

BT Wholesale Ethical Share Fund

Fact Sheet
August 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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CERTIFIED BY RIAA

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 for details.

* 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	-2.45	-2.37	-1.98
3 months	-7.69	-7.47	-7.60
FYDT	-5.91	-5.76	-5.73
6 months	-8.82	-8.38	-9.14
1 year (pa)	1.43	2.40	2.07
2 years (pa)	0.07	1.03	2.07
3 years (pa)	-3.00	-2.07	-1.42
5 years (pa)	0.59	1.53	0.84

Asset allocation (as at 31 August 2011)

Energy	12.5%
Materials	27.5%
Industrials	12.5%
Consumer Discretionary	4.7%
Consumer Staples	0.9%
Health Care	2.1%
Information Technology	1.2%
Telecommunication Services	4.6%
Utilities	1.8%
Financials ex Property Trusts	26.3%
Property Trusts	2.2%
Cash & Other	3.8%

Top 10 holdings (as at 31 August 2011)

BHP Billiton Limited	9.8%
Westpac Banking Corporation	8.0%
National Australia Bank Limited	7.6%
Rio Tinto Limited	5.8%
Telstra Corporation Limited	4.7%
Origin Energy Limited	4.6%
Commonwealth Bank of Australia Ltd	4.5%
Newcrest Mining Limited	3.8%
Asciano Limited	3.1%
ANZ Banking Group Limited	3.0%

Other information

Fund size (as at 31 Aug 2011)	\$149 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.

Market review

Despite a rally in the second half of the month, the Australian share market could not escape the turmoil in global markets in August with the ASX300 Accumulation Index returning -2.0%. This was the fifth consecutive monthly decline which ended in the lowest month end index value since mid 2009. However, the Australian market demonstrated its defensive characteristics, holding up very well against global peers. The US benchmark S&P500 Index dropped by 5.7%, the UK's FTSE100 was down 7.2% while the European bourses were hit the hardest with the German DAX Index down a huge 19.2%. France was down 11.3% and Italy lost 15.6%.

In the local market the reporting season dominated news flow and broadly speaking outlook comments from management were cautious, which is unsurprising given the uncertain global outlook. Earnings expectations for 2012 have fallen to more reasonable levels, at 7% for Industrials and 4% for the Banks. Sector performance was driven mainly by macro themes with the traditional defensives such as Consumer Staples, Telecoms and Utilities performing best while sectors like Energy, Materials and Industrials fared the worst.

The RBA held the cash rate at 4.75% in what continues to be a lacklustre domestic economy. Retail sales numbers continue to be weak, while unemployment in July rose to 5.1% from 4.9%.

Fund performance

The portfolio slightly underperformed its benchmark in August.

The largest contributor to excess return was our overweight position to Suncorp. The company delivered a stronger than expected result, beating consensus NPAT by around 7% and therefore rallied strongly by 13.2% over the month. While the result was driven by strong performance in the bank, much of the focus has been on the insurance business and in particular the effect of higher reinsurance costs. Pleasingly, the company was able to increase insurance premiums to offset these higher costs without sacrificing market share, which was by no means the case for all its competitors.

Our underweight position in Woolworths also contributed to performance. Woolworths is not held in the portfolio as its business activity includes the sale of alcohol. That said, our other Australian equities portfolios are also underweight the stock, which has structural growth concerns and is facing strong competitive pressures from Coles. The stock underperformed over the month, despite its defensive characteristics, disappointing the market with NPAT at the bottom of its guidance range and very subdued outlook comments.

Our underweight position in Wesfarmers detracted from performance over the month. The portfolio does not hold Wesfarmers in the portfolio because of its ownership of alcohol related businesses. As is the case with Woolworths, we are underweight Wesfarmers in our Core fund too, largely on valuation grounds. The company delivered a solid result, with the Coles and coal divisions performing well, while Kmart and Target were softer.

Broadly speaking the main portfolio positions produced good results in the context of a tough environment, the one stark exception to this was Transfield. The company fell 27% over the month, with the bulk occurring on the day of the result, the problem was caused not so much by the operating result, rather by the impact of the sale of its US maintenance business USM and its stake in infrastructure company TSI. The company while receiving good prices for these non core assets, had never clarified the full P&L impacts, the problem proved to be that these businesses carried far lower depreciation than the rest of the group and that the cash proceeds would yield little interest saving as they waited to deploy the capital. The result was a far greater dilution of EPS than expected. The company has failed investors on two fronts, firstly in not being clearly transparent on the detail when closing the deals and secondly by not electing to use the proceeds to buy back shares to close up the EPS dilution in 2012. If this had been handled appropriately we would not have seen the stock fall so far. From here we believe the stock can perform, given it is winning key contracts such as with Santos and the NBN, it has strong cash flow, trades at a discount to peers and management have enacted changes in recognition of the mishandling of their result.

Strategy & outlook

We remain in an environment where macro factors and the associated skittish sentiment are dominating global equity markets. The volatility looks likely to continue and with it the large swings in performance as investors move in and out of defensive asset classes and sectors. In environments like this, stock specific factors are less significant drivers of return, which does provide buying opportunities that hopefully will reward our investors well in time as focus shifts back to company fundamentals. However, the more pressing concern is the here and now.

The economic outlook is extremely uncertain and investor sentiment extremely poor at the moment for good reason and volatility will remain elevated. Trying to pick the timing or the catalyst for any change in this environment is nigh on impossible, but we have identified an increasing number of high-quality businesses in the Australian market which look good value on any long-term time horizon. It is in these companies they we are investing and seeking to add to as the opportunity arises.



For more information

Please call 1800 813 886, contact your business development representative or visit 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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