

# BT Wholesale American Share Fund

Fact Sheet  
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## About the Fund

The BT Wholesale American Share Fund is an actively managed portfolio of securities, primarily North American shares.

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 S&P500 Total Return Index, unhedged (with net dividends invested) in AUD over the medium to long term. The suggested investment timeframe is five years or more.

## Investment philosophy

MFS believes that bottom-up, fundamental analysis offers the best opportunity to identify high quality companies with above average, sustainable earnings growth. Further, MFS believes that focusing on stock selection, rather than sector selection, is a compelling way to add value versus the S&P 500 over time.

## Investment process

Each analyst is responsible for following companies within their specific industry coverage. The analysts develop and maintain their own models, visit with company management, and interview competitors, suppliers and customers in order to form an opinion on each company.



The portfolio is managed in sector neutral style vs. the S&P500 according to eight broad sectors as defined by MFS: Capital Goods, Consumer Cyclical, Consumer Staples, Energy, Financial Services, Health Care, Technology and Telecom. Each sector has an allocation within the MFS Research Portfolio which matches its proportionate weight in the S&P 500. The Quantitative Analysts will run screens to exclude companies that are deemed to be illiquid.

The portfolio will typically hold 80-110 stocks.

## Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	3.24	3.50	4.06
FYDT	10.03	10.59	10.20
6 months	10.03	10.59	10.20
1 year (pa)	1.99	3.02	-1.96
2 years (pa)	-9.23	-8.31	-11.80
3 years (pa)	-5.98	-5.04	-9.69
5 years (pa)	0.17	1.20	-2.30

## Other information

Fund size (as at 31 Dec 2009)	\$13 million
Date of inception	5 June 2006
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.30%
Income distribution frequency	Quarterly
APIR code	BTA0100AU

## 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

As the fourth quarter and 2009 came to a close, the global economy was reaping the benefits of two major trends. The first of these was the massive response of governments and central banks to pump money into the financial system to prevent the credit crisis from taking down the banking system. The second was the move by companies around the world to cut costs and operations as they readied for depression-like conditions. By the end of the quarter, it was clear that these moves had not only shortened the length of the downturn, but also set the stage for recovery.

Companies now have the cash on hand necessary to hire and spend. That is an important development at a time when unemployment around the world threatens the stability of the recovery. Average unemployment across the OECD-member countries was almost 9% during the period, while the rate in the United States stood at 10%. Consumer spending, which is needed to drive a stronger recovery, has been moderated by these high levels of joblessness. However, we have seen a correction in this trend in-line with a stabilization in gas prices.

As conditions improved around the world, central banks continued discussions about the best way to withdraw stimulus from the system. While most major central banks opted to keep interest rates on hold during the quarter, the U.S. Federal Reserve Board and the European Central Bank both set out plans to withdraw much of the emergency liquidity supplied during the crisis.

Emerging markets continued to drive global growth not only through exports to developed countries but also through the strength of their own domestic demand. This development represents an important structural change that should remain an important component of the global recovery.

Around the world, stocks benefitted from the improved data and sentiment. The MSCI World Index gained 2.6% in Australian dollar terms for the quarter.

In the fourth quarter, US stocks continued their rallies, as stronger-than-expected corporate profits gave investor sentiment a boost, and data continued to point to a U.S. economy emerging from recession. Companies proved their cost-cutting measures — especially in terms of labor — paid off as productivity and profits continued to rise. Lower wages helped tame inflation, which in turn contributed to higher multiples. Risk aversion abated during the quarter, a development that prompted investors to take their cash off the sidelines and invest in higher-yielding assets.

## Performance Review

While the portfolio generated a positive absolute return, the strategy underperformed its benchmark, the S&P 500 Index, during the fourth quarter of 2009.

## Detractors

- Stock selection in information technology, health care, and consumer discretionary
- Individual stocks: State Street, Owens Illinois, and Fluor

## Contributors

- Stock selection in materials • Individual stocks: Citigroup, Google, and our avoidance of General Electric and Wells Fargo

## Outlook and Positioning

We employ a sector neutral approach relative to the S&P 500 Index and use our bottom-up, fundamental investment approach to identify solid companies that we expect to have above-average earnings growth and whose stocks trade at reasonable valuations. We seek to add value through stock selection and have the flexibility to invest across industries and styles.

Within their sector teams our analysts continue to look for compelling investment opportunities. Within the financial services sector, we expect a continued recovery due to stronger capital markets, signs of stabilization in housing, labor markets and consumer confidence and valuations that are attractive based on normalized earnings. Overall, we are biased to consumer credit (we believe it will recover faster than commercial and industrial, and commercial real estate). We are overweight brokers and asset managers (which are leveraged to the capital markets recovery), overweight trust banks (which we believe are very cheap versus historical valuations) and are underweight property & casualty insurance (where pricing pressures persist and low rates are pressuring investment income) and REITs (which we believe look expensive).

Within technology, coming into 2009, our largest industry overweight was in electronics (semiconductors), the most cyclical of subsectors in technology. Many of these stocks, which had reached extremely attractive valuations in early 2009 based on normalized margins and earnings, rallied strongly into the fourth quarter as economic prospects improved. By year end, we had reduced our exposure as valuations became less attractive and risk/reward prospects appeared more muted. Our focus shifted toward more secular growth opportunities in technology, either in stable growth companies with attractive valuations or premium growth companies valued on their significant longerterm earnings power.

Within consumer cyclicals, we continue to take a barbell approach with a mix of offensive and defensive exposure that varies based upon valuation opportunities. More recently, we have increased our exposure to more defensive names as relative valuations appear more attractive. This was accomplished by reducing our exposure to more discretionary names that have performed well.

Within health care, we maintain a large overweight in medical equipment, and are cautious on a number of large benchmark constituents within pharmaceuticals, biotechnology and HMO's due to lower duration assets and heightened government reimbursement risks. Within pharmaceuticals, most of our exposure is to companies with less patent expiration headwinds but which still retain relatively low valuations.

Going forward, we will look for companies that produce earnings growth from revenue growth as opposed to cost cutting. Historically, high free-cash flow levels should encourage hiring and expansion. We believe that markets are now fairly valued and that companies will need to produce earnings growth to achieve further gains. We expect positive economic data in the months ahead will support continued market gains. We believe U.S. large-cap high-quality stocks with consistent return on equity, strong cash flow yields, and solid creditworthiness should outperform in the months ahead.



## 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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