

# BT Wholesale Core Australian Share Fund

**Fact Sheet**  
**April 2011**

ARSN: 089 935 964



## About the Fund

The BT Wholesale Core Australian Share Fund is an actively managed portfolio of Australian shares that we believe are trading at a significant discount to their assessed value.

### Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 300 Accumulation Index. The suggested investment timeframe is five years or more.

### Investment process

BTIM aims to add value primarily through active stock selection. BTIM's investment process for shares is based on our core investment style and is unrestricted by a growth or value bias.

Our research is focused on four key factors, which we believe to be the primary drivers of medium term returns (generally 2 to 3 years): valuation, financial risk, franchise and management quality. The combination of these quantitative and qualitative factors forms the basis of the analysts' stock recommendations.

### Investment team

BTIM's ten-member Equity Strategies team is one of the largest in the Australian fund's management industry. The portfolio manager for the Fund is Crispin Murray, who has more than 17 year's 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%

### Other information

Fund size (as at 30 Apr 2011)	\$778 million
Date of inception	September 1992
Minimum investment	\$50,000
Buy-sell spread	0.50% <sup>#</sup>
Distribution frequency	Semi-annual
APIR code	RFA0818AU

<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.

### Fees

Management fee	0.79% 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.

## Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	-0.18	-0.11	-0.32
3 months	3.22	3.42	2.69
FYDT	15.22	15.99	16.50
6 months	5.87	6.29	5.64
1 year (pa)	3.45	4.28	4.87
2 years (pa)	15.56	16.49	17.86
3 years (pa)	0.44	1.24	-0.45
5 years (pa)	3.20	4.02	2.61

### Asset allocation (as at 30 April 2011)

Energy	13.6%
Materials	29.5%
Industrials	13.3%
Consumer Discretionary	6.3%
Consumer Staples	5.0%
Health Care	1.4%
Information Technology	1.0%
Telecommunication Services	2.6%
Utilities	0.5%
Financials ex Property Trusts	24.7%
Property Trusts	0.6%
Cash & Other	1.5%

### Top 10 holdings (as at 30 April 2011)

BHP Billiton Limited	11.5%
Westpac Banking Corporation	7.7%
Rio Tinto Limited	5.9%
Commonwealth Bank of Australia Ltd	5.9%
National Australia Bank Limited	4.8%
Origin Energy Limited	3.9%
ANZ Banking Group Limited	3.6%
Asciano Limited	3.3%
Newcrest Mining Limited	3.2%
Wesfarmers Limited	2.7%

## 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 over the month was our overweight position in Equinox Minerals. Canadian company, Barrick Gold Corporation made an all cash offer of C\$7.3 for Equinox, which was accepted by the board. This superseded a previous bid of C\$6.3 from Chinese company Minmetals Resources. The opportunistic bid by Minmetals was quite significant in that it re-emphasised China's continued attempts to buy up quality resource assets, which supports the long term structural growth story for commodities. The share price rallied by 38% during the period, reflecting the value of the Barrick bid.

Also contributing to active performance was not holding Leighton's. The company saw its share price drop by 16% over the period after announcing cash write-downs of nearly \$1 billion. These relate to issues with several of the company's major projects including the Brisbane Airport Link, the Victorian Desalination Plant and projects in Dubai. We have not owned Leightons for some time in recognition of the risks posed by these major projects and have preferred other companies in the sector. As a result of this write-down, the company initiated a \$757 million capital-raising.

The largest detractor from performance was our overweight position to haulage and ports operator, Asciano, which fell by over 5% over the month. Productivity in all the company's main divisions continue to be hampered by the effects of the floods in Queensland and persistent poor weather conditions mean that coal haulage volumes remain subdued. As such, expectations for earnings to June this year have been further tempered. On a longer time horizon however, Asciano remains a compelling investment opportunity and will be in a prime position to benefit from the substantial expansion of resource volumes, which we believe will see the company to continue to win coal haulage contracts.

Also detracting from performance, was the portfolio's overweight position in Rio Tinto. Soft first quarter production numbers weighed on the stock's share price this month. The company announced a 16% drop in iron ore production from the prior quarter, caused by poor weather as well as 29% and 24% quarter on quarter falls in coking coal and copper respectively. Of the two major resource companies, Rio is more leveraged to iron ore and aluminium prices in particular but at current valuation levels we see significant longer term value.

## 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.



## 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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