilding and maintaining the reputation of the industry. AMP's move to a 'no commission' model for new business has put it in good stead following the commitment by the Federal government to both ban commissions and impose a fiduciary duty on financial advisers from 2012. More generally, AMP's ethics and conduct controls are generally in line with sector peers. Nevertheless, improvements could be made through the provision of direct oversight of ethical conduct at board level, evidence of improvements to employee training on the company's ethical policies and procedures, and the availability to employees of an anonymous whistle-blowing system.

With regard to HCM, the pressure on financial services companies to attract and retain key staff (strongly evident pre-GFC) is returning. Furthermore, the high cost of voluntary turnover in the financial services industry is also a risk for the company. In response, AMP's policies and practices remain above sector average: business strategy is explicitly aligned with investment in programs to attract, develop and retain talented staff, while the board has oversight of the talent management strategy. Staff benefits and conditions, together with comprehensive development programs, meet or exceed those offered by most competitors for talent. Of particular note, CEO Craig Dunn has recently announced that AMP plans to increase employee superannuation to 12% by 2014.

AMP's environmental performance is above expectations for the Australian insurance sector. While not currently financially material, forecast climate change impacts and likely carbon costs are issues for AMP Capital Investors through the potential for lower investment returns. Controls, including climate strategy, risk assessment, and practical actions including energy efficiency initiatives in the property business, are above those of sector peers. Opportunities exist for AMP in the areas of green buildings and sustainable investment, in which it already has a well-established position.



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.

If market movements, cash flows or changes in the nature of an investment (eg a change in credit rating) cause the Fund to exceed any of the investment ranges or limits in this document, this will be rectified by BTIM (RE) as soon as reasonably practicable after becoming aware of it. If BTIM (RE) does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified in this document are accurate as at the date of its issue, and BTIM (RE) reserves the right to vary these from time to time.

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