

BT Wholesale Ethical Share Fund

**Fact Sheet
December 2009**

ARSN: 096 328 219



About the Fund

The BT Wholesale Ethical Share Fund is an actively managed portfolio of Australian shares that seeks to ensure that funds are invested in an ethical or socially responsible manner. Investors are becoming increasingly aware of the link between a company's sustainability focus and its long term success and profitability. As a result, ethical fund investing combines the best of both worlds – the potential to achieve strong performance over the long term while contributing to a sustainable environment.

Fund objective

The Fund aims to provide a return (before fees) that exceeds the S&P/ASX300 Accumulation Index over the medium to long term (5+ years).

Investment approach

The Fund will not invest in companies which:

- directly mine uranium for the purpose of weapons manufacture
- produce alcohol or tobacco
- manufacture or provide gaming facilities
- manufacture weapons and armaments
- have been subject to environmental and/or human rights prosecutions

Investment process

The Fund uses the same investment process as BTIM's flagship Australian equities products with the addition of sustainability screens.

1. The negative screen effectively determines the investment universe of the BT Wholesale Ethical Share Fund
2. The positive screen identifies companies for active consideration, given their focus on the production of sustainable goods and services. The ethical screen is provided by Monash Sustainability Enterprises (MSE), a leading independent research organisation. Examples of positively screened companies include those that derive greater than 20% of their revenue from sustainable technologies, products and services.

Investment team

BTIM's nine-member Australian large-cap equities team is one of the largest in the industry. The portfolio manager for the Fund is Jack Chemello, who has more than 11 years industry experience.

Investment guidelines

Ex-ante (forward looking) tracking error	2.0% - 6.0%
Min/max stock position	+/-4%
Min/max sector position	+/-6%
Number of stocks	50-90

Fees

Management fee	0.95% pa*
----------------	-----------



CERTIFIED BY RIAA

BT Investment Management (RE) Limited ABN 17 126 390 627, AFSL 316 455, has been certified by RIAA according to the strict disclosure practices required under the Responsible Investment Certification Program. The Certification Symbol signifies that an investment product or service takes environmental, social, ethical or governance considerations into account along with financial returns. See www.responsibleinvestment.org for details.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	4.25	4.33	3.69
3 months	3.68	3.93	3.37
FYDT	24.29	24.89	25.74
6 months	24.29	24.89	25.74
1 year (pa)	32.48	33.75	37.59
2 years (pa)	-8.20	-7.33	-8.33
3 years (pa)	-0.23	0.70	-0.78
5 years (pa)	10.45	11.48	8.29

Asset allocation

Energy	11.1%
Materials	25.6%
Industrials	8.6%
Consumer Discretionary	4.2%
Consumer Staples	3.6%
Health Care	5.5%
Telecommunication Services	5.0%
Utilities	0.2%
Financials ex Property Trusts	30.0%
Property Trusts	2.6%
Cash & Other	3.6%

Top 10 holdings

BHP Billiton Limited	13.8%
Westpac Banking Corporation	7.8%
Commonwealth Bank of Australia Limited	5.7%
National Australia Bank Limited	5.5%
Telstra Corporation Limited	5.1%
ANZ Banking Group Limited	4.3%
Rio Tinto Limited	4.1%
QBE Insurance Group Limited	3.7%
Metcash Trading Limited	3.7%
Asciano Limited	2.9%

Other information

Fund size (as at 31 Dec 2009)	\$215 million
Date of inception	May 2001
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.50%
Income distribution frequency	Quarterly
APIR code	RFA0025AU

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

Market overview

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 Consumer Staples sector also outperformed over the quarter (+4.6%) while Energy stocks fell (-2.5%) on concerns over funding. The banks reported generally good results, however these were in line with expectations. The Banks sector (-3.1% for the period) was also overshadowed by RBA rate hikes each month and by concerns over funding costs and regulatory change.

Risk appetite was tested in November when the government of Dubai announced that it intended to ask creditors for a restructuring of its debt though the initial weakness of equity markets in response to the announcement was short-lived.

A busy year for capital raisings continued over the quarter including issues by CSR \$375 million, Graincorp \$589 million, ING Industrial \$700 million, Oil Search \$895 million and Woodside Petroleum seeking \$2.5 billion.

M&A activity also continued at a steady pace over the quarter with National Australia Bank trumping AMP's bid for Axa, Metcash acquiring Mitre 10, Lend Lease and the Future Fund buying ING's shopping centre portfolio, Nufarm entering an arrangement with Sumitomo, and Macarthur Coal buying Gloucester Coal. We see M&A as an ongoing theme, albeit with more Australian companies looking to invest offshore.

In October, the Reserve Bank became the first developed economy's central bank to raise rates since the financial crisis reached its crescendo, with the cash rate target up by 0.25% to 3.25%. Two further 25 basis points rate rises followed in November and December bringing the RBA's cash rate to 3.75%.

Meanwhile the Australian dollar gained 1.9% against the US dollar over the quarter, spot gold was up 10.2% while oil gained 12.4%. Iron ore and most base metals were up strongly over the period including zinc (+ 30.0%).

Fund performance

The portfolio outperformed its benchmark over the December quarter.

The main contributor to returns was our overweight to Rio which benefited from strong commodity prices and a rising Australian dollar over the period. Not holding positions in excluded stocks Macquarie Group and Woolworths also contributed to performance.

Detracting from performance over the December quarter was our underweight in Wesfarmers which benefited from the outperformance in Consumer Staples.

Our underweight positions in takeover target Axa and in Transurban Group also detracted from performance. Transurban Group's share price jumped on news of a conditional proposal from its shareholders Canadian Pension Plan Investment Board and Ontario Teachers. The proposal was rejected by the board but further discussions remain on the table.

Strategy & outlook

The strong liquidity environment that has existed for much of 2009 coupled with continued optimism toward recovering OECD economies has ensured that the market finished the calendar year at its year high.

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/contracting space.

Our key positions remain similar with selected domestic cyclicals where we see good value (and are more confident about nearer-term earnings prospects) including names such as Asciano and Qantas.

The prospects for News Corp look favourable in the near term with its very strong recent movie releases as well as the company having some success in convincing the users of its TV and newspaper content to begin paying for access to this content – an extremely positive development for the company's earnings.

The News Corp position is one characteristic of our portfolio whereby we are not only looking for an underlying cycle to improve earnings but also for very stock-specific circumstances that we have identified as a catalyst for higher earnings.

Continued leverage to Chinese economic growth in the form of commodity exposure (Rio) and energy demand (Oil Search) remain key positions in the portfolio.

We continue to remain cautious on the outlook for the listed property sector given the lack of earnings growth and the relatively unattractive valuations.



For more information

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

BT Investment Management (RE) Limited ABN 17 126 390 627, AFSL 316 455, is the responsible entity and issuer of units in the BT Wholesale Ethical Share Fund. A product disclosure statement (PDS) is available for the Fund and can be obtained by contacting your business development representative on 1800 813 886 or visiting www.btim.com.au. You should obtain and consider the PDS before deciding whether to acquire, continue to hold or dispose of units in the Fund. This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs. An investment in the Fund is not a deposit with or any other liability of the Westpac Banking Corporation (ABN 33 007 457 141) or any other Company in the Westpac Group of companies. Performance data (post-fee) assumes reinvestment of distributions and is calculated using exit prices, net of management costs. Performance data (pre-fee) is calculated by adding back management costs to the (post-fee) performance. Past performance is not a reliable indicator of future performance. BT Investment Management (RE) Limited is a member of the Westpac Group. Neither BT Investment Management (RE) Limited, nor any other company in the Westpac Group, guarantees the repayment of capital or the performance of the product or any particular rate of return.

BT® is a registered trade mark of BT Financial Group Pty Ltd and is used under licence.