

BT Wholesale Core Australian Share Fund

Fact Sheet
December 2011

ARSN: 089 935 964



About the Fund

The BT Wholesale Core Australian Share Fund is an actively managed portfolio of Australian shares.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 300 Accumulation Index over the medium to long term. 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 Dec 2011)	\$627 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	-2.06	-2.00	-1.44
3 months	1.91	2.11	2.05
FYDT	-9.05	-8.69	-9.83
6 months	-9.05	-8.69	-9.83
1 year (pa)	-9.78	-9.06	-10.98
2 years (pa)	-5.52	-4.77	-4.76
3 years (pa)	7.23	8.09	7.67
5 years (pa)	-1.19	-0.40	-2.39

Asset allocation (as at 31 December 2011)

Energy	12.4%
Materials	22.6%
Industrials	14.1%
Consumer Discretionary	8.0%
Consumer Staples	5.3%
Health Care	3.1%
Information Technology	1.1%
Telecommunication Services	3.0%
Financials ex Property Trusts	27.7%
Property Trusts	1.5%
Cash & Other	1.2%

Top 10 holdings (as at 31 December 2011)

BHP Billiton Limited	8.3%
National Australia Bank Limited	8.0%
Westpac Banking Corporation	6.7%
Commonwealth Bank of Australia Ltd	4.8%
Rio Tinto Limited	4.3%
Santos Limited	4.0%
Origin Energy Limited	3.8%
Brambles Limited	3.8%
Asciano Limited	3.5%
Suncorp Group Limited	3.3%

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 overweight 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.

Also contributing to performance over the month was our overweight position in Gloucester Coal. The miner was the subject of a \$2.1 bn cash and scrip offer from Chinese firm Yanzhou Coal. Yanzhou is offering Gloucester Coal shareholders 32.20 cash per share and 23% in the new entity. The Noble Group, which is Gloucester's largest shareholder with 65% has agreed to the terms but the due diligence process will not be complete until February.

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 was our underweight position in the Commonwealth Bank, which was the best performing of the big four banks during the month, with investors showing a preference for the more conservative and domestic focussed stalwart. The month saw the AGMs of the three other major banks, all of which reiterated funding cost pressures. All the banks had their credit ratings downgraded by S&P during December, reflecting a change in the ratings agency's methodology in assessing banks.

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.



For more information

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

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