

# BT Wholesale European Share Fund

**Fact Sheet  
December 2009**

ARSN: 087 593 468



## About the Fund

The BT Wholesale European Share Fund is an actively managed portfolio of securities, primarily European 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 MSCI Europe Index, unhedged (with net dividends reinvested) in AUD over the medium to long term. The suggested investment timeframe is five years or more.

### Investment philosophy

MFS believes that that active management utilising fundamental research and rigorous risk management will lead to superior investment. MFS utilises a team-managed focus on fundamental analysis and thorough valuation discipline to build a high conviction portfolio.

### Investment process

The European Equity Team researches companies and industries in order to generate their "best ideas." The research analysts develop investment ideas by obtaining and analysing company and industry information from personal contacts with company management, suppliers, users and competitors, industry consultants, and the research community.



A universe of 500 to 600 European securities is monitored on an ongoing basis. The analysts then examine company fundamentals to further reduce the universe of stocks to 20 to 30 stocks that they will each focus on to develop a detailed earnings and valuation model as well as conduct management interviews to assess the relative attractiveness of each investment. At any given time, approximately 100 to 150 European stocks merit a "buy" rating. The portfolio will typically hold 60-90 stocks.

## Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	2.86	3.12	1.31
FYDT	16.18	16.70	14.08
6 months	16.18	16.70	14.08
1 year (pa)	6.79	7.66	5.30
2 years (pa)	-13.07	-12.35	-15.71
3 years (pa)	-8.08	-7.25	-10.12
5 years (pa)	2.84	3.79	1.11

## Asset allocation

Switzerland	18.7%
Netherlands	10.0%
France	19.2%
Germany	12.8%
Finland	1.5%
Belgium	1.0%
Italy	2.3%
Spain	1.0%
United Kingdom	28.6%
Cash & Other	4.9%

## Other information

Fund size (as at 31 Dec 2009)	\$25 million
Date of inception	5 June 2006
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.40%
Income distribution frequency	Quarterly
APIR code	BTA0124AU

## 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

European equities traded modestly higher in the fourth quarter. A number of European equity markets, including the Netherlands, Germany, Sweden, and the United Kingdom, produced strong results while equity markets in Greece and Spain declined after sovereign debt downgrades. Other European countries, including Ireland, Austria, and Portugal, that are plagued by fiscal limitations and/or poor economies, also lagged global equity markets. Concern rose that a full-blown debt crisis would hit the eurozone after the European Commission warned that public finances in half of the eurozone countries were in jeopardy of becoming unsustainable.

Economic data were mixed with industrial production across the eurozone declining significantly in October. In the United Kingdom, manufacturing continued to struggle, and the country's trade deficit widened to its largest margin since the beginning of 2009. On the positive side, a member of Bank of England's rate-setting committee stated that the U.K. economy had emerged from recession in the third quarter and that growth had resumed in the second half of the year. U.K. consumer confidence remained at its highest level in more than a year, and strains on the U.K. labor market eased in November. In other areas of Europe, Italy reported that it had returned to economic growth in the third quarter. German exports increased in October, and the country's unemployment rate fell in November as government policies discouraged layoffs. French consumer spending rose more than expected in October thanks to government incentives to strengthen auto sales. Given the improving data, the Organization for Economic Cooperation and Development predicted the eurozone will grow 0.9% next year.

As conditions improved around the world, central banks continued discussions about the best path to withdraw stimulus from the system. Norway tightened policy and the European Central Bank signaled that it would announce steps to slowly absorb some of the hundreds of billions of euros it has pumped into banks since the peak of the crisis. Both the United Kingdom and Switzerland left their benchmark interest rates unchanged, however.

## Performance Review

The portfolio outperformed the MSCI Europe Index during the fourth quarter of 2009.

## Contributors

- Stock selection in consumer discretionary and industrials
- Stock selection and our underweight position in financials
- Individual stocks: Nestle, Linde, and Symrise

## Detractors

- Stock selection in materials
- Individual stocks: ING Groep, SNS REAAL, UBS, Merck KGaA and not owning BP

## Outlook and Positioning

### Strategy

There has been no change to our investment philosophy or process. We remain focused on high-quality companies with sustainable above-average growth and returns, whose prospects are not reflected in their valuation.

### Market

Although economic data has shown improvement and strengthening investor confidence that the worst of the economic slowdown is behind us, much uncertainty exists. The economic recovery faces a number of challenges including rising unemployment, weaker consumer spending, and stretched government finances. The expectation of a recovery has yet to translate into higher consumer spending, which is needed to support growth. We continue to expect earnings and profit forecasts to face headwinds as deleveraging pressures margins. In this environment, we will focus our efforts on fundamental research to uncover those companies that are best positioned to maintain or take additional market share and that are trading at attractive valuation levels.

### Positioning

We remain focused on the long-term prospects for individual companies, and we base our investment decisions on our investment professionals' bottom-up research, not top-down forecasts. We remain focused on uncovering opportunities in stocks whose market valuations are below their intrinsic worth.

At the end of the fourth-quarter, the portfolio was most overweight the health care and consumer discretionary sectors and was most underweight the industrial and financial sectors.



## 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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