

# BT Wholesale Asian Share Fund

**Fact Sheet  
June 2009**

ARSN: 087 593 468



## About the Fund

The BT Wholesale Asian Share Fund is an actively managed fund that invests in shares selected from the Asian region (excluding Japan and Australia). The Fund can invest in any market in the Asian region that offers attractive opportunities including Korea, Hong Kong, Taiwan, Singapore, China, Malaysia, Thailand, Indonesia, the Philippines, India and Pakistan.

The management of BTIM's regional international share assets is outsourced to Boston-based MFS International (U.K) Limited (MFS). A member of the firm's group established the first mutual fund, Massachusetts Investors Trust, in 1924.

### Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the MSCI AC Asia ex Japan Standard (Net Dividends) in AUD over the medium to long term. The suggested investment timeframe is five years or more.

### Investment philosophy

MFS believes that stock selection based on bottom-up fundamental research is the most consistent method of generating alpha and that a long term focus allows us to capitalise on opportunities created by investors with shorter-term investment horizons. MFS seeks to invest in high quality companies with above average growth and reasonable valuations.

### Investment process

The MFS, Asia Pacific ex-Japan Equity strategy is to invest in companies with sustainable fundamentals or significant potential for improvement in earnings and returns, whose value is not fully recognised by the market. Overall, portfolio construction focuses on bottom-up best ideas at weights that reflect conviction levels and, with risk controls at multiple levels.



The security selection process begins with a universe of approximately 600 Asian securities, of which around 400 are covered by analysts. The portfolio will typically hold 45-65 stocks.

## Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	15.44	15.58	15.93
FYDT	-4.51	-3.76	-2.68
6 months	18.50	18.92	17.00
1 year (pa)	-4.51	-3.76	-2.68
2 years (pa)	-11.07	-10.32	-9.93
3 years (pa)	-0.15	0.73	1.05
5 years (pa)	8.19	9.15	8.99

## Asset allocation

Hong Kong	21.8%
Singapore	5.1%
Philippines	3.2%
India	11.5%
China	27.5%
Thailand	1.3%
South Korea	15.3%
Malaysia	1.7%
Taiwan	9.4%
Cash & Other	3.2%

## Other information

Fund size (as at 30 Jun 2009)	\$200 million
Date of inception	5 June 2006
Minimum Investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.60%
Income distribution frequency	Quarterly
APIR code	BTA0054AU

## Fees

Management fee	1.00% 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.

## Market Commentary

Stocks in the Asia ex-Japan region gained during the quarter as recovery hopes were buoyed by encouraging economic data. Except for that of Pakistan, all stock indices in the region rose with India, Indonesia, Thailand, and Singapore experiencing the biggest gains.

Indian stocks received a strong boost after the country's ruling party won the national elections. Investors were hopeful that the Congress party would speed up economic reforms. The country also reported better-than-expected first-quarter growth after stronger construction and farm output, and an unexpected rise in industrial production.

The World Bank upgraded its forecast for economic growth in China as the country's manufacturing output rose in May for the third month in a row. The bank cited the success of the government's stimulus package. Korean industrial production and manufacturer sentiment improved unexpectedly.

Despite the improvement in market sentiment, economic data were mixed. Foreign direct investment in China remained weak. Growth in Taiwan, Malaysia, Thailand, and the Philippines continued to contract with the Philippine and Malaysian governments cutting their full-year growth projections. Thailand announced its economy had officially entered into a recession after its GDP fell about 7% in the first quarter as compared with last year. Industrial production in Singapore was weak, and rising unemployment caused a drop in retail sales. Exports continued to decline across the region, and deflation remained a concern with wholesale prices turning negative in India and consumer prices moderating in Singapore and Malaysia. Consumer confidence dipped in some areas after showing some strength early in the quarter.

Governments and central banks continued their efforts to stimulate economies. The Philippine central bank cut interest rates by a quarter-point, and Hong Kong stated that it would spend an additional HK\$16.8 billion to strengthen its economy. China continued to spend in order to maintain strong lending and to raise industrial output and household consumption. Thailand's lower house permitted the government to borrow 800 billion baht to fund its three-year stimulus package, which will be used primarily to improve infrastructure and public development.

In politics, underground nuclear and short-range missile testing by North Korea increased tensions in the region and drew condemnation from the international community.

## Performance Review

The portfolio performed broadly in-line with the benchmark in the second-quarter.

## Contributors

- Stock selection in industrials and materials
- Our underweight position in utilities
- Individual stocks: Sin-Ocean Land Holdings, China Construction Bank, First Pacific, Housing Development Finance, and our underweight position in China Mobile

## Detractors

- Stock selection in consumer discretionary, financials, and energy
- Our overweight position in telecommunication services
- Our modest cash position which is necessary for transactions
- Individual stocks: Hengan International Group, Acer, Taiwan Semiconductor, and Samsung Electronics

## Outlook and Positioning

Global equity markets extended the strong rally since March 2009, as investors generally moved from defensive to more aggressive investments. A combination of improving economic conditions, successful U.S. bank stress tests and reduced risk premiums were the dominant drivers of the recent rally.

Asian equities led the global equity advance during the quarter. Their healthier banking systems and relatively stronger economies have shielded them from a lot of the pain suffered by the economies at the center of the financial crisis. Asian companies still have relatively strong balance sheets with comparatively low levels of debt. Structurally healthier economies in Asia are experiencing increased consumer spending and improving capital spending. Also, governments continued to take aggressive action leading to tentative signs of stabilisation in markets and economies.

Although there have been some modest signs of economic improvement with countries such as China and Indonesia showing resilient growth, the duration and magnitude of the current recession are far from certain. Economic indicators and corporate earnings remain weak despite notable improvements in the past few months. Looking ahead, markets face a number of headwinds which need to be monitored. First, valuation which was attractive at the March lows is now more neutral. Second, the economic data which is signaling the worst may have passed will likely need to demonstrate further strength and signs of sustainability to support durable longer-term gains. We continue to focus on our bottom-up approach, looking for companies that are reasonably valued, have stronger visibility in their earnings, strong managements, and a good competitive advantage that can help them operate across cycles. While we expect earnings to remain under pressure and markets to remain volatile, we believe that the current market environment enables us to invest in high-quality companies at relatively attractive valuations, potentially providing us with a strong upside over a three-year horizon.



## For more information

Please call 1800 813 886, contact your business development representative or visit [www.btim.com.au](http://www.btim.com.au)

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