

# BT Wholesale Core Global Share Fund

**Fact Sheet**  
**October 2011**

ARSN: 089 938 492



## About the Fund

The BT Wholesale Core Global Share Fund is an actively managed portfolio of international shares. The shares are managed by Connecticut-based AQR Capital Management, LLC (AQR) with a currency overlay provided by BT Investment Management (BTIM).

AQR are fundamental investors who use quantitative strategies to maintain a highly diversified and risk controlled portfolio that reflects AQR's valuation and momentum philosophy.

### Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds MSCI World ex Australia (Standard) Index (Net Dividends) in AUD over the medium to long term. The suggested investment timeframe is five years or more.

### Investment style

The investment style is to seek to generate returns by active trading in both stocks and currency.

### Investment process

The Fund's investment process separates the stock and currency investment decisions with the majority of the Fund's risk allocation relating to stock selection.

AQR's disciplined approach uses bottom-up fundamental security selection indicators to generate excess returns through under and overweighting stocks and industries relative to the benchmark.

Separate regional stock selection models are utilised to tailor stock and industry selection considerations to the different global equity markets within the benchmark.

AQR employs a quantitative and model driven investment process with teams conducting ongoing research on security selection indicators, portfolio construction, optimisation, trading techniques and technology.

Currency decisions are actively managed by BTIM's Macro Strategies team which seeks to produce risk adjusted returns by actively investing in a portfolio of currency instruments. The process incorporates the rigour and discipline of a quantitative process with fundamental drivers and qualitative analysis. The strategy invests primarily in the global currency forwards market and may also use other currency derivatives to express the portfolio manager's active views.

### Investment team

Founded in 1998, AQR Capital Management is an investment management firm employing a disciplined multi-asset, global research process. AQR's diverse client base includes some of the largest institutional investors across the US, Europe and Asia. AQR's team spans a variety of backgrounds including fund management and academic finance. The research of AQR's principals is internationally renowned and has resulted in numerous published papers in a variety of professional journals since 1991.

BTIM's Macro Strategies Team aims to generate alpha and develop global products from a range of top down strategies. The team's analysts and portfolio managers each have more than 10 years experience running investment strategies. Joe Bracken is the Head of the Macro Strategies team and Cameron Fouladi is the Portfolio Manager primarily responsible for BTIM's Currency portfolios.

## Performance<sup>1</sup>

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	1.54	1.62	0.85
3 months	-3.00	-2.76	-3.05
FYDT	-7.55	-7.25	-7.21
6 months	-8.28	-7.86	-8.49
1 year (pa)	-5.60	-4.71	-6.06
2 years (pa)	-0.37	0.53	-1.18
3 years (pa)	-3.49	-2.66	-5.85
5 years (pa)	-7.85	-7.04	-7.27

## Country Allocation (as at 31 October 2011)

France	4.2%
Germany	4.2%
Ireland	3.7%
Netherlands	1.2%
Norway	1.2%
Sweden	1.7%
Switzerland	1.5%
United Kingdom	10.3%
Japan	9.6%
Canada	5.3%
USA	53.6%
Cash & Other	3.3%

## Other information

Fund size (as at 31 Oct 2011)	\$186 million
Date of inception <sup>1</sup>	October 1992
Minimum investment	\$25,000
Buy-sell spread	0.10% <sup>#</sup>
Distribution frequency	Annual
APIR code	RFA0821AU

<sup>#</sup> 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	0.97% 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.

<sup>1</sup> Please note AQR started managing the fund from June 2006. Historical returns prior to June 2006 do not reflect AQR, investment performance.

## Market review

Equities rallied in October as investors grew more confident that arrangements struck at a European leaders' summit towards the end of the month could defuse the Euro sovereign crisis.

The S&P500 (+10.8%) had its best month since December 1991 as firmer economic indicators added to Euro optimism. Both Europe (Euro Stoxx 50 +9.4%, FTSE100 +8.1%) and Asia (MSCI APEX 50 +11.8%) were strong, though Tokyo lagged (Nikkei 225 +3.3%).

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. The Bank of England announced a new round of quantitative easing, committing to buy £75 billion of government bonds.

From an economics perspective the data releases in October were positive for the US. The minutes of the September FOMC meeting indicated that most Fed officials do not anticipate recession but believe the recovery may be more vulnerable to shocks. 3Q11 GDP increased at a 2.5% annual rate (exp. 2.5%), the strongest performance in a year. Personal consumption expenditure increased 2.4% (exp. 1.9%) compared to 0.7% in the second quarter.

News out of China was mixed with 3Q11 GDP up 9.1% over the year, slightly below both expectations (9.3%) and the run rate of 2Q11 (9.5% over the year). Continued growth in domestic demand compensated for weaker exports.

## Fund performance

The Fund outperformed the benchmark for the month, driven by positive performance of stock selection strategies within Continental European, Canadian and UK markets. Thematically, the outperformance in Continental Europe was due to strong returns to our stock and industry momentum signals outweighing softness in company management and quality signals. Similarly, the positive contribution from Canadian stock and industry positioning was largely attributable to the strong performance in our industry and stock momentum signals. Outperformance in the UK was due to positive performance in our momentum and valuation based stock selection signals, outweighing negative performance in our industry valuation and company earnings quality considerations. At an industry level, positive performance in stock selection within the Materials sector outweighed negative performance in stock selection within the Industrials sector.

## Strategy & outlook

In terms of current positioning: at a stock level, the portfolio remains more defensively positioned than it would be, on average, over a cycle. Valuation differentials between lower and higher quality companies, within industry groups, remain tight in Continental Europe and Japan, though we have increased our value tilt within the US and UK following recent market dislocations, to be now mildly overweight value in these stock markets. At an industry level, we are currently overweight Healthcare and Energy sectors, while being most underweight Utilities and Financials.



### For more information

Please call 1800 813 886, contact your business development representative or visit [www.btim.com.au](http://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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