BT Wholesale Focus Australian Share Fund

Fact Sheet
August 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 Aug 2011)	$150 million
Date of inception	April 2005
Minimum investment	$25,000
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		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	-2.80	-2.74	-1.98
3 months	-8.13	-7.96	-7.60
FYDT	-5.48	-5.36	-5.73
6 months	-9.67	-9.33	-9.14
1 year (pa)	0.73	1.49	2.07
2 years (pa)	1.11	1.93	2.07
3 years (pa)	-1.22	-0.33	-1.42
5 years (pa)	0.95	1.78	0.84

Asset allocation (as at 31 August 2011)

Energy	17.8%
Materials	24.6%
Industrials	15.1%
Consumer Discretionary	4.4%
Consumer Staples	2.1%
Health Care	2.8%
Telecommunication Services	5.2%
Financials ex Property Trusts	24.4%
Cash & Other	3.7%

Top 10 holdings (as at 31 August 2011)

National Australia Bank Limited	9.2%
Westpac Banking Corporation	8.2%
BHP Billiton Limited	7.5%
Asciano Limited	5.8%
Rio Tinto Limited	5.7%
Origin Energy Limited	5.2%
Telstra Corporation Limited	5.1%
Santos Limited	4.5%
Newcrest Mining Limited	4.3%
Amcor 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

Despite, a rally back 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 as a result 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 lacklustre domestic economy. Retail sales numbers continue to be weak, while unemployment in July rose to 5.1% from over 4.9%.

Fund performance

The portfolio underperformed its benchmark in August, although it has performed well over the last six months after a tough 2010 and is outperforming over three year basis.

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 overweight position in Telstra also helped performance during the period. The stock rallied by 6%, with investors attracted to its high yield and defensive characteristics. The share price came off towards the end of the month as the ACCC raised concerns around the separation of the company. However, we don't envisage this being a serious impediment to progress and should not stop the NBN shareholder vote at the AGM. The company also delivered better than expected full year results and confirmed its dividend. The better result was driven by better margins in its mobile division, where it has had some success in gaining back market share. The company indicated low single digit revenue growth for next year.

Also contributing strongly to excess performance was the benefits of not owning a number of companies that delivered poor operating performance. Examples of this firstly were insurance company, QBE, which was down by 10.1% over the period after a weak first half result. A second example was the steel stocks OneSteel and BlueScope which were down 15 and 28% respectively as the true extent of the east coast slowdown and greater import competition resulting from the strong A$ flowed through the P&L.

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 & 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.

Qantas also detracted from value, with the airline being sold down with other industrial stocks. During the month, the company announced plans to restructure its international business to enable it to generate an adequate return on capital, resulting in 1000 job cuts, a rationalisation of routes and plans for new airlines in the Asian region. The result came in slightly ahead of expectations and yields remain strong but despite this the stock still sold off, largely due to the near term fears over retaliatory strike action notably by the engineering union. While the union action could be disruptive the more important long term factor is that management are finally addressing the challenges of dealing with the loss making part of their business.

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 defensives 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 is 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 what we can identify is that there are an increasing number of high quality businesses in the Australian market which look good value on any long term time horizon and it is in these companies they we are investing and seeking to add to as the opportunity arises.

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For more information

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