BT Wholesale Ethical Share Fund

Fact Sheet
July 2011

ARSN: 096 328 219

BT Investment Management

Social Responsible Investments

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*

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-3.54	-3.47	-3.83
3 months	-7.18	-6.96	-7.63
FYDT	-3.54	-3.47	-3.83
6 months	-3.89	-3.44	-5.15
1 year (pa)	1.78	2.75	3.00
2 years (pa)	4.48	5.48	6.46
3 years (pa)	-0.96	-0.02	0.56
5 years (pa)	1.90	2.85	1.92

Asset allocation (as at 31 July 2011)

Energy	13.3%
Materials	29.4%
Industrials	12.8%
Consumer Discretionary	5.1%
Consumer Staples	0.9%
Health Care	2.1%
Information Technology	1.1%
Telecommunication Services	4.7%
Utilities	1.7%
Financials ex Property Trusts	25.8%
Property Trusts	1.7%
Cash & Other	1.4%

Top 10 holdings (as at 31 July 2011)

BHP Billiton Limited	10.7%
Westpac Banking Corporation	7.7%
National Australia Bank Limited	6.8%
Rio Tinto Limited	5.9%
Commonwealth Bank of Australia Ltd	4.9%
Telstra Corporation Limited	4.7%
Origin Energy Limited	4.5%
Newcrest Mining Limited	3.9%
ANZ Banking Group Limited	3.5%
Asciano Limited	3.1%

Other information

Fund size (as at 31 Jul 2011)	$152 million
Date of inception	May 2001
Minimum investment	$25,000
Buy-sell spread	0.50%#
Distribution frequency	Quarterly
APIR code	RFA0025AU

The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

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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.*

Market review

The Australian share market started the new financial year as it ended the old one – in negative territory. The ASX300 Accumulation Index finished the month down 3.8%, which was the fourth negative month in a row and the worst monthly fall since May 2010. Equity markets continued to be dominated by macro-economic events in July with sentiment being dominated in particular by the political stalemate in Washington around raising the debt ceiling. This issue served to diminish overall market confidence in the US political system and focused the market's attention on the potential for a downgrade in the country's credit rating. We are now well used to continuing issues in Europe and July was no exception with the focus moving towards Spain and Italy, which is the main game in terms of Eurozone sovereign debt problems. Local news also contributed to the continuing poor performance as lacklustre economic data heightened concerns over forecast earnings prospects being too optimistic. The strong Australian dollar also didn't help, with the local currency hitting a post float high against the green back during the period.

The RBA continued to leave interest rates on hold at 4.75%. While worsening inflation data would suggest that the RBA is still in a tightening phase, concerns about economic growth and further damage to already fragile consumer sentiment has led to the short term debt markets pricing in interest rate falls earlier in the month.

Despite the move away from risk assets, the Australian dollar rallied strongly. The local currency was supported by generally stronger commodity prices and the overall view that the RBA is still more likely to raise interest rates.

Fund performance

The portfolio outperformed its benchmark in July.

The leading contributor to performance was our overweight position in Macarthur Coal, which rallied by 42% over the period. The company was the subject of a take-over bid from large US miner Peabody Energy, which was backed by existing shareholder the Indian Steel giant Arcelor Mittal. The original bid was for $15.50 per share, which was upped to $16 per share. Macarthur knocked back both bids and it is clear that Macarthur has interest from other parties.

Also contributing to performance was our overweight position to Asciano, which was up by 1.83% over the month. The company has secured a significant new contract with Maersk, which is one of the world's largest shipping companies and one of Asciano's largest customers. The new contract, which covers the next five years, involves the movement of current shipping volume as well as additional 190,000 containers per year into the ports of Fremantle, Melbourne and Brisbane. This contract is significant for Asciano, as it is a positive sign that the ports business is now performing well and this has been well received by investors.

The major detractor for the portfolio's performance was the overweight position in Origin Energy, which was down by 7% over the period. The key reason for the poor performance was the announcement of the carbon tax reform, which weighed on the entire energy utility sector. As part of the proposal, the government is proposing to provide payment for the closure of around two gigawatts of coal fired power stations. The company also announce final approval for Train 1 in its APLNG project in Gladstone, with a budget of USD$14bn, with the first gas expected in mid 2015.

Also detracting from performance was our small overweight position in Austar, which fell by 21.9% over the month. Austar, which is under take-over offer from Foxtel fell after the ACCC produced its preliminary review of the acquisition. They raised concerns that the deal would result in a significant reduction in competition and invited further submissions from the market in light of these issues. A final decision is expected by early September.

Strategy & outlook

Despite the onset of the August reporting season, we envisage the market will continue to be dominated by macro themes in the short term. The market behaviour is currently being driven almost entirely by these macro risks. Further selling is likely in the immediate future if economic data from the United States continues to disappoint and initiatives to curtail the sovereign debt problems are not seen as sufficient. The market is going through a phase of readjustment where overly bullish assumptions about US and European growth are being recalibrated lower. With this comes a quick shift in sentiment that, as we have seen many times before, results in a rush to safety. Ultimately, from a stock pickers' perspective this leads to more, not less opportunity as stocks will be oversold well below their real value.

In general, expectations for the reporting season for domestic based stocks are quite pessimistic, given the persistently difficult conditions and quite gloomy outlook provided by many management teams in this part of the market. Any companies that surprise on the upside may be quite well supported.

The outlook for Australian resource companies still remains positive at this stage, with the developed market issues not having any effect thus far on Chinese growth or sentiment. This issue will be a key area of focus for us in coming weeks. The resilience of demand for raw materials from emerging economies in the face of slower developed market growth will be a key determinant as to whether resource related investments appear defensive or vulnerable in what is a volatile environment. Meanwhile, it is worth considering that the market is now trading on the sufficiently low valuation multiples, that even if there is a significant reduction in overall earnings expectations for 2012, the market will still not be expensive.

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For more information

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