

BT Enhanced Sustainability Australian Share Fund

Fact Sheet
April 2011

ARSN: 132 844 163



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.

Fund objective

The Fund aims to maximise the portfolio's focus on sustainability while providing a return comparable to the S&P/ASX300 Accumulation Index over the medium to long term.

Investment strategy

The Fund aims to achieve its objective by giving investors exposure to high sustainability rated companies while limiting deviation from the S&P/ASX 300 Accumulation Index.

The stock selection process uses sustainability ratings from Regnan — Governance Research & Engagement Pty Limited. Using a best of sector approach, stocks are assessed and ranked according to a range of sustainability criteria. Stocks with poor sustainability ratings are excluded¹ from consideration for the Fund's investable universe.

The management of risk is central to our investment philosophy and is embedded in our investment processes. We believe that risks must be understood, quantified and controlled before investment decisions are undertaken. We believe a risk-controlled environment can improve the consistency of returns.

The portfolio is then constructed by blending the highly rated stocks while minimising unintended sector or style biases. This ensures that the Fund has a high sustainability exposure in a disciplined, risk controlled framework.

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.

Fees

| | |
|----------------|-----------|
| Management fee | 0.45% pa* |
|----------------|-----------|

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

Performance

| (%) | Total Returns | | Benchmark Return |
|----------------------------|---------------|-----------|---------------------|
| | (post-fee) | (pre-fee) | |
| 1 month | -0.10 | -0.07 | -0.32 |
| 3 months | 2.88 | 2.99 | 2.69 |
| FYDT | 16.14 | 16.58 | 16.50 |
| 6 months | 5.88 | 6.12 | 5.64 |
| 1 year (pa) | 4.62 | 5.10 | 4.87 |
| 2 years (pa) | 17.57 | 18.11 | 17.86 |
| 3 years (pa) | -0.37 | 0.05 | -0.45 |
| Since Inception (pa) | -3.35 | -2.98 | -3.71 |

Asset allocation (as at 30 April 2011)

| | |
|-------------------------------|-------|
| Energy | 7.8% |
| Materials | 27.9% |
| Industrials | 5.6% |
| Consumer Discretionary | 4.1% |
| Consumer Staples | 8.3% |
| Health Care | 2.9% |
| Information Technology | 0.7% |
| Telecommunication Services | 2.9% |
| Utilities | 1.1% |
| Financials ex Property Trusts | 31.8% |
| Property Trusts | 6.1% |
| Cash & Other | 0.8% |

Top 10 holdings (as at 30 April 2011)

| | |
|------------------------------------|-------|
| BHP Billiton Limited | 12.9% |
| Commonwealth Bank of Australia Ltd | 7.3% |
| Westpac Banking Corporation | 6.7% |
| ANZ Banking Group Limited | 5.4% |
| National Australia Bank Limited | 5.2% |
| Wesfarmers Limited | 3.9% |
| Rio Tinto Limited | 3.2% |
| Woolworths Limited | 2.8% |
| Telstra Corporation Limited | 2.6% |
| Newcrest Mining Limited | 2.6% |

Other information

| | |
|-------------------------------|--------------------|
| Fund size (as at 30 Apr 2011) | \$101 million |
| Date of inception | September 2007 |
| Minimum investment | \$500,000 |
| Buy-sell spread | 0.50% [#] |
| Distribution frequency | Quarterly |
| APIR code | BTA0315AU |

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 share market lost ground in April with the S&P ASX 300 Accumulation index losing 0.3% over the month. Mixed metal prices, curtailed production volumes due to the recent floods and concerns of over tightening in China pushed the resources sector lower. Stocks in the consumer sectors also continued to face headwinds with softer sales numbers and higher CPI numbers weighing on the retailers in particular. The enduring strength of the Australian dollar was another key factor that affected the market during the period with the local currency rallying through the US\$1.09 mark and hence impacted those businesses with exposure to US dollar earnings.

Corporate activity in the Australian market continued over the month with Barrick Gold's bid for Equinox being accepted by the board. Other news included the binding agreement between Sinopec (the China Petroleum and Chemical Corporation) and Australia Pacific Liquefied Natural Gas (APLNG) the venture (involving Origin Energy) in Gladstone QLD, which is a reflection of the increasing investor interest in LNG projects throughout the world. One deal that didn't get through was the Singapore Stock Exchange's bid for the ASX, which was rejected by the Australian government.

In economic news, the RBA kept rates on hold during the month but short term rates increased with higher than expected CPI numbers increasing the market's expectations of rate rises. On the global front, S&P put US government debt on negative watch and Eurozone sovereign issues continue with Portugal now seeking assistance from the EU. In China, the central bank continued to increase both rates and reserve requirements.

Fund Performance

The portfolio outperformed its benchmark over the period.

The largest contributor to performance was our overweight position to Wesfarmers. The month saw Wesfarmers outperform the market and return nearly 5%, buoyed by encouraging like for like sales numbers from Coles. While Bunnings and Target were also strong, Kmart and Officeworks were weaker.

Also contributing to performance was our overweight position to Transfield Services, which was up nearly 6% over the period. The company confirmed its earnings guidance even though the flooding and poor weather across Australia has delayed some of their work, particularly in the minerals division. We remain positive about the prospects for the company given the large amount of contracts that the company will be tendering for in forthcoming months.

Outlook

The Australian Share market faces some short term headwinds. The enduring strength of the Australian dollar, the impending fiscal tightening and the completion of QE2 in the US, higher oil prices and the looming spectre of inflation across the globe have all tempered optimism. Furthermore there is concern that the resource sector is susceptible to a fall due to corrections in commodity prices in what is an uncertain global environment.

However, we remain positive about the amount of opportunities currently available across the spectrum of the market. We may well see a rotation out of resource related companies as risk appetite wanes but this is likely to provide sound buying opportunities at attractive valuation points. This is particularly the case for those companies that are exposed to the significant amount of investment in resource infrastructure projects that is currently taking place in Australia. This is likely to be the source of significant earnings growth over the next couple of years and we believe that this domestic investment will be a key factor in driving the economy forward. There are very positive developments in the LNG industry in particular and Sinopec's recent binding agreement with the APLNG joint venture is a significant milestone.

The domestic economy does continue to struggle. Credit growth remains lacklustre and consumers remain focussed on saving rather than spending. The prospect of further interest rate risks later this year is unlikely to change that sentiment. We believe the multi-speed economy will continue to weigh on a number of domestic sectors notably steel and residential construction. Where we see some emerging opportunities is in some of the defensive names which have lagged the market for some time and offer attractive valuations.

Regnan stock stories

AGL Energy Ltd (AGK)

As a 'gentailer' (generator and retailer of electricity and gas), AGL is exposed to a number of sustainability risks. Climate change poses both an opportunity as well as a downside risk, while social risks include workplace health and safety, and community and customer relations.

AGL's operations are greenhouse gas (GHG) emissions intensive, with a significant gross carbon liability. However, it is likely that majority of cost pass-through will be achieved in the event that a carbon price is introduced next year. AGL is likely to be a net beneficiary, if, as negotiated under the now-deferred CPRS, Loy Yang Power receives significant compensation, and as a result of competitive advantage afforded to its investment in renewable energy and gas-fired generation.

Comprising a key part of AGL's vertical integration strategy, it has a number of coal seam gas (CSG) projects mostly in rural NSW (e.g. Hunter Valley, Camden, Gloucester Basin, and Galilee). However, there are growing stakeholder objections to CSG developments (rural communities and government) in Queensland and NSW over the impact of CSG production on groundwater and treatment of 'produced' water and salts, the main by-products of CSG. AGL has been subject to protests at its 2010 AGM and at stakeholder consultation forums in the affected communities. While AGL has basic water management controls in place and/or being implemented (given that only the Camden project is commercially operational), controls and management systems, while better than most operators, are below those of sector peer ORG.

While comparison with peers is difficult due to use of different metrics, AGL's improvement in safety performance is significant and sector-leading. Controls are robust based on comparable benchmarks: AGL implements safety targets linked to reductions in lost time injury frequency rate (LTIFR) and the total injury frequency rate (TIFR); and safety action plans are linked to at-risk executive remuneration. Regnan notes AGL's intention to commence tracking leading indicators, such as near misses and incidents, which is regarded as best practice.

AGL's customer relations have been adversely affected by a number of issues over the past few years, including systems problems in 2008/2009 causing long delays to posting of customer bills, resulting in abnormally high levels of Ombudsman complaints, while door-to-door sales tactics also generated customer complaints. AGL has sought to address the causes through systems improvements, changes to its door-to-door sales processes, and an overhaul of its customer hardship program, 'Staying Connected'. Regnan notes that Ombudsman complaints fell in 2010, while other customer satisfaction metrics have also improved.

Atlas Iron Ltd (AGO)

AGO operates iron ore mining projects in the Pilbara region of Western Australia (WA). Skill shortages in WA are a significant exposure for the sector, and present recruitment challenges and exposure to increasing costs. AGO's measures to attract and retain staff include: graduate and vacation work programs for students, the appointment of a mining contractor with a 50% indigenous workforce, and shorter rosters for 'fly-in fly-out' roles, which allow employees to spend more weekends at home. These initiatives compare favourably with peers such as MGX and GBG.

AGO's indigenous stakeholders also expose the company to a range of ethical conduct issues. In recognition of these matters, AGO has native title agreements in place at its operating projects that include commercial as well as cultural and environmental objectives. Based on its positive track record on indigenous relations, AGO is ahead of some peers operating in the Pilbara area (such as FMG). Its agreement with the Njamaal people has been recognised for including a mining compensation package that is well above the current benchmark for native title commercial agreements in the Pilbara.

Workplace health and safety (WHS) is also a key exposure for the sector. AGO provides evidence of a WHS management system, externally audited to safety standard AS4801, and also at-risk remuneration for executives based on health and safety parameters. However, it does not provide any disclosure of safety metrics, such as lost time injury frequency rate (LTIFR).

AGO's most material environmental exposures are from climate change projections, which suggest an increased number of more intense tropical cyclones and storm events in the Pilbara leading to damage of infrastructure and losses to production. AGO's peers reported disruptions to production in the region as a result of tropical cyclones over the last four years. However, there is little disclosure by AGO of measures in place to mitigate weather-related risks, such as improvements or adaptations to infrastructure. Water scarcity in the Pilbara is also an issue for the sector, however AGO's exposure is mitigated by security of supply for operating projects.



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 Enhanced Sustainability Australian Share Fund. An Information Memorandum (IM) 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 IM 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 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.

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.