

# BT Wholesale International Share Fund

**Fact Sheet  
December 2009**

ARSN: 087 593 299



## About the Fund

The BT Wholesale International Share Fund is an actively managed portfolio of international shares. The shares are managed by Connecticut-based AQR Capital Management, LLC (AQR) with a currency overlay provided by BTIM Investment Management (BTIM).

AQR are fundamental investors who use quantitative strategies to maintain a highly diversified and risk controlled portfolio that reflects AQR's valuation and momentum philosophy.

### Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds MSCI World (ex Australia) Standard Index, unhedged (with net dividends reinvested) in AUD over the medium to long term. The suggested investment timeframe is five years or more.

### Investment style

The investment style is to seek to generate returns by active trading in both stocks and currency.

### Investment process

The Fund's investment process separates the stock and currency investment decisions with the majority of the Fund's risk allocation relating to stock selection.

AQR's disciplined approach uses bottom-up fundamental security selection indicators to generate excess returns through under and overweighting stocks and industries relative to the benchmark.

Separate regional stock selection models are utilised to tailor stock and industry selection considerations to the different global equity markets within the benchmark.

AQR employs a quantitative and model driven investment process with teams conducting ongoing research on security selection indicators, portfolio construction, optimisation, trading techniques and technology.

Currency decisions are actively managed by BTIM's Macro Strategies team which seeks to produce risk adjusted returns by actively investing in a portfolio of currency instruments. The process incorporates the rigour and discipline of a quantitative process with fundamental drivers and qualitative analysis. The strategy invests primarily in the global currency forwards market and may also use other currency derivatives to express the portfolio manager's active views.

### Investment team

Founded in 1998, AQR Capital Management is an investment management firm employing a disciplined multi-asset, global research process. AQR's diverse client base includes some of the largest institutional investors across the US, Europe and Asia. AQR's team spans a variety of backgrounds including fund management and academic finance. The research of AQR's principals is internationally renowned and has resulted in numerous published papers in a variety of professional journals since 1991.

BTIM's Macro Strategies Team aims to generate alpha and develop global products from a range of top down strategies. The team's analysts and portfolio managers each have more than 10 years experience running investment strategies. Joe Bracken is the Head of the Macro Strategies team and Cameron Fouladi is the Portfolio Manager primarily responsible for BTIM's Currency portfolios.

## Performance<sup>1</sup>

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	1.32	1.57	2.09
FYDT	9.22	9.71	9.31
6 months	9.22	9.71	9.31
1 year (pa)	1.62	2.41	-0.30
2 years (pa)	-12.11	-11.44	-13.48
3 years (pa)	-11.91	-11.17	-10.00
5 years (pa)	-1.98	-1.13	-1.02

## Country Allocation

France	4.0%
Germany	4.5%
Italy	2.0%
Spain	2.8%
Sweden	2.4%
Switzerland	5.0%
United Kingdom	10.7%
Hong Kong	1.2%
Japan	10.2%
Canada	5.0%
USA	48.6%
Cash & Other	3.6%

## Other information

Fund size (as at 31 Dec 2009)	\$64 million
Date of inception	August 1996
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.40% <sup>2</sup>
Income distribution frequency	Quarterly
APIR code	BTA0056AU

## Fees

Management fee	0.97% 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.

<sup>1</sup> Please note AQR started managing the fund from June 2006. Historical return prior to June 2006 is not representative of AQR.

<sup>2</sup> The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds and may vary from time to time without notice.

## Market review

In Australian dollar terms, the MSCI World (Ex-Australia) Index (Net) was up 2.1% for the quarter though a strengthening US dollar meant that global equity 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.

Between August and November US non-farm payrolls fell by 260,000, though this was less than a third of the rate of contraction of the previous quarter and November's decline (-11k) was the best showing since December 2007. The unemployment rate reached a 26-year high of 10.2% in October but edged down to 10.0% in November. Other US releases also pointed to a recovery in activity but the Federal Reserve continued to indicate that rates will stay low for an extended period.

The S&P 500 gained 5.5% in the fourth quarter, marking a third consecutive positive quarter. Among the strongest performers were both cyclical sectors such as Consumer Discretionary (+8.6%) and defensive groups like Health Care (+8.5%) and Utilities (+6.1%) while the Financials sector (-3.7%) took a back seat after two quarters of leadership. Q3 earnings came in ahead of analyst expectations with 80% of S&P 500 companies reporting numbers above consensus forecasts.

In other economic news, China reported a real GDP growth rate of 8.9% YoY for the third quarter of 2009. European data was mixed with the Euro zone GDP rising by 0.4% QoQ in the third quarter after five straight declines, while the UK remained in recession with a contraction of 0.2% QoQ.

The US dollar initially depreciated against most of the major currencies. However, signs of an improving US economy caused investors to worry about the ultra-low monetary policy, which helped the US dollar appreciate at quarter end.

Spot oil gained 12.4% during the quarter after a bumpy ride that saw the price rise above US\$80 in October, then briefly dip below US\$70 and rally again towards the end of the quarter. Despite reaching an all-time high of US\$1,216 in early December, spot gold (+10.2%) lost its value towards the end of the quarter due to the appreciating US dollar.

## Performance

The portfolio underperformed the benchmark for the December quarter.

The result was driven by underperformance in our US, Japan, and UK strategies outweighing positive performance in our Continental Europe strategy. The underperformance in the US was due to a weak period in our earnings quality signals outweighing positive performance in our momentum and sustainable growth factors. The negative performance in Japan was mainly due to a weak period in our valuation signals outweighing positive performance in our investor sentiment factors. In the UK, the underperformance was driven by negative performance in our valuation factors outweighing positive performance in our momentum and industry momentum signals. The outperformance in Continental Europe was due to positive performance in our momentum and sustainable growth signals outweighing negative performance in our valuation factors.

Negative performance in stock selection within the Information Technology and Energy sectors outweighed positive performance in stock selection and industry selection within the Financials sector. In terms of sector positioning, we are currently overweight Consumer Discretionary and Industrials while being underweight Utilities.

Within the global asset allocation overlay, the BTIM currency overlay strategy was positive for the December quarter. During the quarter we were long Australian dollar and Japanese yen while we were short euro, Canadian dollar (on average) and UK sterling. The largest contributors to performance were the short euro and the short UK sterling positions. The long Japanese yen and the short Canadian dollar positions detracted.

## Strategy & outlook

Tactically, we now are slightly to moderately underweight Value in the US, UK and Continental Europe. Our Japan strategy is currently at long-term strategic weight.



## 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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