

BT Sustainable Conservative Fund

Formerly known as
"BT Wholesale Ethical Conservative Fund"

Fact Sheet December 2009

ARSN: 090 651 924



About the Fund

The Fund is a diversified portfolio that invests principally in Australian fixed interest securities, cash and a limited amount of Australian shares.

Key benefits of the Fund

- provides investors with the potential for income as well as capital growth
- allows for diversification across a number of asset classes
- offers access to companies assessed as demonstrating superior environmental practices and sustainable product and service offerings.

Fund objective

The Fund aims to provide a real return over inflation over the medium term to meet the objectives of conservative investors including tax exempt entities whilst screening for companies which meet the Fund's sustainable guidelines. The suggested investment timeframe is three years or more.

Investment approach

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.

The Australian fixed interest component of the Fund is an actively managed combination of corporate, semi-government and government debt and short-term money market securities.

The investment process for Australian shares is managed by BTIM's Australian Equities team and has the addition of sustainability screens.

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 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	1.60	1.84	1.66
FYDT	8.19	8.69	8.01
6 months	8.19	8.69	8.01
1 year (pa)	9.93	10.95	10.01
2 years (pa)	2.66	3.60	4.22
3 years (pa)	4.46	5.42	5.41
5 years (pa)	7.02	8.00	6.94

Asset allocation

Australian Listed Shares:	28.0%
Australian Fixed Interest:	47.0%
Australian Liquidity (< 180 days):	25.0%

Other information

Fund size (as at 31 Dec 2009)	\$63.8 million
Date of inception	September 1989
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.20%
Income distribution frequency	Semi-annual
APIR code	RFA0811AU

Fees

Management fee	0.90% 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.



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Market review

The Australian economy continued to avoid the worst excesses of the global recession with unemployment in October 5.8% declining to 5.7% by December and inflation showing little sign of pushing through the RBA's comfort zone. Though December brought a reminder that Australia didn't get away completely unscathed by the GFC as 3Q GDP came in at +0.2% – about half what was expected.

The Reserve Bank of Australia raised rates in October by 25 basis points – becoming the first central bank to do so – and taking the base rate to 3.25%. This was followed by two other 25 basis point hikes with indications that more may follow. Meanwhile, on the back of the increase in the base rate and a brightening economic climate the Australian dollar continued its good run against the US dollar and ended the quarter at just under 0.90c.

The Australian equity market gained 3.4% over the December quarter and saw out 2009 at its high for the year. After going backwards in October – the market's first decline after registering seven consecutive monthly gains – stocks gathered strength over November and December.

Performance

Both Australian equities and fixed interest were positive over the quarter. In equities, gains were driven by a strong performance by the Materials sector (+13.7%) and Resources (+ 9.8%) on the back of renewed confirmation of the robustness of the China recovery.

The portfolio also outperformed the benchmark over the December quarter. Our Australian equities portfolios outperformed with the main contributor to returns being our overweight to Rio which benefited from strong commodity prices and a rising Australian dollar.

The Reserve Bank raised rates by 0.75% over the quarter to bring the cash rate to 3.75%. Meanwhile, Australian 3-year bonds declined from 4.83% to 4.66% while 10-year bonds rose from 5.36% to 5.64%.

Strategy & outlook

Our overarching view remains that the market continues to be in a consolidation phase driven primarily by lack of clarity with regards to the success of the developed economies in weaning themselves off government stimulus. The signals on the strength of the private sector have continued to be mixed during the month of December. US manufacturing continues to rebound on restocking but the consumer continues to face some headwinds and is not yet in a position to provide a backstop to move the economies sustainably higher. On the other hand the developing nations driven primarily by China have continued to exhibit very sound economic growth fundamentals which has been a key reason why the commodity spectrum has been well supported.

As companies now rule off their first half results, there will be some clearer instances where the market has gotten ahead of itself in terms of a rebound in earnings. We remain cautious on those names where we feel that there may be some disappointment in first half earnings. However this scenario may also present some attractive entry opportunities, including in the engineering and contracting space.

In Australian Fixed Interest, the supply of global and domestic bonds remain a concern and we are of the opinion that yields will continue to rise.



For more information

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

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