BT Enhanced Sustainability Australian Share Fund

Fact Sheet
December 2011

ARSN: 132 844 163

BT Investment Management

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 excluded[1] 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*

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

Performance

(%)	Total Returns		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	-1.41	-1.37	-1.44
3 months	1.99	2.10	2.05
FYDT	-10.01	-9.81	-9.83
6 months	-10.01	-9.81	-9.83
1 year (pa)	-10.54	-10.13	-10.98
2 years (pa)	-4.83	-4.39	-4.76
3 years (pa)	7.26	7.75	7.67
Since Inception (pa)	-6.03	-5.66	-6.35

Asset allocation (as at 31 December 2011)

Energy	7.2%
Materials	24.3%
Industrials	6.8%
Consumer Discretionary	2.2%
Consumer Staples	8.4%
Health Care	3.2%
Information Technology	0.7%
Telecommunication Services	4.5%
Utilities	1.7%
Financials ex Property Trusts	31.6%
Property Trusts	6.4%
Cash & Other	3.0%

Top 10 holdings (as at 31 December 2011)

BHP Billiton Limited	11.2%
Commonwealth Bank of Australia Ltd	7.8%
Westpac Banking Corporation	6.1%
ANZ Banking Group Limited	5.5%
National Australia Bank Limited	5.3%
Telstra Corporation Limited	4.0%
Wesfarmers Limited	3.7%
Woolworths Limited	3.2%
Rio Tinto Limited	2.8%
Newcrest Mining Limited	2.6%

Other information

Fund size (as at 31 Dec 2011)	$125 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

The Australian share market finished a difficult 2011 in negative territory once again, with the ASX 300 Accumulation index retreating 1.4%. The market recorded eight negative months in 2011, which with the exception of the month of October, were consecutively negative.

As had been the case for most of the year, the main influence on market sentiment in December was the ongoing European sovereign debt crisis. During the month, an EU summit agreed measures to augment fiscal consolidation for member states via further government borrowing controls and initiatives were put in place to provide further capital support via the IMF. This tempered the negative sentiment to a degree with peripheral bond yields coming down over the month. However, the outlook remains tepid and uncertainty high, with few initiatives for growth and continued need for austerity dampening prospects.

On the domestic front, the consumer sector also contributed to the downbeat mood with Billabong announcing a significant profit warning and JB Hi-Fi also tempering earnings expectations.

The month however did see some corporate activity with Aston Resources and Whitehaven Coal announcing an intention to merge and Chinese miner Yanzhou Coal Mining of China made an offer for Gloucester Coal.

The RBA continued cut rates for the second month in a row in December, cutting the base rate to 4.25%.

Fund performance

The largest contributor to performance during the month was the underweight position to Woodside Petroleum, which was down by 6.7% over the month. Energy was the weakest sector during the month with the ASX200 Energy price index down by 5% with most oil stocks driven lower by the weaker oil price. During the month, the company stated that it was seeking to amend the retention leases on its Browse JV. The current retention leases state that the lessees should be in a position to make a final investment decision by the middle of 2012, whereas Woodside believe that this will need to be extended to the middle of 2013.

Detracting from performance was our overweight position in JB Hi-Fi. The company was down significantly during the month, falling 27%, as the company announced that it expects first half EBIT to be around 5% lower than for the same period last year. The company stated that like for like sales for the five months to the end of November fell by around 2% and that heavy discounting had reduced gross margins by 27 bps.

Also detracting from performance over the month was our overweight position in Myer, which was down by 18.7% over the month. The company's share price suffered along with the rest of the retail sector, largely due to a couple of high profile competitors, notably JB Hi FI and Billabong issuing downgrades to earnings guidance and citing continuing difficult trading conditions, which has caused the market to reassess earnings prospects for the entire sector. We remain comfortable with our position given the strong and sustainable dividend yield and believe the stock is reasonable value, despite the current headwinds.

Outlook

It is customary at this time of year to reflect on the previous twelve months and to gaze into the crystal ball to deduce what might happen over the next twelve. From this standpoint, many of the key drivers that made 2011 such a difficult year look set to continue into 2012. Last year was a year when global macro issues were by far the biggest influence on the local share market's performance and it is hard to see this changing in the short term.

As we have been saying throughout the European sovereign crisis, there is no silver bullet and it seems that we will continue to see recent initiatives to bring about more fiscal integration muddle through the various EU members' legislatures over the course of the next few months. Moreover, the institutions with the mandate to do so will continue to add liquidity into markets and, if the last six months are anything to go by, this will happen most at the highest point of nervousness. The 'risk-on, risk-off' pattern looks set to continue as long as this issue remains front and centre of investors' minds. While the specifics of a Euro summit deadline, the prospects of a bond auction or the latest raft of data will influence the shorter term flux, the key fundamental issue of there being too much debt looks set to remain for the foreseeable, with plans for growth not even on the agenda. Austerity measures brought in to pay down this debt will continue to temper meaningful growth in the European region, which is a fact that investors have painfully had to get used to. In the US, recent data has been more encouraging than expected, but in our view a sustained recovery has to come from more significant investment from the corporate sector, which remains in good financial shape. If we're looking for catalysts to improve sentiment over the coming months, signs of stronger investment from this sector would be a clear one.

Closer to home, the much discussed slowdown in the Chinese economy has put further pressure on the Australian market and in particular the resources sector. Our view is that the Chinese economy may well continue to slow in the shorter term as authorities continue to try to get a grip on the overheating property market but we do not think that a 'hard landing' is a likely outcome. Rather, we think that the authorities will take measures to stimulate growth and given the tightening measures that was implemented last year, they have some considerable levers at their disposal. Finally, the end of the year saw further woes in the retail sector. We will be watching the all important Christmas and new year period with interest, not only to assess specific earnings prospects for these companies but also as a key barometer for general consumer sentiment.

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For more information

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

Regnan Stock Stories

Transfield Services Ltd (TSE)

TSE is engaged in resources, energy and utility infrastructure construction and maintenance, primarily in Australia and New Zealand but also in the Americas. Its most significant exposures are skills shortages in Australia amongst its trade and engineering workforce, health and safety, and the environmental impacts of its operations.

Increasing skills shortages and wage pressure is a significant exposure for the engineering services sector, particularly in WA and QLD. TSE is more diversified than resource intensive peers, and its contracts are predominantly focused in asset services and maintenance rather than project construction and delivery, which limits its exposure. Regnan considers TSE's management of human capital to be best practice. There is clear strategic oversight and board level commitment which includes a human resources committee and the use of short term performance incentives for the chief human resources officer. TSE has a variety of initiatives to address skills and diversity, including regular training of staff and subcontractors, flexible work practices and relatively generous parental leave. The company also has a registered Reconciliation Action Plan and Indigenous Development Coordinator to focus on recruitment from indigenous communities. TSE also discloses a human resources information system that measures recruitment, turnover, salary and gender ratios, and the development of a human resources scorecard that uses HCM and financial metrics to monitor productivity and the return on investment from human capital.

TSE also maintains robust controls over workplace health and safety (WHS) that compare favourably against its peers. The company's WHS policy and safety, health, and environment (SHE) management system are both comprehensive. Lost time injury frequency rate (LTIFR) performance is much better than the industry average. There were two fatalities in 2011 however, following on from one in 2010 and two in 2009. TSE launched a series of 'mandatory safety rules' in 2010 in response to the fatalities. In June 2010, it organised a global shut down of operations where staff were trained on the rules, their implementation, and the consequences of non-compliance.

TSE exposure to the direct effects of carbon pricing limited and most of its liabilities can be passed on to asset owners. The company is still in the process of understanding its emission profile and opportunities for efficiency and reduction so action is currently limited. TSE recognises the opportunity from providing efficient solutions to clients, and has implemented several successful water saving projects, but its actions lag behind peers such as WOR. TSE's diversified global footprint and limited asset ownership provides a hedge against the physical impacts of climate change but improvements could be made to disclosure of risk assessment and management.

Amcor Ltd (AMC)

Amcor (AMC) is a global packaging company with five business divisions with operations in 42 countries. It continues to be one of the best environmental performers in the materials sector, particularly in terms of resource efficiency and greenhouse gas (GHG) emissions reduction. Not including the newly acquired aluminium foil business (which is GHG intensive), AMC's GHG intensity declined for the fourth consecutive year, falling only slightly short of its five year target. It also made progress in reducing the water intensity of its products. For example, municipal water use intensity at its Australian sites (the largest water users in the group) declined by ~22% during 2010/11; since 2005/06 there has been a reduction of 46% in water use intensity. This progress is the result of implementation of a variety of water efficiency initiatives and the implementation of a supply of recycled water into AMC's Petrie cartonboard mill. AMC also continues to demonstrate a strong commitment to sustainable packaging and reducing waste to landfill. Three fines for environmental incidents, two of which were relatively significant (totalling US $55,700), detract from what is otherwise very good environmental performance over the past year.

AMC's social performance continues to be relatively strong. There is evidence that the ethical conduct controls implemented in the wake of the price-fixing scandal with Visy have been maintained. They include a best practice whistleblowing system and board level oversight of ethical conduct issues. AMC has also improved its safety performance and, during FY2011, its lost time injury frequency rate declined for the fifth year straight. However, AMC could improve its disclosure on human capital management, such as providing metrics (e.g. employee turnover, absenteeism, employee engagement), which would enable benchmarking of its performance against peers. On the positive side, there is an Employee Assistance Program that is available to around 90% AMC's employees.

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