BT Wholesale Ethical Share Fund

Fact Sheet June 2010

ARSN: 096 328 219

BT Investment Management

Social Responsible Investments

About the Fund

The BT Wholesale Ethical Share Fund is an actively managed portfolio of Australian shares which 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 five 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 Regnan Governance Research and Engagement, 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*

CERTIFIED RESPONSIBLE INVESTMENT ®
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		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	-2.39	-2.31	-2.65
3 months	-12.08	-11.87	-11.20
FYDT	9.51	10.56	13.05
6 months	-11.89	-11.48	-10.09
1 year (pa)	9.51	10.56	13.05
2 years (pa)	-6.51	-5.62	-5.10
3 years (pa)	-8.26	-7.39	-8.05
5 years (pa)	5.60	6.56	4.49

Asset allocation (as at 30 June 2010)

Energy	10.3%
Materials	24.5%
Industrials	10.5%
Consumer Discretionary	5.7%
Consumer Staples	3.9%
Health Care	4.4%
Information Technology	0.7%
Telecommunication Services	4.7%
Utilities	0.9%
Financials ex Property Trusts	27.3%
Property Trusts	4.0%
Cash & Other	3.1%

Top 10 holdings (as at 30 June 2010)

BHP Billiton Limited	12.5%
Commonwealth Bank of Australia Ltd	7.0%
Westpac Banking Corporation	6.8%
ANZ Banking Group Limited	5.0%
Telstra Corporation Limited	4.7%
National Australia Bank Limited	4.0%
Metcash Trading Limited	3.9%
Rio Tinto Limited	3.8%
Asciano Limited	3.5%
Origin Energy Limited	2.9%

Other information

Fund size (as at 30 Jun 2010)	$208 million
Date of inception	May 2001
Minimum investment	$50,000
Buy-sell spread	0.50%#
Distribution frequency	Quarterly
APIR code	RFA0025AU

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

* You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

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.

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 Diversifieds 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 outperformed its benchmark for the month of June. Our overweight position 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. Not holding Macquarie 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.

The portfolio's overweight position in Telstra contributed as the company significantly outperformed the market after management signed an agreement with NBN Co to participate in the National Broadband Network rollout. We think that the deal was reasonable and that it should remove the regulatory overhang that had been affecting the stock. Another contributor was our overweight in Asciano which gained in June. The group announced that it had signed a 10-year coal haulage contract with Anglo American which is expected to generate revenue of more than $775 million. The ongoing success in securing additional volumes in the Queensland coal market reinforces our optimism about earnings growth over the next 2-3 years.

The main detractor to performance in June was our overweight in Qantas. The stock's performance was dominated by increased concerns about the strength of the global recovery. The May monthly traffic report indicated that, whilst the company is facing increased competition at the low-fare end of the domestic market, its higher yielding business travel is picking up.

The portfolio's overweight position in News Corporation also detracted over the month as 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%.

Strategy & outlook

Early June saw somewhat of a reversal of the poor market sentiment that was experienced in May and the market was in positive territory for the first three weeks. However the last week in June was characterised by a resurgence in concerns about the risks of a double dip in the US economy and newer fears about the extent of a slowdown in the Chinese economy. These macro factors were then enough to move the market into negative territory for the month as a whole.

In a strong show of good faith to the global community China announced that it was amending its US dollar peg for the currency, though we expect only very modest appreciation to occur in the short term. The market also remains very wary about the near-term growth outlook in China.

Domestically the headlines continued to be dominated by the RSPT. The political fallout from the tax and other contentious issues was very significant with Rudd being replaced as Prime Minister by Julia Gillard. The market has rightly been very concerned about many aspects of the tax but equally as concerning for the market is the extent to which the Government continues to inject itself into many industries with policy that does not always appear to be soundly based or market aware. The final format of the tax does appear to go a long way to addressing many of the aspects that the mining companies had most vocal disagreement about and so we expect that with this uncertainty removed, capex plans that have been put on hold will be reactivated.

Whilst significant uncertainties remain with respect to the global growth outlook, equity markets have retreated to the extent that a number of value opportunities are beginning to emerge. Indeed on our long-term market valuation models both the US and Australian markets are showing up as being at very attractive long-term valuation levels. In the portfolio we continue to favour stocks that have inherent internal growth opportunities such as Asciano and News Corp. Amcor is a relatively defensive name that will show strong earnings growth over the next two years from the bottom of the cycle packaging acquisition they made from Rio Tinto.

BT Investment Management

For more information

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