BT Enhanced Sustainability Australian Share Fund

Fact Sheet
June 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 excluded[1] 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 (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-1.52	-1.48	-1.98
3 months	-3.74	-3.63	-4.26
FYDT	11.91	12.42	11.90
6 months	-0.58	-0.36	-1.27
1 year (pa)	11.91	12.42	11.90
2 years (pa)	12.24	12.76	12.47
3 years (pa)	0.58	1.02	0.26
Since Inception (pa)	-4.15	-3.78	-4.58

Asset allocation (as at 30 June 2011)

Energy	7.3%
Materials	28.0%
Industrials	5.9%
Consumer Discretionary	3.4%
Consumer Staples	8.9%
Health Care	2.9%
Information Technology	0.6%
Telecommunication Services	3.3%
Utilities	1.1%
Financials ex Property Trusts	30.5%
Property Trusts	6.2%
Cash & Other	1.9%

Top 10 holdings (as at 30 June 2011)

BHP Billiton Limited	12.4%
Commonwealth Bank of Australia Ltd	7.3%
Westpac Banking Corporation	6.2%
ANZ Banking Group Limited	5.1%
National Australia Bank Limited	5.0%
Wesfarmers Limited	3.8%
Rio Tinto Limited	3.3%
Telstra Corporation Limited	3.0%
Woolworths Limited	3.0%
Newcrest Mining Limited	2.7%

Other information

Fund size (as at 30 Jun 2011)	$112 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 finished the month in negative territory with ASX300 Accumulation index down by 2.0% for the month, finishing off the financial year with a very weak quarter of three consecutive negative months. In what was very similar pattern to the same period last year, equity markets were dominated by global macro themes. In fact, these themes have changed little, namely concerns over the strength of the US recovery, European sovereign debt and monetary tightening in China. This year-end, investors also had the additional headache of the end of quantitative easing, the initiation of which mid last year helped bring global equity markets out of the doldrums. Local economic news did nothing to temper the negative sentiment either with most data pointing towards a slowing economy.

Unsurprisingly, defensive parts of the market held up better during the month with Consumer Staples and Utilities the only sectors to post positive returns, and these were both less that 1%. The worst performing sector was Energy, which was down by 8.4% as oil prices retreated and investors started to focus more on increasing costs in the sector. Materials were also weak, losing 2.4% having clawed some performance back at the end of the month.

The RBA again left interest rates on hold at 4.75%. The prospect of further interest rates has lessened with softer local economic conditions but could easily resurface if the threat of inflation becomes more pressing and growth prospects pick up.

Fund Performance

The fund's performance over the month was above the benchmark's.

The largest contributor to performance was our underweight position to Woodside, which was down 12.4%, over the month. Not only did the stock suffer as a result of the oil price falling but also the company's earnings were downgraded after announcing another delay and capex increase in its Pluto LNG project in the North West Shelf in Western Australia.

Not holding Qantas, which was down 12.4%, was also a key contributor to the outperformance over the period. The company gave profit guidance for 2011 in the $500m to $550m range, which was at the lower end of the market consensus. They cited a profit before tax impact of $206m due to weather related losses incurred by the Japanese earthquake and Tsunami and the Queensland floods and a further $21m from the volcanic ash cloud in June. They will also receive $95m in damages from Rolls-Royce relating to the A380 engine issue. During the month Qantas announced that it was reducing planned domestic capacity growth from 8% to 5.5%, a move that is consistent with other airlines.

Not holding MAp Group was a key detractor to relative performance over the month. During the month the company received a non-binding and conditional proposal from Canadian pension fund, the Ontario Teachers Pension Plan which would involve an asset swap arrangement whereby MAp takes the Canadians' 11% stake in Sydney airport, $850m in cash in exchange for their holdings in Brussels and Copenhagen airports. The initiative was welcomed by investors as the deal would simplify the company's structure. We are attracted to Map due to its attractive yield and its continued strong traffic growth.

Also detracting from performance was our underweight position in Fosters Group. The company's share price jumped buy 25% as giant global Brewing company SAB Miller made an offer for the company, which was subsequently rejected.

Outlook

The most significant driver in the direction of equity markets for some time now has been the handful of major macro issues that have persistently dominated the headlines. From where we are today, it seems unlikely that this will stop any time soon. The European sovereign debt problem lurches from one elastoplast solution to the next, with no proposed more permanent solution palatable to enough of the disparate parties to make it workable. Speculation as to which country the crisis will land in next continues, all the while unsettling markets. Across the Atlantic, where the national debt problem should be more manageable, political agendas are exacerbating the problem. The once implausible notion that US Treasuries could default has now become only an improbable one, as initiatives to increase the US debt ceiling stall in the face of congressional brinkmanship, despite the obvious dismal consequences. Meanwhile, the Chinese continue grapple with inflationary issues, which given the more downbeat investor mood, is gaining more focus despite this being a protracted issue. With this backdrop, there appears very little on the horizon to get equity investors excited, particularly as there is no current prospect of any further quantitative easing, which boosted equity markets this time last year.

However, as always, there are opportunities. In particular, the market valuation looks attractive. Excluding the range seen during the crisis period, the overall Australian share market prospective price to earnings multiple is at levels not seen since the early 1990s. Of course, there are clearly downgrades coming, particularly in sectors exposed to the domestic economy such as retail and media, which on a prima facie basis look extremely cheap but in our view lack clear catalysts to bring about a share price turnaround. We are focused on finding investment opportunities where we can buy quality businesses with sound growth prospects. Given the broad based falls lately, there are companies that meet these characteristics that are attractively priced.

BT
Investment Management

For more information

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

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Regnan stock stories

JB Hi-fi Limited (JBH)

JBH is a discount retailer of home, personal, and auto electronic and entertainment goods. As a retailer, key ESG exposures for JBH are human capital management and staff satisfaction, and to a lesser extent, reputation risks from ethics and conduct breaches. JBH is not exposed to any material environmental risks.

Customer satisfaction in retail is increasingly linked to staff engagement and retention. The technical nature of JBH's electronic goods means attracting and retaining knowledgeable and experienced staff is even more important than traditional retailers such as MYR or DJS. On a positive note, at-risk remuneration of the company's key executives is linked to human capital development, providing management with incentive to retain and develop employees. However, in general, human capital management remains in line with most sector peers.

By focusing on electronic goods, JBH is largely protected from many of the reputation risks faced by sector peers, such as DJS, MYR and PBG, which are exposed to issues such as sweatshops and illegal or sub-standard work practices. Nevertheless, JBH could improve its ethics and conduct controls by, for example, implementing and publicly disclosing a whistleblowing policy and procedure.

Boart Longyear Limited (BLY)

BLY provides drilling services and drilling products for customers in the mining and minerals, environment and infrastructure, and energy industries. BLY operates in the Asia Pacific region, Canada, USA, South America, Europe and Africa.

BLY's social exposures include workplace health and safety (WHS), the risk that its operations will be impacted by skill shortages, and exposure to business ethics and conduct risk. Safety is a stated core value at BLY and, in Regnan's opinion, its safety controls are industry best practice. In 2010, BLY maintained a sector-leading Lost Time Injury Frequency Rate (LTIFR) of 0.35. BLY has an Environment, Health and Safety Committee responsible for WHS oversight and a component of executive remuneration is dependent on meeting safety performance targets. The majority of BLY sites have OSHAS 18001 certification.

Whilst a large proportion of BLYs' workforce is employed in remote locations and high demand occupations (drillers, engineers, and metal tradespersons) where skills shortages are expected to intensify in Australia, BLY has relatively low exposure to these risks because its operations are globally diverse: Australia contributed less than 30% revenue in 2010. BLY provides clear evidence of human capital management (HCM) strategy and controls overseen by the board and a senior executive with explicit responsibility for HCM. The company's business ethics controls are well beyond those of sector peers and other companies of comparative size, and include a best practice 'code of conduct', which includes detailed coverage of corruption and bribery.

As a contract service provider, BLY does not have a significant direct environmental exposure in the short to medium term. The introduction of a carbon price will result in operation cost increases via increases to fuel and electricity, however, many of BLY's customers operate in mining and oil and gas (boom industries) and Regnan expects the majority of cost increases to be passed through.

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