BT Wholesale Focus Australian Share Fund

Fact Sheet
September 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 30 Sep 2011)	$140 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 (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-5.86	-5.80	-6.28
3 months	-11.02	-10.85	-11.65
FYDT	-11.02	-10.85	-11.65
6 months	-15.32	-15.01	-15.41
1 year (pa)	-8.85	-8.16	-8.71
2 years (pa)	-4.76	-3.96	-4.14
3 years (pa)	0.63	1.54	-0.10
5 years (pa)	-0.81	-0.04	-0.71

Asset allocation (as at 30 September 2011)

Energy	17.1%
Materials	21.3%
Industrials	14.5%
Consumer Discretionary	5.1%
Consumer Staples	2.1%
Health Care	3.1%
Telecommunication Services	5.1%
Financials ex Property Trusts	26.4%
Cash & Other	5.3%

Top 10 holdings (as at 30 September 2011)

National Australia Bank Limited	9.2%
Westpac Banking Corporation	9.0%
BHP Billiton Limited	7.0%
Asciano Limited	5.8%
Origin Energy Limited	5.5%
Telstra Corporation Limited	5.1%
Santos Limited	5.1%
Rio Tinto Limited	4.8%
Amcor Limited	4.2%
Suncorp Group Limited	4.1%

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

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 S&P/ASX300 Accumulation index 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. 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.

Contributing to performance was our underweight position in BHP Billiton, which is one of the largest underweight positions in the fund. While, BHP has quality assets in its portfolio and generates very strong cash flow, over the last few years the company has demonstrated how hard it has been to grow and improve returns given its size and complexity of operations. We have therefore leaned towards building a diversified mix of high quality resource names within our portfolio, rather than a large position in BHP. While holding up quite well against some lower quality resource names, BHP underperformed the broader market and hence our underweight position contributed to performance.

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.

Detracting from performance was our overweight position in Copper/Gold producer PanAust, which fell by 30.2% over the month, as a result of the fall in copper price. The copper price fell quite dramatically, hitting year to date lows. In our view this has been overdone, which will present buying opportunities. PanAust looks like good value to us, given its strong production pipeline and the fact that its gold assets are afforded little value in the share price.

Also detracting from performance was our preferred coal company Gloucester Coal, which fell as a result of worsening sentiment towards the Chinese economy and softer coal prices. There was no stock specific news on the stock in a month which saw most coal companies fall over the month.

Outlook & positioning

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.

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For more information

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