

## BT Wholesale Ethical Share Fund

Fact Sheet  
June 2011

ARSN: 096 328 219



### 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.

### Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	-1.89	-1.81	-1.98
3 months	-4.14	-3.91	-4.26
FYDT	10.36	11.42	11.90
6 months	-0.52	-0.05	-1.27
1 year (pa)	10.36	11.42	11.90
2 years (pa)	9.94	10.99	12.47
3 years (pa)	-1.19	-0.25	0.26
5 years (pa)	2.38	3.33	2.37

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

Energy	13.1%
Materials	28.5%
Industrials	12.5%
Consumer Discretionary	5.8%
Consumer Staples	0.8%
Health Care	2.1%
Information Technology	1.0%
Telecommunication Services	3.6%
Utilities	1.7%
Financials ex Property Trusts	25.8%
Property Trusts	2.0%
Cash & Other	3.1%

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

BHP Billiton Limited	10.8%
Westpac Banking Corporation	7.9%
National Australia Bank Limited	6.3%
Rio Tinto Limited	6.1%
Commonwealth Bank of Australia Ltd	5.7%
Origin Energy Limited	4.6%
Telstra Corporation Limited	3.6%
Newcrest Mining Limited	3.5%
ANZ Banking Group Limited	3.4%
Asciano Limited	3.3%

### Other information

Fund size (as at 30 Jun 2011)	\$160 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.

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

## 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 a 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 than 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 rate cuts 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.

Our top overweight position, Asciano, was the leading contributor to performance over the month, with the company returning 3.8%. We consider the company to be trading on very attractive valuation multiples and it remains well set to benefit from structural growth in resource volumes. We are confident that the company can continue to win haulage contracts in its existing and new markets. Over the month, the company won two significant contracts with Anglo American and BHP Mitsui in Queensland at the expense of QR National.

Another strong contributor to performance was our overweight position in Rio Tinto, which bucked the downward trend in resources by posting a positive return of 1.8%. During the period, the company acquired Indian conglomerate Tata's 26% stake in Riversdale and moved to compulsory acquisition of the remaining shareholders' stake. The company also announced that it intended to accelerate its iron ore expansion in the Pilbara, which was received positively by investors.

The largest detractor from performance was our overweight position in Qantas which was down 12.4% 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. More positively for the airline domestic yield growth of 9.6% was the strongest month since July 2007.

Also detracting from performance was our underweight position in Commonwealth Bank, which was up by 3.3% over the month. The two more conservative banks, Westpac and Commonwealth Bank outperformed The National Australia Bank and ANZ over the month as investors continued to reduce risk. While the credit growth environment still remains weak, investors are attracted to the relative safety of the banks and the dividends on offer.

## 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 to 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.



## 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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