

BT Wholesale Ethical Share Fund

Fact Sheet
September 2011

ARSN: 096 328 219



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*
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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.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	-6.23	-6.16	-6.28
3 months	-11.78	-11.57	-11.65
FYDT	-11.78	-11.57	-11.65
6 months	-15.43	-15.03	-15.41
1 year (pa)	-8.57	-7.70	-8.71
2 years (pa)	-5.69	-4.79	-4.14
3 years (pa)	-1.84	-0.91	-0.10
5 years (pa)	-1.08	-0.15	-0.71

Asset allocation (as at 30 September 2011)

Energy	12.7%
Materials	24.7%
Industrials	11.9%
Consumer Discretionary	5.0%
Consumer Staples	1.0%
Health Care	2.9%
Information Technology	1.1%
Telecommunication Services	4.4%
Utilities	1.6%
Financials ex Property Trusts	26.7%
Property Trusts	2.3%
Cash & Other	5.6%

Top 10 holdings (as at 30 September 2011)

BHP Billiton Limited	9.2%
Westpac Banking Corporation	8.6%
National Australia Bank Limited	7.4%
Rio Tinto Limited	4.9%
Origin Energy Limited	4.8%
Commonwealth Bank of Australia Ltd	4.6%
Telstra Corporation Limited	4.5%
Santos Limited	3.4%
Newcrest Mining Limited	3.3%
Amcort Limited	3.1%

Other information

Fund size (as at 30 Sep 2011)	\$137 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.

* 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 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 slightly outperformed its benchmark in September.

While iron ore prices held up reasonably well over the month, iron ore stocks still saw their share prices suffer as concerns around a global slowdown and softer Chinese demand led investors to price in increased possibility of weaker ore prices in future. One of the companies that is most levered to continuing strength in iron-ore price and demand is Fortescue Metals, which fell by 27% over the month as both poor sentiment as well as downward earnings revisions impacted the share price. Our underweight position in the company therefore contributed strongly to excess performance. The company responded to share price softness with a trading update, stressing that production volumes and cash flow generation remained strong and that expansion targets remain on track. Nonetheless, Fortescue remains highly sensitive to sentiment around the iron ore price and we have typically preferred to gain our iron ore exposure via the higher quality Rio Tinto. Nonetheless, persistent selling of Fortescue may well provide a decent entry point into the stock.

Also contributing to performance was our overweight position in Amcor. The global packaging company was a rare positive performer, returning 3.4% over the month, with investors attracted to its defensive characteristics. While the company is susceptible to economic slowdown like any other industrial business, Amcor's business mix affords it some resilience from this given the inelasticity of demand of some of the products of its customers. Specifically, a sizable proportion of its packaging clients are food and tobacco manufacturing companies, which see less drop off in demand than more discretionary type businesses. Amcor is exactly the type of company that we are looking to invest in, with a

management that have demonstrated an ability to generate high return on investment, execute a sensible strategy efficiently, and importantly, generate strong and consistent levels of cash.

The underweight position in Wesfarmers was the main detractor from performance over the period, with the company agreeing to sell its Premier Coal business to Chinese Yanzhou Coal Mining for close to \$300m during the month. The company also fared quite well because of its Consumer staple exposure, via its ownership of Coles supermarket chain, which provides a defensive earnings stream. We do not hold Wesfarmers due to its ownership of businesses that sell alcohol.

For similar reasons as cited above for Fortescue, our overweight position in Rio Tinto was the largest detractor to performance over the month with the share price driven down by sentiment and worries around the future direction of iron-ore prices. Nonetheless the company demonstrated its long term positive outlook on the iron-ore business through a \$833m expansion in the Pilbara region. The company also took its shareholding in Ivanhoe mines to 49% during the period.

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.

Our portfolios have retained a defensive bias and we have core positions in solid cash generators with robust business models and quite conservative balance sheets. Valuations however have become more attractive of late and we are finding entry points in several more cyclical stocks that are well within our valuation estimates, which we believe will realise significant additional return for investors over a longer time-frame.



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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