BT Wholesale Focus Australian Share Fund

Fact Sheet
December 2011

ARSN: 113 232 812

BT Investment Management

Australian Shares

About the Fund

The BT Wholesale Focus Australian Share Fund is a highly concentrated portfolio of 15-30 ASX listed stocks, developed to meet investor demand for a higher alpha, higher tracking error fund.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes), that significantly exceeds the S&P/ASX300 Accumulation Index over the medium to long term. The suggested investment timeframe is five years or more.

Investment approach

BTIM aims to add value primarily through active stock selection. The Fund is managed using the same core investment style as is applied to BTIM's other Australian equity portfolios and utilises the team's proven research and stock selection capabilities.

BTIM's investment process for shares is based on our core investment style and is unrestricted by a growth or value bias.

Fund positioning

The Fund is designed to complement a conventional, core share portfolio by providing satellite exposure to selected Australian equities with the potential for performance enhancement.

Investment team

BTIM's ten-member Equity Strategies team is one of the largest in the Australian fund 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.

Other information

Fund size (as at 31 Dec 2011)	$137 million
Date of inception	April 2005
Minimum investment	$25,000
Buy-sell spread	0.50%[1]
Distribution frequency	Semi-annual
APIR code	RFA0059AU

Investment guidelines

Ex-ante tracking error	4.5% - 8.0%
Max absolute stock position	15%
Min/max sector position relative to index	+/- 15%
Min/Max BARRA style factors	+/- 0.5 SD
SIRA style factors	Within 1 SD
Maximum cash level	30%
Shorting	No
Borrowing	No

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-2.06	-2.00	-1.44
3 months	2.75	2.95	2.05
FYDT	-8.57	-8.22	-9.83
6 months	-8.57	-8.22	-9.83
1 year (pa)	-10.60	-9.92	-10.98
2 years (pa)	-5.36	-4.63	-4.76
3 years (pa)	8.56	9.55	7.67
5 years (pa)	-2.29	-1.51	-2.39

Asset allocation (as at 31 December 2011)

Energy	15.3%
Materials	20.0%
Industrials	16.2%
Consumer Discretionary	7.3%
Consumer Staples	3.0%
Health Care	2.9%
Telecommunication Services	2.6%
Financials ex Property Trusts	29.5%
Cash & Other	3.2%

Top 10 holdings (as at 31 December 2011)

National Australia Bank Limited	10.3%
Westpac Banking Corporation	6.8%
BHP Billiton Limited	6.7%
Asciano Limited	5.6%
Santos Limited	5.0%
Brambles Limited	4.9%
Origin Energy Limited	4.9%
Suncorp Group Limited	4.8%
Rio Tinto Limited	4.8%
Qantas Airways Limited	3.6%

Fees*

Issuer fee**	0.75% pa
Performance fee***	15% of the performance (before fees) above the performance hurdle.
Performance hurdle	Benchmark plus Issuer fee

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

**This is the fee for managing the assets of the Fund and overseeing the operations of the Fund. The issuer fee is paid from the assets of the Fund and is reflected in the unit price of your investment.

***A performance fee is payable to the manager if the Fund exceeds the performance hurdle. The Fund's performance hurdle is the benchmark (S&P/ASX 300 Accumulation Index) plus the issuer fee of 0.75% p.a. The fee is currently equal to 15% of the amount (if any) by which the performance of the Fund exceeds the performance hurdle. The performance fee is calculated each business day based on the investment performance and net asset value of the Fund on that day and, where positive, accrued daily in the Fund's unit price. The fee is payable annually as at 30 June. Any under-performance deficit must be recovered in dollar terms before any performance fee can be accrued in the unit price. Any unrecovered performance deficit is carried forward for up to three consecutive years. Performance fees are payable in relation to the performance of the Fund as a whole during each year, and do not necessarily reflect the performance of any individual unitholder's investment.

[1] 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 our overweight position in Gloucester Coal. The miner was the subject of a $2.1 bn cash and scrip offer from Chinese firm Yanxhou 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.

Also contributing positively to performance was our overweight position in Newscorp. While there was no specific news for the stock over the month, Newscorp continues to recover from its lows earlier in the year, at which point the valuation looked very attractive to us. The leading global media company, which is well diversified across businesses and countries has outperformed of late as investors look to well established, cash generative businesses. During the month, COO Chase Carey pleased investors by stating that the current US 5bn buy back was not an isolated instance and that further buybacks would be likely. The company is currently around half way through the current buy back.

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.

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For more information

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