

# BT Wholesale Ethical Share Fund

Fact Sheet  
October 2011

ARSN: 096 328 219



## 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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## Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	7.54	7.63	7.23
3 months	-1.64	-1.40	-1.49
FYDT	-5.12	-4.82	-5.26
6 months	-8.70	-8.26	-9.01
1 year (pa)	-3.26	-2.33	-3.87
2 years (pa)	-1.31	-0.37	0.31
3 years (pa)	4.40	5.40	7.06
5 years (pa)	-0.68	0.26	-0.24

### Asset allocation (as at 31 October 2011)

Energy	13.0%
Materials	23.7%
Industrials	12.4%
Consumer Discretionary	5.6%
Consumer Staples	0.6%
Health Care	3.2%
Information Technology	1.1%
Telecommunication Services	3.7%
Utilities	0.9%
Financials ex Property Trusts	27.9%
Property Trusts	2.3%
Cash & Other	5.7%

### Top 10 holdings (as at 31 October 2011)

BHP Billiton Limited	9.4%
National Australia Bank Limited	8.3%
Westpac Banking Corporation	7.8%
Rio Tinto Limited	5.1%
Commonwealth Bank of Australia Ltd	5.0%
Origin Energy Limited	4.8%
Santos Limited	3.9%
Telstra Corporation Limited	3.8%
Newcrest Mining Limited	3.1%
Suncorp Group Limited	3.1%

### Other information

Fund size (as at 31 Oct 2011)	\$151 million
Date of inception	May 2001
Minimum investment	\$25,000
Buy-sell spread	0.50% <sup>#</sup>
Distribution frequency	Quarterly
APIR code	RFA0025AU

<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.



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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.

## 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 fund outperformed its benchmark over the month.

The largest contributor to performance was our overweight 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 National Australia Bank, which rallied into the bank reporting season along with all the other stocks in the sector. However, NAB was the clear outperformer. The company reported 19% cash earnings growth from last year, driven by strong growth in Business and Personal Banking, with the company growing its market share while still maintaining margins. We still prefer National Australia Bank to the other main three based on valuation, and on the fact that it may have fewer cost issues to deal with, a position which has worked in our favour over the period.

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 overweight position to Amcor, which underperformed the market during the period as more defensive and stable earners like Amcor were ignored by investors. Nonetheless, Amcor has been a strong performer recently for the portfolio and again met investor expectations in its first half performance. The company continues to drive synergies from recent acquisitions and benefit from operational improvements.

## 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](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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