

# BT Wholesale Balanced Returns Fund

**Fact Sheet**  
**September 2009**

ARSN: 087 593 011



## About the Fund

The BT Wholesale Balanced Returns Fund provides investors with a diversified portfolio of Australian and international shares, Australian and international property securities, Australian and international fixed interest, cash and alternative investments. The Fund has a higher weighting towards growth assets than defensive assets.

### Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the Fund's benchmark over the medium to long term. The suggested investment timeframe is five years or more.

### Benchmark

The benchmark for the Fund is created from a blend of indices based on the Fund's exposure to different asset classes. The benchmark is calculated by using the weighted average asset allocation neutral position and the index returns for each asset class. Details of the particular market indices used for the Fund's benchmark can be found in the product disclosure statement (PDS).

### Investment philosophy

BTIM's investment philosophy is based on active management and operates on two levels:

- All BTIM's underlying managers and products have an active management approach which seeks to deliver consistent risk-adjusted outperformance by exploiting investment opportunities that arise due to the inefficient market pricing of securities
- BTIM places significant importance on determining the optimal long term Strategic Asset Allocation and disciplined rebalancing. Tactical Asset Allocation is used to supplement the value added from SAA.

### Investment process

BTIM's investment process for the BT Wholesale Balanced Returns Fund applies an active management approach across all asset classes.

The underlying investments in the BT Wholesale Balanced Returns Fund are managed by BTIM together with a number of external partners. BTIM manages investments in the asset classes of Australian shares, Australian fixed interest and cash, Australian property securities and alternative investments. These investments are augmented by our arrangements with leading global investment managers who have a competitive advantage in the management of global asset classes. These include: AQR Capital Management LLC for international shares, Grosvenor Capital Management LP for global fund of hedge funds and AEW Capital Management LP for global property securities.

### Investment team

The Fund is managed by BTIM's Multi-Strategies team headed up by Robert Swift who has more than 25 years industry experience. The team has a diverse skill set, combining a range of global and domestic market experience and drawing on the resources of BTIM's other specialist teams: Macro Strategies, Income Strategies and Equity Strategies.

## Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	10.30	10.55	11.02
FYDT	10.30	10.55	11.02
6 months	17.97	18.47	17.69
1 year (pa)	0.58	1.45	3.45
2 years (pa)	-6.87	-6.06	-4.19
3 years (pa)	-0.91	-0.04	1.47
5 years (pa)	5.41	6.32	6.52

## Asset allocation

Australian Listed Shares:	30.4%
Overseas Listed Shares:	19.2%
Australian Fixed Interest:	16.8%
Overseas Fixed Int (inc Mortgages):	6.6%
Property Trusts	3.2%
Global Listed Property	3.1%
Alternative Assets	8.4%
Australian Liquidity (< 180 days):	12.2%

## Investment guidelines

Asset allocation ranges (%)	Neutral Position	Ranges	
		Min	Max
Australian shares	33	23	43
International shares	18	10	30
Australian fixed interest	17	5	32
International fixed interest	7	0	20
Australian property	4	0	10
Global property	3	0	10
Alternative investments	8	0	20
Cash	10	0	20

## Other information

Fund size (as at 30 Sep 2009)	\$197 million
Date of inception	December 1989
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.31%
Income distribution frequency	Quarterly
APIR code	BTA0806AU

## Fees

Management fee	0.92% 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 Review

After soaring over 8% for July, the equity markets slowed down in August and September but continued to rise. In Australian dollar terms, the MSCI World (Ex-Australia) Index (Net) was up 7.1% for the quarter though in local dollar terms the gain was 14.6% due to a strong rally in the AUD. In the US, the S&P 500 was up 15.0% in Q3, close to topping the 15.2% rally of the June quarter. The September close was 56.3% above the 2009 closing low of March 9th.

The Australian equity market gained 21.6% over the September quarter on improved growth prospects and greater investor optimism as economic indicators pointed to a short and shallow downturn.

Bond investors had little to smile about in July as an overhang of bond auctions and a surging equity market meant that yields drifted upwards. By mid-quarter though, most bond markets had recovered on some healthy scepticism that perhaps the world economies wouldn't go back to sky-rocketing growth just yet and that just maybe there are a few unpleasant surprises left in the banking system.

In other economic news, the Australian economy continued to avoid the worst excesses of the global recession. Unemployment rose less than expected, building approvals bounced back, house prices began to rise and retail sales were strong. GDP grew by 0.6% in Q2 and business and consumer sentiment increased. The Australian dollar rallied 9.5% in Q3. Meanwhile the RBA kept its cash rate on hold at 3.0%.

## Fund Performance

In this environment fund returns were up solidly for the quarter continuing the significant market rally that started in March this year. Overall returns largely stemmed from significant gains in global property and domestic equities. The international share portfolio reported single digit gains largely due to the significant appreciation of the AUD.

The portfolio performed marginally below its benchmark for the quarter due to our tactical positioning which was to be underweight Australian equities and property. This was however partly offset by positive stock selection across a number of portfolios. The credit selection strategies within the fixed interest portfolios made a solid contribution to relative returns on account of the overweight exposure to diversified financials and insurers. Also, relative returns stemmed from positive currency selection in the international share portfolios. By contrast, the Australian share portfolio underperformed the broader benchmark over the period, however this was counterbalanced by the strong performance of alternatives.

## Strategy/Outlook

Our medium term outlook has not changed. We are slightly less underweight Australian equities and continue to maintain an overweight to international equities, mainly through Asia where valuations are more appealing. Equities are only fair value - however we see limited prospects in the near term for dividend growth or earnings surprises and a need for more equity raising. We remain biased towards investment grade credit which has performed well but still looks attractive and we are underweight sovereign bonds.

Economies look a little better but a 'W' shaped recovery is likely. Perversely as the USA economy shows signs of stabilisation the Chinese authorities will probably reign in loan growth which has been exuberant to say the least. This will remove the recent source of liquidity for risk assets.

We are concerned that western banks are 'warehousing' toxic assets rather than writing them off. This will severely impair any economic recovery. The inevitable consequence is continued equity raising, which we expect in the 4th quarter.

Government bond yields are probably 'range bound' with higher levels of issuance driving yields higher and sluggish economic growth acting as a cap. The size of budget deficits is almost unbelievable and debt default via inflation will be a much discussed topic in 2010. Currency markets will be at the epicentre of this debate.



## 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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