

BT Enhanced Sustainability Australian Share Fund

Fact Sheet
September 2011

ARSN: 132 844 163



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 excluded¹ 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*
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* 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	-6.03	-6.00	-6.28
3 months	-11.77	-11.67	-11.65
FYDT	-11.77	-11.67	-11.65
6 months	-15.07	-14.87	-15.41
1 year (pa)	-8.46	-8.05	-8.71
2 years (pa)	-4.24	-3.80	-4.14
3 years (pa)	-0.48	-0.02	-0.10
Since Inception (pa)	-6.85	-6.48	-7.20

Asset allocation (as at 30 September 2011)

Energy	6.7%
Materials	25.2%
Industrials	7.0%
Consumer Discretionary	2.5%
Consumer Staples	9.4%
Health Care	2.8%
Information Technology	0.6%
Telecommunication Services	4.0%
Utilities	1.6%
Financials ex Property Trusts	30.3%
Property Trusts	6.4%
Cash & Other	3.7%

Top 10 holdings (as at 30 September 2011)

BHP Billiton Limited	11.2%
Commonwealth Bank of Australia Ltd	7.1%
Westpac Banking Corporation	6.3%
ANZ Banking Group Limited	5.3%
National Australia Bank Limited	5.1%
Wesfarmers Limited	4.0%
Telstra Corporation Limited	3.7%
Woolworths Limited	3.2%
Rio Tinto Limited	2.8%
Newcrest Mining Limited	2.6%

Other information

Fund size (as at 30 Sep 2011)	\$111 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 suffered its sixth consecutive monthly loss in September, with the S&P/ASX300 Accumulation Index falling 6.3%. Poor investor sentiment was again driven by ongoing European debt problems but also compounded by soft economic data in the US and an underwhelming market reaction to the US Federal Reserve's USD400 billion 'Operation Twist', which is designed to reduce the longer dated treasury yields by increasing the Fed's holdings in longer dated treasuries and reducing shorter dated notes. There was no respite from China either, with increasing speculation in the market that there would be a 'hard landing', based generally on softer demand and particularly on softer data from the property sector.

The Australian dollar also fell sharply against the US dollar in light of continuing risk aversion, weaker commodity prices and a preference for the safe-haven currency. The AUD fell below parity, finishing at 0.96 US cents which represented a 9.8% fall over the month.

The Reserve Bank of Australia (RBA) again left interest rates on hold at 4.75% at its September meeting; the minutes from the Monetary Policy meeting were similar in tone to prior months, citing uncertainty in global markets and the global economy.

Fund performance

The portfolio outperformed the benchmark over the month of September.

Our underweight position in Paladin added value as the company completed its \$68m placement to bolster its balance sheet. We remain underweight the stock, seeing better opportunities in the Energy sector.

Our underweight position in Incitec Pivot added value as investors rotated out of more cyclical parts of the market, including Incitec. There was little company specific news over the month but the key driver of the share price remains the MAP & DAP price, which remains less certain in the current environment.

Our small overweight position to Cochlear detracted value over the month. The share price fell by 38.7% over the month after the company was forced to recall a range of hearing implants and investigate the issue.

Our underweight position in NewsCorp detracted value over the period with the company performing well due to positive earnings revisions and a stronger USD. We remain underweight News on valuation considerations and headwinds in some of their major markets.

Strategy & outlook

The key influence on the Australian share market continues to be the global macro environment. While we expect a recovery from the aggressive sell-off we saw in September, there looks to be little imminent chance of a meaningful and long lasting reduction in the levels of volatility to buoy equity investors. The key issue remains Europe and while the economic situation there remains dire, the element that continues to frighten markets the most remains a now seemingly entrenched lack of confidence in the key political protagonists agreeing on (let alone implementing) a timely and workable solution to the problem. The trend seems to be that a wave of market selling spurs the Euro-apparatchiks of Paris, Berlin and beyond into further acceptance that something more must be done. But once market fears are allayed, we then slip back into the inevitable doldrums of political tittle-tattling until the inevitable next wave of selling once again inspires some more meaningful action. And so it continues. The current focus is on an initiative to provide the under-funded European Financial Stability Facility (EFSF), with a 'first-loss guarantee' facility that would effectively insure a proportion of the face value of a sovereign bonds issue with the aim of re-instigating investor confidence in that sovereign issuer. Importantly, there are more meaningful initiatives to recapitalise European banks and clear consensus that action must be taken to avoid full contagion into the banking sector. Progress is being made but it is not quick enough to provide sustained confidence for markets.



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

Westpac Banking Corporation Ltd (WBC)

Key sustainability exposures for the bank sector include reputation and ethical conduct, due to negative public sentiment which regularly besets the industry.

WBC continues to provide industry-leading management of sustainability risks through highly developed oversight and extensive controls, including implementation of an ESG risk framework. WBC's reputation controls include a Group Reputation Risk Management framework which is approved and monitored by the Board Risk Management Committee. Additionally, ethical conduct controls are sector-leading, based on comparative benchmarks with the major banks. Board oversight of ethical conduct is exercised through a dedicated Sustainability Committee which includes the Group CEO Gail Kelly. Ethical conduct compliance controls are integrated into the Group risk management system, which Regnan considers to be best practice.

Human capital management (HCM) remains a key risk for the bank sector, as value is derived largely from human resources and intangible assets. Competition for talent remains high at executive and senior management levels. Attracting talent, staff retention, and staff development are key to WBC's enhanced customer-focused business strategy. HCM is an increasing source of differentiation in view of similar customer service improvement strategies across the major banks.

Controls on HCM are in line with leading practice in the bank sector. The HCM function is well supported at the senior management level and some executives including the CEO are eligible for STIs based on achievement of HCM targets (based on an employee engagement survey conducted by a third party). WBC continues to promote gender diversity, and has set an ambitious target to increase the representation of women in senior leadership roles to 40% by 2014. Flexible work programs reflect industry best practice. The company reports steadily improving employee engagement data.

WBC has exposure to environmental management through its lending portfolio and increasing community expectation regarding management of its direct environmental impacts (e.g. greenhouse gas emissions). Significant developments include extension of the Carbon and Water Forum from institutional banking to Westpac Retail and Business Banking, and Agribusiness, to enhance risk assessment and customer service related to climate change impact. Further, carbon and ESG risks are incorporated into credit risk policies in Westpac Institutional Bank.

Oil Search Ltd (OSH)

OSH is engaged in the exploration, development and production of oil and gas in Papua New Guinea (PNG). The topography, climate, geographic isolation and cultural differences in PNG continue to contribute to elevated levels of environmental and social risks.

OSH history of oil development in PNG provides it with a local workforce that can partially support the construction of PNG LNG. However, OSH's inexperience in LNG production means it is currently reliant on contractors to meet 50% of its PNG LNG labour needs, and this is expected to increase as construction ramps up. In response, OSH is currently developing a workforce plan out to 2015, and continues to implement local training and development programmes aimed at up-skilling local employees. On a positive note, staff turnover is low and on a par with other Australian players such as STO and WPL. Despite workplace safety performance deteriorating slightly in FY2010, OSH still remains the best amongst Australian peers and lower than the APPEA average. Safety controls are robust, including the use of lead indicators, and 'Job Hazard Analysis' and other tools, but disclosure could be improved.

OSH has a strong track record in managing community issues, through the introduction of local Community Liaison Officers, and the provision of healthcare services to local communities, including HIV prevention programs. However, tribal landowner disputes remain of concern, and continue to pose a risk to project timelines. As the 'local' partner to Exxon Mobil, OSH are expected to manage stakeholder issues, however there is limited disclosure on how OSH is recording, managing and reporting on these. Key concerns relate to benefits sharing and distribution of funds amongst local communities. OSH has stated it is encouraging greater transparency for the distribution of benefits, and has begun publishing its annual payments to the PNG government.

OSH's environmental controls are close to best of sector, with robust disclosure, including reporting of individual incidents and environmental monitoring plans. The company is not exposed to carbon costs in PNG, though it may benefit from increased demand for LNG due to energy security issues and a switch from coal to gas-fired power. OSH discloses its annual greenhouse gas emissions, and has committed to developing reduction targets.



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