BT Wholesale Active Balanced Fund

Fact Sheet December 2009

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BT Investment Management

Diversified Funds Investments

About the Fund

The BT Wholesale Active Balanced 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 Active Balanced Fund applies an active management approach across all asset classes.

The underlying investments in the BT Wholesale Active Balanced 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 (post-fee)	Total Returns (pre-fee)	Benchmark Return
3 months	2.79	3.04	2.10
FYDT	14.76	15.32	14.78
6 months	14.76	15.32	14.78
1 year (pa)	17.23	18.38	16.64
2 years (pa)	-5.81	-4.92	-3.86
3 years (pa)	-2.34	-1.42	-0.45
5 years (pa)	4.81	5.82	5.64

Asset allocation

Australian Listed Shares:	37.1%
Overseas Listed Shares:	19.4%
Australian Fixed Interest:	17.4%
Overseas Fixed Int (inc Mortgages):	6.7%
Property Trusts	4.4%
Global Listed Property	3.1%
Alternative Assets	8.1%
Australian Liquidity (< 180 days):	3.7%

Investment guidelines

Asset allocation ranges (%)	Neutral Position	Ranges Min	Ranges Max
Australian shares	38	28	48
International shares	20	12	32
Australian fixed interest	17	5	32
International fixed interest	7	0	20
Australian property	5	0	10
Global property	3	0	10
Alternative investments	8	0	20
Cash	2	0	10

Other information

Fund size (as at 31 Dec 2009)	$572 million
Date of inception	October 1989
Minimum investment	$50,000
Minimum balance	$50,000
Buy-sell spread	0.35%
Income distribution frequency	Half-yearly
APIR code	RFA0815AU

Fees

Management fee	0.98% pa*

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

Market review

Global equity markets were up 2.1% for the quarter in Australian dollar terms though a strengthening US dollar meant that returns in local dollar terms were +4.5%. Concerns about the strength and durability of the US recovery caused market volatility to jump sharply towards the end of October and debt market worries around Dubai World and Greek government bonds tested investor confidence in November. However, improving signs for the US economy, the ongoing commitment from the government to maintain the fiscal stimulus and signs of stabilisation in the US housing market helped equity markets finish the quarter on a positive note.

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 the next two months. 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 Reserve Bank 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 points hikes in November and December. Australian 3-year bonds declined from 4.83% to 4.66% while 10-year bonds rose from 5.36% to 5.64%. The Australian dollar touched 0.93 per US dollar, however an increase in risk aversion caused the Australian dollar to end the quarter at approximately US$0.898.

Performance

The portfolio outperformed the benchmark over the December quarter. Australian equities outperformed with the main contributor to returns being our overweight to Rio which benefited from strong commodity prices and a rising Australian dollar. Global equities underperformed over the period, driven by underperformance in our US, Japan, and UK strategies outweighing positive performance in our Continental Europe strategy.

Alternative assets, commodities and our fund of hedge fund strategies all performed well over the quarter. For credit, an overweight to hybrids and insurers was the main driver of performance. In global fixed interest, the currency and global duration strategy performed well.

We returned closer to our benchmark weightings over the month of December, seeking to reduce the level of risk into year end. We currently maintain a slight underweight position in domestic listed property and slight overweight in Australian fixed interest via credit securities.

Strategy & outlook

We are still of the view that a 'W' shaped recovery is likely. We are concerned that Western banks are 'warehousing' toxic assets rather than writing them off. This will severely impair the economic recovery. The inevitable consequence is continued equity raising and continuation of an accommodative policy stance by most central banks.

Investment grade credit has performed well but still looks attractive. 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.

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For more information

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