

BT Wholesale Focus Australian Share Fund

Fact Sheet
December 2009

ARSN: 113 232 812



About the Fund

The BT Wholesale Focus Australian Share Fund is a highly concentrated portfolio of 15-30 ASX listed stocks, developed to meet investor demand for a higher alpha, high tracking error fund.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes), that significantly exceeds the S&P/ASX300 Accumulation Index over the medium to long term.

Investment approach

BTIM aims to add value primarily through active stock selection. The Fund is managed using the same core investment style as is applied to BTIM's other Australian equity portfolios and leverages off the team's proven research and stock selection capabilities.

BTIM's investment process for shares is based on our core investment style and is unrestricted by a growth or value bias. Our team is focused on generating independent and unique investment ideas so as to exploit opportunities not yet considered by the market.

Fund positioning

The Fund is designed to complement a conventional, core share portfolio by providing satellite exposure to selected Australian equities with the potential for performance enhancement.

Investment team

BTIM's nine-member Equity Strategies team is one of the largest in the Australian fund's management industry. The portfolio manager for the Fund is Crispin Murray, who has more than 17 years' industry experience. Crispin is also Head of Equity Strategies.

Other information

Fund size (as at 31 Dec 2009)	\$263 million
Date of inception	1 April 2005
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.50% ¹
Income distribution frequency	Semi-annual
APIR code	RFA0059AU

Investment guidelines

Ex-ante tracking error	4.5% - 8.0%
Max absolute stock position	15%
Min/max sector position relative to index	+/- 15%
Min/Max BARRA style factors	+/- 0.5 SD
SIRA style factors	Within 1 SD
Maximum cash level	30%
Shorting	No
Borrowing	No

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	4.67	4.87	3.69
3 months	4.06	4.39	3.37
FYDT	26.65	27.30	25.74
6 months	26.65	27.30	25.74
1 year (pa)	42.86	44.53	37.59
2 years (pa)	-7.80	-7.02	-8.33
3 years (pa)	-0.19	0.63	-0.78
5 years (pa)	N/A	N/A	N/A

Asset allocation

Energy	11.9%
Materials	23.8%
Industrials	11.1%
Consumer Discretionary	9.0%
Consumer Staples	4.4%
Health Care	2.9%
Telecommunication Services	4.8%
Financials ex Property Trusts	29.2%
Cash & Other	3.0%

Top 10 holdings

BHP Billiton Limited	13.4%
Westpac Banking Corporation	10.6%
National Australia Bank Limited	5.7%
QBE Insurance Group Limited	5.6%
Rio Tinto Limited	5.2%
Telstra Corporation Limited	4.8%
Asciano Limited	4.7%
News Corporation Inc CDI CL B	4.0%
Qantas Airways Limited	4.0%
ANZ Banking Group Limited	3.9%

Fees (inclusive of GST)

Issuer fee	0.75% pa*
Performance fee**	15%
Performance hurdle	Benchmark plus issuer fee

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

**A performance fee is payable to the manager if the Fund exceeds the performance hurdle. The Fund's performance hurdle is the benchmark (S&P/ASX 300 Accumulation Index) plus the issuer fee of 0.75% p.a. The fee is currently equal to 15% of the amount (if any) by which the performance of the Fund exceeds the performance hurdle. The performance fee is calculated each business day based on the investment performance and net asset value of the Fund on that day and, where positive, accrued daily in the Fund's unit price. The fee is payable annually as at 30 June. Any under-performance deficit must be recovered in dollar terms before any performance fee can be accrued in the unit price. Any unrecovered performance deficit is carried forward for up to three consecutive years. Performance fees are payable in relation to the performance of the Fund as a whole during each year, and do not necessarily reflect the performance of any individual unitholder's investment.

¹ Unit price spreads represent transaction costs and may vary from time to time without notice.

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.

Our underweight position in Macquarie Group in the underperforming Financials sector also contributed to returns. Our underweight in Westfield contributed to performance as the LPT sector underperformed over the period.

The portfolio's overweight holding in Asciano was another contributor to performance over the quarter. The company is leveraged to the local economy's improving prospects as well as the strength of the coal sector and the opening up of Queensland's coal contracts.

The main detractor over the December quarter was our overweight in Crown as the success of the opening of the company's new Macau casino, City of Dreams, was less than market expectations.

Our underweight in Wesfarmers also detracted, as the company benefited from the outperformance in Consumer Staples.

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

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