

BT Core Australian Share PST

Fact Sheet March 2009

ABN: 71 753 267 021
FRN: R1003871



About the Fund

The BT Core Australian Share PST is an actively managed portfolio of Australian leading and smaller companies shares that we believe are trading at a significant discount to their assessed value.

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 team is focused on generating independent and unique investment ideas, so as to exploit opportunities not yet considered by the market.

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 nine-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 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%

Other information

Fund size (as at 31 Mar 2009)	\$4 million
Date of inception	August 1996
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.60%
APIR code	RFA0017AU

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)	
3 months	-0.08	0.02	-1.85
FYDT	-23.40	-22.75	-28.55
6 months	-16.56	-16.18	-19.99
1 year (pa)	-23.99	-21.84	-29.80
2 years (pa)	-14.16	-13.27	-19.29
3 years (pa)	-4.06	N/A	-7.37
5 years (pa)	9.27	N/A	5.36

Total Returns are post fee - post tax and pre fee - pre tax.

Asset allocation

Energy	10.0%
Materials	20.9%
Industrials	4.5%
Consumer Discretionary	5.1%
Consumer Staples	10.4%
Health Care	6.0%
Information Technology	0.4%
Telecommunication Services	6.3%
Utilities	0.3%
Financials ex Property Trusts	28.1%
Property Trusts	4.0%
Cash & Other	4.0%

Top 10 holdings

BHP Billiton Limited	10.1%
Telstra Corporation Limited	6.3%
Westpac Banking Corporation	5.7%
ANZ Banking Group Limited	5.2%
QBE Insurance Group Limited	5.1%
Commonwealth Bank of Australia Ltd	4.6%
Rio Tinto Limited	4.3%
Origin Energy Limited	3.7%
National Australia Bank Limited	3.4%
Metcash Trading Limited	3.2%

Market Review

The Australian sharemarket was down 2% for the first quarter of 2009 with the market nearly making up all lost ground in March, following two months of negative performance.

The March quarter saw a degree of re-emergence of confidence and risk appetite with Governments continuing to respond to the weakening environment by deploying fiscal and monetary measures. The release of more detail on US Public Private Investment Program, the Fed's increased purchase of mortgage debt securities and quantitative easing policies helped buoy investor sentiment.

There are encouraging signs that China may be recovering from the dramatic slowdown it had at the end of 2008, notably loan growth has surged which is promoting activity in the property market, which is the key driver of the domestic economy.

The reporting season in February was characterised by companies warning of a deteriorating outlook for their businesses and disappointing cash flows. Earnings were downgraded across all major sectors primarily driven by margin contraction, capital conservation continued to be the primary concern of management, and dividends were cut aggressively.

At the sector level over the March quarter, there was a shift away from defensive sectors as the markets gained confidence. Traditionally defensive sectors such as Consumer Staples, Healthcare, Utilities and Telecoms underperformed the broader market while banks, energy and resources sectors outperformed.

Fund Performance

The portfolio outperformed its benchmark over the quarter, delivering a flat absolute return, with our overweight holding in Rio the main contributor to returns. Rio performed strongly over the period as it recovered on news of the Chinalco proposal. While there are many issues which need to be resolved, most importantly to get shareholder and FIRB approval, the offer demonstrates the quality and strategic importance of Rio's assets and this will underpin the value of the stock. We still believe the assets are cheap and there is a substantial discount for the poor state of the balance sheet. If this is finally resolved we would expect the stock to continue to perform.

Other positive contributors included our overweight position in WorleyParsons which delivered another good profit result. We maintain a positive outlook for this business which has been bracketed with other engineering companies, but has demonstrated an ability to differentiate itself and continue to win key contracts. An underweight position in Brambles also contributed as the stock fell after reporting a fall in profit and an uncertain outlook.

The portfolio's overweight in Oil Search was another positive contributor to performance as the company benefited from good progress in the development of its LNG project in Papua New Guinea.

The main detractors to returns were our overweights in Qantas and QBE. Qantas lagged under the weight of its capital raising, reflecting management's desire to ensure they had a strong enough balance sheet to deal with an extended downturn. QBE fell on concerns over its capital position, resulting from the accounting effects of lower interest rates. We are comfortable this is an exaggeration of the issue, with the company still having substantial excess capital even after the accounting adjustment and unlike many of its competitors maintains a very conservative investment portfolio, which will preserve that excess capital.

Strategy & Outlook

The balance between the continued grim outlook for world economic growth and the unprecedented policy reaction is creating a volatile environment for equities. March saw the pendulum swing back quickly, with the market re-capturing almost all its losses year to date, on the belief that policy makers were undertaken action that could make a difference. This reaction sheds light on the drivers of this market, with the fear of the unknown leading to extreme discounts on cyclical stocks and also substantial premiums on some defensive companies. This demonstrates the importance of overlaying the valuation implicit in equity prices with the underlying operating environment.

We believe that the market is factoring around a 25% drop in earnings in Australia, this is consistent with the 'average' recession, if there is such a thing. What this does tell us, is that the market has more two risks and as a result has been trading in a broad sideways band for four months. Our view is this is that this pattern is likely to continue for some time. On the negative side we do not believe that there was any material new policy announcement which deals with the intractable problem of toxic assets on financial companies' balance sheets. Equally there appears little chance of avoiding one of the deepest recessions in the last 60 years. On the positive side valuations are pricing in a lot of bad news and aggressive policy action, notably by the Chinese, presents an opportunity of softening the length and depth of the recession. We have to concede that the jury is still out on the ultimate path of the economy and therefore on the scale of earnings decline we will ultimately see.

In this context we remain of the view that the prudent approach to investing is focussing on companies which have strong balance sheets, good cash flows, capable management and offer attractive valuation. These companies will have the best ability to adapt to whatever circumstances that present themselves and potentially take advantage of the environment to build long term value. They do not have to be in defensive industries, in fact we have a spread across a number of industries from retail such as Metcash, to insurance (QBE) to media (News Corp). This enables the fund to remain cautious, but still to have some exposure to cyclicals, should sentiment begin to improve on the global economy.



For more information

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

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