

# BT Wholesale Conservative Outlook Fund

**Fact Sheet**  
**March 2010**

ARSN: 087 593 100



## About the Fund

The BT Wholesale Conservative Outlook Fund provides investors with a diversified portfolio of Australian and international shares, Australian and international property securities, Australian and international fixed interest, cash and alternative investments. The Fund has a significant weighting towards defensive assets.

### Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the Fund's benchmark over the medium. The suggested investment timeframe is three years or more.

### Benchmark

The benchmark for the Fund is created from a blend of indices based on the Fund's exposure to different asset classes. The benchmark is calculated by using the weighted average asset allocation neutral position and the index returns for each asset class. Details of the particular market indices used for the Fund's benchmark can be found on our website at

<http://www.btim.com.au/AllFunds> and clicking on your fund page.

### Investment philosophy

BTIM's investment philosophy is based on active management and operates on two levels:

- All BTIM's underlying managers and products have an active management approach which seeks to deliver consistent risk-adjusted outperformance by exploiting investment opportunities that arise due to the inefficient market pricing of securities
- BTIM places significant importance on determining the optimal long term Strategic Asset Allocation and disciplined rebalancing. Tactical Asset Allocation is used to supplement the value added from SAA.

### Investment process

BTIM's investment process for the BT Wholesale Conservative Outlook Fund applies an active management approach across all asset classes.

The underlying investments in the BT Wholesale Conservative Outlook Fund are managed by BTIM together with a number of external partners. BTIM manages investments in the asset classes of Australian shares, Australian fixed interest and cash, Australian property securities and alternative investments. These investments are augmented by our arrangements with leading global investment managers who have a competitive advantage in the management of global asset classes. These include: AQR Capital Management LLC for international shares and AEW Capital Management LP for global property securities.

### Investment team

The Fund is managed by BTIM's Macro Strategies team headed up by Joe Bracken who has more than 15 years industry experience. The team has a diverse skill set, combining a range of global and domestic market experience and drawing on the resources of BTIM's other specialist teams: Income Strategies and Equity Strategies.

## Performance<sup>1</sup>

| (%)          | Total Returns |           | Benchmark Return |
|--------------|---------------|-----------|------------------|
|              | (post-fee)    | (pre-fee) |                  |
| 3 months     | 1.52          | 1.73      | 1.43             |
| FYDT         | 10.22         | 10.91     | 9.60             |
| 6 months     | 3.25          | 3.68      | 2.92             |
| 1 year (pa)  | 14.76         | 15.69     | 12.98            |
| 2 years (pa) | 2.80          | 3.62      | 4.44             |
| 3 years (pa) | 1.15          | 1.97      | 3.31             |
| 5 years (pa) | 4.70          | 5.55      | 6.06             |

## Asset allocations

|                                     |       |
|-------------------------------------|-------|
| Australian Listed Shares:           | 15.4% |
| Overseas Listed Shares:             | 8.5%  |
| Australian Fixed Interest:          | 35.1% |
| Overseas Fixed Int (inc Mortgages): | 15.0% |
| Property Trusts                     | 2.9%  |
| Global Listed Property              | 2.3%  |
| Alternative Assets                  | 7.0%  |
| Australian Liquidity (< 180 days):  | 13.8% |

## Investment guidelines

| Asset allocation ranges (%)  | Neutral Position | Ranges |     |
|------------------------------|------------------|--------|-----|
|                              |                  | Min    | Max |
| Australian shares            | 15               | 5      | 25  |
| International shares         | 8                | 0      | 18  |
| Australian fixed interest    | 34               | 20     | 55  |
| International fixed interest | 15               | 5      | 35  |
| Australian property          | 3                | 0      | 10  |
| Global property              | 2                | 0      | 10  |
| Alternative investments      | 6                | 0      | 20  |
| Cash                         | 17               | 0      | 40  |

## Other information

|                               |                    |
|-------------------------------|--------------------|
| Fund size (as at 31 Mar 2010) | \$75 million       |
| Date of inception             | February 1990      |
| Minimum investment            | \$50,000           |
| Minimum balance               | \$50,000           |
| Buy-sell spread               | 0.22% <sup>#</sup> |
| Distribution frequency        | Quarterly          |
| APIR code                     | BTA0805AU          |

## Fees

|                |           |
|----------------|-----------|
| Management fee | 0.86% pa* |
|----------------|-----------|

<sup>1</sup> The asset allocation neutral position, asset allocation ranges and the benchmark have changed over time. As it is historical information, the fund performance reflects the asset allocation neutral positions and ranges that have applied over time. The benchmark performance shown is that of the combined benchmarks that the fund has aimed to exceed over time.

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

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

## Market review

January and February were challenging for markets as the economic news was broadly negative. There were concerns about possible monetary policy tightening in China, sovereign debt issues and stimulus withdrawal, unemployment in the US and continuing bad news out of Greece.

This news flow unsettled equity and currency markets while bolstering bonds though equity markets recovered at the end of February and continued the positive momentum into March. The quarter ended with equity markets rising over +4% on average while bond markets remained largely unchanged.

The Australian sharemarket gained just +1.3% over the quarter. The reporting season saw positive surprises outweighing negative ones, though guidance and outlook statements were frequently guarded. Banks were one of the best performing sectors, up nearly 6%, boosted by good results, and updates which underlined that the loan loss cycle is proving milder than previously expected.

Australian economic data in the first quarter underlined the strength of the local economy. Building approvals and retail sales mostly beat expectations while the unemployment rate declined to only 5.3% – far lower than in Europe or the US. The Reserve Bank of Australia surprised many forecasters by leaving the cash rate target unchanged at its February meeting but resumed the tightening cycle in March with a 25 basis point hike to 4.0%. Meanwhile the Australian dollar gained 2.2% against the USD.

## Fund performance

The portfolio outperformed the benchmark over the March quarter with the main contributor to returns being the global equities component. The result was driven by positive performance in the US and Continental Europe strategies while the UK and Japan strategies were flat for the quarter. The BTIM currency overlay strategy also contributed to the outperformance.

The portfolio's Australian fixed interest component outperformed with both Government fixed interest strategies and credit strategies adding to returns. For credit, an overweight to Bank sub debt and insurance drove outperformance. Australian listed property trusts and international fixed interest also contributed.

Australian equities underperformed with the main detractor being the portfolio's overweight position in QBE. The insurer lost ground following its result as its insurance margins came in below what the market was expecting. The company is also being impacted in the short term by the strong Australian dollar and the very low level of global interest rates. Other detractors to performance over the quarter were global property and alternative assets.

## Strategy & outlook

Asset allocation remains similar to the benchmark aside from a small overweight to credit securities and underweight to Australian property. In essence, investment grade credit has performed well and still looks reasonably attractive though the valuation argument is less compelling than last year. Government bond yields are likely to rise further from here, as long as the economic recovery remains intact. Inflation is not yet a concern, but needs to be monitored. Currency market volatility is generally subsiding however the Euro continues to suffer from sovereign debt issues, and Sterling faces the prospect of a hung parliament in the May elections.

The global imbalances will be rectified in time but since shares are now above fair value by some metrics, and with limited prospects in the near term for dividend growth and a need for more equity raising, we prefer owning the paper higher up the capital structure, i.e. corporate bonds.

We are neutral in equities having removed the bias to the US dollar bloc at end 2009. We are currently overweight credit and underweight sovereign bonds.

The main risk to global economic growth and the performance of risk assets is the sovereign debt problem of some European countries and the lack of real consumer spending. Until we see real measures to fix the overhang of government debt and see some sustained pick-up in consumer demand we believe that any recovery will be anaemic at best.



## For more information

Please call 1800 813 886, contact your business development representative or visit [www.btim.com.au](http://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 Wholesale class of units in the BT Conservative Outlook Fund (referred to as the BT Wholesale Conservative Outlook 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](http://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 figures are calculated in accordance with the Investment & Financial Services Association (IFSA) standards. Total returns (post-fee) are calculated: to the last day of each month using exit prices; taking into account management costs of the fund; assuming reinvestment of distributions (which may include net realised capital gains from the sale of assets of the fund). No reduction is made to the unit price (or performance) to allow for tax you may pay as an investor, other than withholding tax on foreign income (if any). Certain other fees such as Contribution fees or Withdrawal fees (if any) are not taken into account. Total returns (pre-fee) are calculated by adding back management costs to the (post-fee) returns. 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.