

# BT Wholesale Ethical Share Fund

**Fact Sheet**  
**March 2011**

ARSN: 096 328 219



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 ten-member Equity Strategies team is one of the largest in the Australian funds management industry. The portfolio managers for the Fund are Crispin Murray and Rajinder Singh, who have a combined 28 years industry experience. Crispin is also Head of Equity Strategies.

### 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*
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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](http://www.responsibleinvestment.org) for details.

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

## Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	1.10	1.18	0.67
3 months	3.78	4.03	3.12
FYDT	15.13	15.96	16.88
6 months	8.11	8.62	7.92
1 year (pa)	1.22	2.19	3.79
2 years (pa)	17.84	18.96	21.37
3 years (pa)	-0.20	0.75	1.13
5 years (pa)	3.32	4.27	3.21

### Asset allocation (as at 31 March 2011)

Energy	12.5%
Materials	32.0%
Industrials	12.6%
Consumer Discretionary	5.7%
Consumer Staples	1.2%
Health Care	2.4%
Information Technology	1.0%
Telecommunication Services	2.3%
Utilities	1.3%
Financials ex Property Trusts	25.6%
Property Trusts	2.3%
Cash & Other	1.2%

### Top 10 holdings (as at 31 March 2011)

BHP Billiton Limited	13.0%
Westpac Banking Corporation	7.9%
Rio Tinto Limited	6.3%
Commonwealth Bank of Australia Ltd	6.0%
ANZ Banking Group Limited	4.7%
National Australia Bank Limited	4.5%
Origin Energy Limited	3.9%
Newcrest Mining Limited	3.5%
Asciano Limited	3.3%
AmcOR Limited	2.6%

### Other information

Fund size (as at 31 Mar 2011)	\$169 million
Date of inception	May 2001
Minimum investment	\$50,000
Buy-sell spread	0.50% <sup>#</sup>
Distribution frequency	Quarterly
APIR code	RFA0025AU

<sup>#</sup> 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 share market rose slightly in March with the ASX 300 Accumulation index up 0.7%. This small change belies the fact that there was considerable volatility in the market over the month and at one point the market was down 6% before rallying back. Global markets were once again rocked by global events with the devastating earthquake and tsunami grabbing the world's attention. The ongoing drama at the Fukushima nuclear plant has caused the world to reflect on the use of nuclear power, which has had a knock-on effect on related segments of the stock market. Adding to the uncertainty are the continuing tensions in the Middle East escalating with the declaration of the no-fly zone and increasing NATO involvement in Libya. There remains significant uncertainty elsewhere in the region also, with new governments to be formed in Egypt and Tunisia and continuing tension in Syria, Yemen and Bahrain in particular.

The best performing sector in the Australian market was Energy, up by 3.3% mainly due to the higher oil price. Resources were also higher, driven by gas and gold stocks, while other mining stocks were lower as commodity prices softened. There was little to choose between most other sectors in the market, with Health Care and Telecoms (up 2.0% and 1.4%) performing quite strongly while AREITs (-2.1%) and the two Consumer sectors being the worst performers (Consumer Staples -1.6% and Consumer Discretionary -1.4%).

The Australian market fared comparatively better than most developed markets. While the US market was flat, European markets were softer, and Japan was down by 8% in local terms.

On the economic front, the RBA left the cash rate at 4.75% as expected. Other domestic economic news was mixed with weaker consumer confidence but higher business confidence. Credit growth picked up in February but home loan approval value was weak, largely due to Queensland being softer because of the floods. Unemployment remains stable at 5.0%.

## Fund Performance

The portfolio outperformed its benchmark over the month.

Not holding Wesfarmers was the strongest contributor to outperformance this month. The company, which has various liquor and pub interests, is excluded from our investment universe as it fails our negative screens. Consumer based stocks struggled over the month, and particularly weighing on both Wesfarmers and Woolworths, was the Senate enquiry into their price war over milk.

Our overweight position to Iluka was also a strong contributor to excess return. The company continues to benefit strongly from high zircon price. During the month, the company was related with higher earnings forecasts due to anticipated further price rises in zircon and Titanium dioxide. The portfolio has benefited significantly from the position in Iluka and the stock has appreciated considerably over the last year. We are supportive of the way that this business has been run but will be monitoring the valuation closely given the recent share price rally.

The largest detractor from performance was the portfolio's overweight position in Qantas. The share price suffered as a result of the higher oil price and a loss of revenue due to recent natural disasters. The company's response to these issues has been prompt, announcing various cost cutting measures including curtailing planned capacity growth and reductions in management numbers. The company also announced increased surcharges in both domestic and international routes, which will add meaningfully to revenue. Despite a spate of recent challenges, the company's underlying operations remain strong and the valuation is supportive.

Detracting from performance was our small overweight position in Uranium producer Paladin, which was down by 27% over the month. Unsurprisingly, all companies exposed to the nuclear energy industry suffered as a result of the Japanese disaster as the Uranium price fell sharply. While it is still unclear what the longer term ramifications of this episode will be, there have been definite short term effects with eleven out of Japan's fifty four reactors being shut down and Germany and China both announcing suspensions or reductions of their nuclear programs.

## Outlook and positioning

Overall, we are encouraged by the amount of opportunities that we are finding within the Australian share market and valuations remain broadly supportive. However, short term headwinds exist beyond the well documented global issues that have dominated the news in the last month. For example, while no longer grabbing the headlines, the impact of the Queensland floods (and indeed persistent poor weather) may well continue to impact short term earnings for those companies affected. Looking through the short term though, the portfolio is well positioned to benefit from very strong domestic investment that is starting to come through which we believe will drive the economy through the next few years. This of course will be focussed largely on the resources sector infrastructure. Investors will also be trying to establish in what ways this investment theme will affect the rest of the domestic economy, the softness of which has been the subject of many column inches of late. Our own view is that we see strong potential returns across the breadth of the market. For example, despite the 'perfect storm' facing retailers at the moments, there are selective opportunities where valuations are compelling.



## For more information

Please call 1800 813 886, contact your business development representative or visit [www.btim.com.au](http://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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