

BT Enhanced Sustainability Australian Share Fund

Fact Sheet
November 2011

ARSN: 132 844 163



Social Responsible Investments

About the Fund

The Fund brings together the specialist skills of BTIM and Regnan Governance Research and Engagement. Regnan has developed proprietary technology to analyse listed Australian companies for environmental and social best practice within agreed industry sectors. BTIM uses its investment expertise to construct a diversified portfolio of share investments selected from a sustainability ranked universe.

Fund objective

The Fund aims to maximise the portfolio's focus on sustainability while providing a return comparable to the S&P/ASX300 Accumulation Index over the medium to long term.

Investment strategy

The Fund aims to achieve its objective by giving investors exposure to high sustainability rated companies while limiting deviation from the S&P/ASX 300 Accumulation Index.

The stock selection process uses sustainability ratings from Regnan — Governance Research & Engagement Pty Limited. Using a best of sector approach, stocks are assessed and ranked according to a range of sustainability criteria. Stocks with poor sustainability ratings are excluded¹ from consideration for the Fund's investable universe.

The management of risk is central to our investment philosophy and is embedded in our investment processes. We believe that risks must be understood, quantified and controlled before investment decisions are undertaken. We believe a risk-controlled environment can improve the consistency of returns.

The portfolio is then constructed by blending the highly rated stocks while minimising unintended sector or style biases. This ensures that the Fund has a high sustainability exposure in a disciplined, risk controlled framework.

Investment team

The Fund is managed by Rajinder Singh in BTIM's Australian Equity Strategies team who has more than nine years' industry experience. The team combines fundamental analysis from BTIM's Australian large-cap equities team, one of the largest in the industry, with inputs from Regnan to manage the Fund using a disciplined process.

Fees

Management fee	0.45% pa*
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* You should refer to the latest Information Memorandum for full details of fees and other costs you may be charged.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	-3.38	-3.34	-3.44
3 months	-2.80	-2.69	-2.95
FYDT	-8.73	-8.55	-8.52
6 months	-10.12	-9.91	-10.33
1 year (pa)	-5.91	-5.48	-6.27
2 years (pa)	-2.41	-1.96	-2.31
3 years (pa)	7.62	8.12	8.14
Since Inception (pa)	-5.82	-5.45	-6.15

Asset allocation (as at 30 November 2011)

Energy	7.1%
Materials	24.8%
Industrials	6.8%
Consumer Discretionary	2.5%
Consumer Staples	9.2%
Health Care	3.0%
Information Technology	0.7%
Telecommunication Services	4.0%
Utilities	1.7%
Financials ex Property Trusts	30.6%
Property Trusts	6.5%
Cash & Other	3.1%

Top 10 holdings (as at 30 November 2011)

BHP Billiton Limited	11.2%
Commonwealth Bank of Australia Ltd	7.3%
Westpac Banking Corporation	6.2%
ANZ Banking Group Limited	5.2%
National Australia Bank Limited	5.2%
Wesfarmers Limited	3.7%
Telstra Corporation Limited	3.7%
Woolworths Limited	3.1%
Rio Tinto Limited	2.9%
Newcrest Mining Limited	2.9%

Other information

Fund size (as at 30 Nov 2011)	\$126 million
Date of inception	September 2007
Minimum investment	\$500,000
Buy-sell spread	0.50% [#]
Distribution frequency	Quarterly
APIR code	BTA0315AU

¹ Companies rated either 4 or 5 may only be included in the portfolio in the case of a demonstrated need to manage investment risk.

[#] 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

After a strong relief rally in October, equity markets re-entered negative territory in November as the European sovereign situation once again spooked investors. The ASX300 Accumulation Index gave away around half its gains from the prior month, down by 3.4%. The result could have been worse if it were not for a last day rally brought about by the move by six central banks to lower the cost of USD funding.

The two major sectors in the Australian market, Banks and Resources, both lagged the market. Resources remained under pressure given the general 'risk-off' environment but also due to enduring concerns around Chinese growth. The big four banks announced their annual results which were broadly in line with expectations. The major themes were consistent amongst the big four, with all citing difficult funding markets and their cost cutting initiatives. Unsurprisingly, defensive sectors such as Healthcare and Telecoms performed better, with Australian Real Estate Investment Trusts (AREITs) regaining some ground and posting the strongest sector return over the month.

In Europe, market confidence remained fragile amid ongoing and largely circular discussions between the EU, IMF and Eurozone governments. Such is the extent of the crisis we saw the prime ministers of both Greece and Italy step down and replaced with technocratic leaders, yet this did little to stop the continued yield spike; Italian bond yields hit over 7% for the first time.

In Australia, the RBA cut interest rates from 4.75% to 4.50% due to the continuing global uncertainty. The Australian dollar was weaker versus the greenback, due to the rate cut, weaker commodity prices and negative sentiment in general.

Fund performance

The portfolio outperformed its benchmark in November.

The strongest contributor to the excess return was our underweight position in Bluescope Steel, which was down 47% over the period. The company, which has faced significant headwinds of late, announced a \$600m renounceable rights issue at 40 cents per share. Most of the money raised will be used to pay down debt, which has increased due to higher working capital requirements.

Also contributing to outperformance was our underweight position in Woodside. The company's production forecast for next year disappointed investors resulting in a fall in the share price. Over the period, the price was down -10.3%. On its LNG project, the company maintained its target for Pluto and stated that it would update the market on how dialogue with LNG buyers from its Browse project progresses. While we believe the prospects for LNG producers are extremely positive, we currently prefer exposure via Origin Energy and Santos.

Our small overweight position in David Jones detracted from performance in November as the retail sector continues to struggle. The department store group reported like for like sales that were down 11%. The share price fell by 17% during the period.

Our underweight position in Sonic Healthcare detracted value as the company reported at its AGM that revenues were ahead of expectations in their German and Australian markets. The company is set to deliver 10 to 15% EBITDA growth, which is within the market's expectations. The share price was up 4.3% in November.

Strategy & outlook

It feels increasingly like we are lurching towards some kind of resolution to the European issue, although we are by no means out of the woods. The two major risks precipitating such nervousness in equity markets, namely a bank failure or a major sovereign bond auction falling over, now look less likely. We believe this alone may provide something of a more sustainable rally in equity markets but it is hard to gauge its length and strength, particularly as any resolution will no doubt meet significant hurdles in implementation given the disparate political motivations within each of the 27 members of the EU. With this in mind, it is hard to see investors' confidence being fully restored in the short term, particularly as the growth outlook remains very weak. That said, there has been a lot of risk already priced into markets and from that point of view, we are comfortable with our portfolio's positioning.

Currently, companies with strong balance sheets, sustainable cash flow and resilient earnings make up the core of the portfolio and we are also positioned in a number of companies with significant stock specific drivers that will enable solid medium-term earnings growth, even though the overall global environment remains on shaky ground. As mentioned above, we remain cautious on metals at this stage but believe that the Chinese authorities have taken steps to specifically address the overheating property market and will try to ensure the rest of the economy continues to grow at a healthy rate. While underweight metals, we remain very positive around the resource monetisation opportunity in LNG, particularly with all the work being done in Gladstone QLD. Finally, there are some stocks in the market which appear significantly undervalued, where management are being driven to realise value for investors. These are looking a lot more attractive for patient investors.



For more information

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

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Regnan Stock Stories

Rio Tinto Ltd (RIO)

RIO's diverse and global mining, exploration and processing operations are exposed to a range of significant social and environmental issues. While systems and risk management processes are present and well established at RIO, the ongoing environmental and social impacts of its operations and products mean that underlying risk is ever present.

RIO's carbon price risk assessment is amongst the most comprehensive in the mining sector. RIO has implemented a range of emissions reduction programs and identified areas of opportunity at business unit level. RIO states it monitors policy and regulatory trends, models costs based on emissions forecasts and regulatory scenarios, and undertakes sensitivity analysis of carbon costs for large projects.

RIO's operations are susceptible to the effects of climate-induced extreme weather events. The company evidences sound assessment of climate change risk. It uses a climatology model to predict climate change impacts, including detailed modeling for key sites, and provides guidance for individual businesses in assessing climate change risk and building adaptive capacity in existing and new projects. RIO reports that climate change projections are fed into water management, including the assessment of water shortage and flood risks. Despite these strong controls, tropical cyclones and flooding affected RIO's Australian iron ore, coal, bauxite and alumina sites over 2010-11.

RIO's most significant social exposures relate to its interactions with communities local to its operations, ensuring access to skilled employees, and occupational health and safety. Exposure is partially mitigated by its strong employer brand; the size and global nature of operations which is likely to allow for some staff mobility; and its Mine of the Future automation project – allowing remote operation and minimising reliance on FIFO staff. RIO's human capital management is in line with sector peers. It includes staff engagement measurement, and programs for performance management, professional development, graduate recruitment and female participation. RIO's offer of 4.5 months parental leave introduced in December 2010 is sector leading, and provides a competitive advantage against other miners seeking to attract women to their workforce.

RIO has shown sustained improvement in its safety performance over the last 3 reporting periods. Safety controls are in line with those of other diversified peers such as BHP, and cover board oversight, inclusion of safety in executive pay incentives, a group-wide safety management system supported by ~ 30 standards, and a safety leadership development program.

Relations with local communities are material to ensuring access to resources, and mitigating operational continuity risks. RIO has policies, standards, action plans and initiatives in place to manage its community exposure, as well as board oversight of community risk management.

Henderson Group Plc (HGG)

Henderson is a UK-based investment manager and financial planning company. It is one of the leading responsible investment (RI) fund managers in Europe, offering a variety of RI funds to both retail and wholesale clients. Its RI team continues to take a proactive role in public debate on issues such as workplace diversity, corporate governance, and climate change, and regularly publishes position papers on these topics. Henderson is a member of the Institutional Investor Group on Climate Change (IIGCC), and the Carbon Disclosure Project (CDP).

With the loss of trust and reputation flowing from high profile failures and bailouts in the investment industry, the company's strong brand is an important differentiating factor in maintaining and growing market share in a difficult European economic environment. Regnan regards the company's sound ethical conduct and workplace practices as key components of its strategy to maintain trust and reputation and improve client relations. While controls are generally in line with those of sector peers, Regnan believes that improvements could be made, such as the provision of an anonymous whistleblowing facility.

Employee retention is recognized by HGG as a key risk to the business and Regnan notes the launch of a new 'Pathway's' training and development program in 2011, as well as a new trainee program. Turnover levels in 2010 were relatively low. Henderson continues to survey staff on an annual basis, with the 90% participation rate in 2010 particularly high. The company's stress management program remains best practice in this sector.

Climate change poses both risks and opportunities for HGG and the company is well positioned to handle both. HGG's assets under management, particularly property assets, are exposed to climate change regulation and physical impacts. To reduce such impacts, the company's RI team continues to engage with investment companies on climate change, and conducts fund carbon audits to better understand the carbon footprint of companies in their fund. Henderson also has a strong focus on the management of its own environmental impacts - its office energy and waste management practices remain sector-leading. The company has participated in the Carbon Disclosure Project for the past six years.



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