BT Wholesale Focus Australian Share Fund

Fact Sheet
May 2011

ARSN: 113 232 812

BT Investment Management

Australian Shares

About the Fund

The BT Wholesale Focus Australian Share Fund is a highly concentrated portfolio of 15-30 ASX listed stocks, developed to meet investor demand for a higher alpha, higher tracking error fund.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes), that significantly exceeds the S&P/ASX300 Accumulation Index over the medium to long term. The suggested investment timeframe is five years or more.

Investment approach

BTIM aims to add value primarily through active stock selection. The Fund is managed using the same core investment style as is applied to BTIM's other Australian equity portfolios and utilises the team's proven research and stock selection capabilities.

BTIM's investment process for shares is based on our core investment style and is unrestricted by a growth or value bias.

Fund positioning

The Fund is designed to complement a conventional, core share portfolio by providing satellite exposure to selected Australian equities with the potential for performance enhancement.

Investment team

BTIM's ten-member Equity Strategies team is one of the largest in the Australian fund 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.

Other information

Fund size (as at 31 May 2011)	$261 million
Date of inception	April 2005
Minimum investment	$50,000
Buy-sell spread	0.50%[1]
Distribution frequency	Semi-annual
APIR code	RFA0059AU

Investment guidelines

Ex-ante tracking error	4.5% - 8.0%
Max absolute stock position	15%
Min/max sector position relative to index	+/- 15%
Min/Max BARRA style factors	+/- 0.5 SD
SIRA style factors	Within 1 SD
Maximum cash level	30%
Shorting	No
Borrowing	No

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-1.71	-1.65	-2.02
3 months	-1.68	-1.50	-1.68
FYDT	11.78	12.55	14.15
6 months	4.21	4.60	4.52
1 year (pa)	8.91	9.77	11.13
2 years (pa)	14.90	15.82	15.83
3 years (pa)	-1.26	-0.37	-1.69
5 years (pa)	3.54	4.40	3.19

Asset allocation (as at 31 May 2011)

Energy	18.8%
Materials	27.7%
Industrials	16.1%
Consumer Discretionary	3.8%
Consumer Staples	2.7%
Health Care	2.6%
Information Technology	0.9%
Telecommunication Services	3.8%
Financials ex Property Trusts	22.7%
Cash & Other	0.9%

Top 10 holdings (as at 31 May 2011)

BHP Billiton Limited	9.5%
Westpac Banking Corporation	7.1%
National Australia Bank Limited	7.1%
Rio Tinto Limited	5.6%
Origin Energy Limited	5.6%
Asciano Limited	4.8%
Commonwealth Bank of Australia Ltd	4.1%
Oil Search Limited	3.8%
Telstra Corporation Limited	3.8%
Brambles Limited	3.7%

Fees*

Issuer fee**	0.75% pa
Performance fee***	15% of the performance (before fees) above the performance hurdle.
Performance hurdle	Benchmark plus Issuer fee

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

**This is the fee for managing the assets of the Fund and overseeing the operations of the Fund. The issuer fee is paid from the assets of the Fund and is reflected in the unit price of your investment.

***A performance fee is payable to the manager if the Fund exceeds the performance hurdle. The Fund's performance hurdle is the benchmark (S&P/ASX 300 Accumulation Index) plus the issuer fee of 0.75% p.a. The fee is currently equal to 15% of the amount (if any) by which the performance of the Fund exceeds the performance hurdle. The performance fee is calculated each business day based on the investment performance and net asset value of the Fund on that day and, where positive, accrued daily in the Fund's unit price. The fee is payable annually as at 30 June. Any under-performance deficit must be recovered in dollar terms before any performance fee can be accrued in the unit price. Any unrecovered performance deficit is carried forward for up to three consecutive years. Performance fees are payable in relation to the performance of the Fund as a whole during each year, and do not necessarily reflect the performance of any individual unitholder's investment.

[1] 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 moved definitively downwards in May, with the S&P ASX200 down by 2.4% on a price basis. Risk assets sold off markedly across the globe and the drivers were once again largely macro driven. Investors fretted over Eurozone issues and concerns around global growth. More defensive sectors gained favour in a general rotation out of higher beta sectors. Traditional defensives, Telecoms and Consumer staples, produced a positive return and Utilities were flat, while all other sectors were negative for the month on a price return basis. The biggest falls were in the banks while the consumer discretionary sector was also very weak, reflecting continuing negative sentiment about the prospects for the domestic based economy.

Equity markets globally were also weak, with the US S&P500 down by 1.4%, the largest negative month since August 2010. The market was driven down largely by cyclical sectors as the market lost confidence about the strength of the recovery with weaker economic numbers coming through. European and Asian Bourses also fared poorly with all the main exchanges posting negative returns.

The RBA kept interest rates on hold over the month at 4.75%. Comments were hawkish, which suggested more hikes further down the track but not imminently. Data over the month was mixed, with weaker than expected numbers in housing and employment. May also saw the federal budget announced, in which the treasurer projected a slightly higher deficit than expected but held firm the intention to be back in surplus within two years.

Fund Performance

Our overweight position in Brambles was the largest contributor to performance over the month. The company provided a trading update covering the last three quarters that stated that earnings expectations remain broadly unchanged, but that its CHEP business had won back several customers in the US. They also expected the IFCO Systems division result for the fourth quarter to be stronger than expected. Brambles is well positioned for growth in its key global markets and the fact that it is winning market share provides us with more confidence that our investment case is playing out as we anticipated.

Our underweight position in ANZ also contributed to performance. The company reported broadly in line with market expectations over the month but the share price nonetheless suffered in line with the rest of the banking sector. The banks have been able to improve their margins through higher deposit bases but critically credit growth remains weak, which will temper any expectations for any significant growth in the sector. We have recently been slightly underweight the broader banking sector which contributed to performance over the month.

Our overweight position in Gloucester Coal was the main detractor from performance over the month. The company underperformed after executing a discounted capital raising of $230m during the month to buy Donaldson Coal and Monash. From a strategic standpoint the acquisition makes sense for Gloucester at its new assets provide excellent access to ports and increase the scale of the operation significantly.

Also detracting from performance was Woolworth's strong performance relative to the market as the portfolio does not hold the company. The company returned 3.4% over the month, which reflected the rotation into more defensive parts of the market rather than exclusively stock specific news. During the month, the company announced that it had sold eight shopping centres to a JV between Telstra Super and Charter Hall Retail, which is part of its initiative to sell 900m of property.

Outlook

There is no question that the market has been facing short-term economic headwinds, which has been reflected in recent weaker equities markets across the globe. On the US front, disappointing first quarter economic data and the end of the second quantitative easing program in the US has created uncertainty about the robustness of the recovery. In Europe, policy makers continue to grapple with working out ways of containing sovereign debt problems and in China the authorities continue to try to tighten the money supply to contain inflation, while also contending with higher food prices.

On the domestic front, the local economy continues to face headwinds with most domestic based companies are citing extremely challenging conditions. The prospect of further interest rates hikes over the next few months has tempered recently but the tone of the central bank nonetheless remains hawkish. While the overall valuation of the Australian share market remains attractive, there is a sense that earnings consensus numbers for 2012 are on the high side and so there is broad expectation of further downward earnings revisions, particularly in domestic cyclical stocks.

While we have positioned our portfolios to reflect these risks, we think that some of the headwinds will be temporary. In particular, the effects of the floods in Queensland have persisted more than first anticipated and have had a short term dampening effect on economic growth, which was reflected in softer March quarter economic data. However, this issue should not disguise the fact that there remains a wall of work in the resource sector which provides investment opportunities across a variety of different businesses in the Australian stock market. Similarly, with regard to the US, we think that the recent weak March quarter data reflects the more temporary effects of higher oil prices and in particular the knock-on effects of the Japanese earthquake, which has reduced activity in the US auto industry. Several members of our team have visited the US recently to meet with companies from a range of industries and our view is that while issues remain in the financial and housing sectors, the corporate sector is in general well financed and more optimistic than the headlines might suggest. Investment from the corporate sector will be important in driving growth and there are some sectors, such as the very large energy industry, where business activity is clearly ramping up.

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For more information

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