

BT Wholesale Core Australian Share Fund

Fact Sheet
October 2011

ARSN: 089 935 964



About the Fund

The BT Wholesale Core Australian Share Fund is an actively managed portfolio of Australian shares that we believe are trading at a significant discount to their assessed value.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 300 Accumulation Index. The suggested investment timeframe is five years or more.

Investment process

BTIM aims to add value primarily through active stock selection. BTIM's investment process for shares is based on our core investment style and is unrestricted by a growth or value bias.

Our research is focused on four key factors, which we believe to be the primary drivers of medium term returns (generally 2 to 3 years): valuation, financial risk, franchise and management quality. The combination of these quantitative and qualitative factors forms the basis of the analysts' stock recommendations.

Investment team

BTIM's ten-member Equity Strategies team is one of the largest in the Australian fund's 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.

Investment guidelines

Ex-ante (forward looking) tracking error	2.0% - 6.0%
Min/max stock position	+/-4%
Min/max sector position	+/-6%

Other information

Fund size (as at 31 Oct 2011)	\$675 million
Date of inception	September 1992
Minimum investment	\$25,000
Buy-sell spread	0.50% [#]
Distribution frequency	Semi-annual
APIR code	RFA0818AU

[#] The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Fees

Management fee	0.79% pa*
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* 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	7.19	7.26	7.23
3 months	-1.22	-1.01	-1.49
FYDT	-4.34	-4.08	-5.26
6 months	-8.07	-7.70	-9.01
1 year (pa)	-2.68	-1.89	-3.87
2 years (pa)	-0.28	0.52	0.31
3 years (pa)	6.69	7.54	7.06
5 years (pa)	0.70	1.50	-0.24

Asset allocation (as at 31 October 2011)

Energy	12.9%
Materials	23.3%
Industrials	12.9%
Consumer Discretionary	7.4%
Consumer Staples	5.7%
Health Care	2.8%
Information Technology	1.0%
Telecommunication Services	3.4%
Utilities	0.3%
Financials ex Property Trusts	27.1%
Property Trusts	2.0%
Cash & Other	1.1%

Top 10 holdings (as at 31 October 2011)

BHP Billiton Limited	8.9%
National Australia Bank Limited	7.5%
Westpac Banking Corporation	7.3%
Rio Tinto Limited	4.9%
Commonwealth Bank of Australia Ltd	4.8%
Origin Energy Limited	3.9%
Santos Limited	3.8%
Asciano Limited	3.4%
Telstra Corporation Limited	3.3%
Wesfarmers Limited	3.1%

Market review

After a very weak few months, the Australian share market rebounded very strongly in October as investors started to regain a bit of confidence that the European leaders would find a workable solution to the European sovereign debt issues. As a result, equity markets across the world rallied, with the ASX300 Accumulation Index posting one of its highest months ever with a 7.2% return. This was relatively modest compared to other major markets though, with the US S&P500 up nearly 11%, London's FTSE100 up over 8% and Euro Stoxx 50 up 9.4%.

As has been the theme of late with the European debt issue, markets rally when new initiatives to resolve the problem are proclaimed, only to sell off later when the details are heavily scrutinised and questioned by investors. The high level features of the new plan involved a 50% haircut of Greek sovereign debt and around a 100 billion Euro recapitalisation of the European banking sector.

On the domestic front, October saw the onset of the banks' reporting season with the big four banks just about meeting the market's expectations, albeit at the lower end. In terms of what parts of the market drove returns, the banks were very strong in the run up to their reporting season and Materials and Energy were also strong.

On the economic front, CPI numbers for the third quarter were softer than expected, consolidating the expectation of a rate cut in the November meeting of the RBA's monetary policy committee, which duly eventuated.

Fund performance

The portfolio was flat in terms of excess performance over the month but remains ahead of benchmark over all major time periods, with returns driven predominantly by positive stock selection.

The largest contributor to performance was our underweight position in Woolworths, which lost 4.2% over the month. While the more defensive parts of the market were relatively weak in October, Woolworths reported first quarter sales growth of 4.9% but sales growth in food and liquor of 1.9% disappointed the market given that food inflation sits at 2.2%. As the major incumbent in the industry, Woolworths will continue to face challenges in meaningfully growing their earnings and tougher competition from Coles.

Also contributing to performance was our overweight position in Santos, which returned 14% over the period, largely due to a strong rally in the oil price. The company reported a 3Q11 rise in revenue of 27% on the prior corresponding period, which was driven mainly by a higher average oil price. Importantly, the company's major investment in LNG in Queensland remains on target, with the first shipment date of 2015 still on track. We would see LNG as the most significant opportunity for this company.

The largest detractor from performance was our overweight position in healthcare company ResMed, which was down 7.8% after a quarterly result that disappointed investors. The source of the disappointment was that ResMed have held firm with

customers on pricing of their non-premium Obstructive Sleep Apnea (OSA) product range, which has impacted earnings for the quarter with some customers delaying their orders. The company has stated that much of this will be down to timing and lost revenue should come through in the next quarter. The industry dynamics remain very positive for ResMed, with industry growth set to continue at 6-8% and they remain the market leader in sleep-disorder apparatus and well positioned for further growth.

Also detracting from performance was our underweight position to ANZ, which rallied by 11% in line with the broader banking sector. While ANZ was a large detractor, this was more than offset by our overweight position in National Australia Bank. Overall stock selection in the banking sector was a positive for the portfolio, although our slight underweight to the overall sector was a headwind. We remain comfortable with an underweight position in the banks, still preferring National Australia Bank to the other main three based on valuation and on the fact that it may have fewer cost issues.

Strategy & outlook

In our view, the recent initiatives put forward to manage the European debt situation do not go far enough in resolving the problem as neither the 50% haircut on Greek debt nor the proposed recapitalisation amounts look big enough to really deal with the issue. Significant uncertainty also remains around the potential funding of the European Financial Stability Fund (EFSF) and the role that the IMF will play in resolving the issues. We anticipate that this issue will continue to dominate market sentiment with no definitive resolution implemented in the short-term. In the meantime, we anticipate the market behaving as it has done over the last few months – rallying when European leaders respond to market selling and galvanise themselves into action, and selling off when it comes to working out the details.

With regard to the slow down in China, which has been an additional concern for investors of late, we remain positive on a medium-term view but cautious in the shorter-term, particularly around the iron ore price. There is no question that economic conditions have softened measurably in recent months and growth rates in the all important construction sector will be close to 0%, even with the impact of the social housing program. At \$120 per tonne for iron ore (coming off recent levels of \$170 per tonne), production does start to become uneconomic for some producers, which will ultimately redress the demand/supply balance but this takes time to come through.

Our portfolio remains positioned to take advantage of a variety of drivers. We continue to seek out companies that have clear stock specific factors, which will enable them to drive stronger earnings growth in the medium-term, despite a softer cycle. More attractive valuations in some pockets of the market have also led us to specific opportunities where we believe management can drive changes that will realise significant value for shareholders. On the Resources front, there are many companies that over the next few years will have the ability to monetise their resource base and drive considerable earnings growth, particularly in the LNG sector.



For more information

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

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