

BT Core Australian Share PST

Fact Sheet June 2010

ABN: 71 753 267 021
FRN: R1003871



About the Fund

The BT Core Australian Share PST is an actively managed portfolio of Australian leading and smaller companies shares that we believe are trading at a significant discount to their assessed value.

Fund objective

The Fund aims to provide an overall return (before fees, expenses and taxes) that exceeds the S&P/ASX 300 Accumulation Index. The recommended investment timeframe is five years or more.

Investment process

BTIM aims to add value primarily through active stock selection. BTIM's investment process for shares is based on our core investment style and is unrestricted by a growth or value bias.

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.

Investment guidelines

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

Other information

Fund size (as at 30 Jun 2010)	\$4 million
Date of inception	August 1996
Minimum investment	\$50,000
Buy-sell spread	0.50% ¹
APIR code	RFA0017AU

¹ The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Fees

Management fee	0.79% 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.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	-11.51	-11.46	-11.20
FYDT	11.58	11.55	13.05
6 months	-11.23	-11.02	-10.09
1 year (pa)	11.58	11.55	13.05
2 years (pa)	-3.25	-2.39	-5.10
3 years (pa)	-5.28	-4.03	-8.05
5 years (pa)	6.59	N/A	4.49

Total Returns (post-fee) are post tax.

Total Returns (pre-fee) are pre tax.

Asset allocation (as at 30 June 2010)

Energy	9.8%
Materials	23.7%
Industrials	11.0%
Consumer Discretionary	8.0%
Consumer Staples	7.0%
Health Care	2.4%
Information Technology	0.8%
Telecommunication Services	4.4%
Financials ex Property Trusts	26.0%
Property Trusts	2.4%
Cash & Other	4.5%

Top 10 holdings (as at 30 June 2010)

BHP Billiton Limited	11.4%
Westpac Banking Corporation	7.4%
Commonwealth Bank of Australia Ltd	6.4%
ANZ Banking Group Limited	4.4%
Telstra Corporation Limited	4.4%
National Australia Bank Limited	3.9%
Rio Tinto Limited	3.8%
Asciano Limited	3.6%
News Corporation Inc CDI CL B	3.4%
Origin Energy Limited	3.0%

Market review

Concerns about fiscal and banking problems in Europe overshadowed markets during the June quarter and patchy data also raised questions about US growth.

The Australian sharemarket began the second quarter with positive momentum but a weak May and June saw the index lose 11.2% over the period. At a sector level, the market had varied results. Defensive sectors were strong, while cyclical sectors such as Industrials, Banks and Consumer Discretionary sectors underperformed the index. Telecom and Consumer Staples had the best relative performance in the market.

Despite falling commodity prices, anxiety about global growth and the miners' vehement opposition to the Government's proposal for a Resources Super Profits Tax weighing on the sector, Resources roughly matched the market over the period (-11.0%). Meanwhile Banks (-17.1%) were affected by a lacklustre results season and concerns about funding costs.

Many companies updated the market on earnings as the end of the financial year approached with most guiding expectations lower. In major company news Telstra reached a non-binding agreement to participate in the Government's National Broadband Network initiative while Lihir Gold was the subject of a successful bid from Newcrest Mining.

Oil sold off sharply in May and despite a subsequent rally lost 9.7% for the quarter. Gold was the bright spot among major commodities in the second quarter, the spot price gaining 12.1% and setting a new alltime high in US dollars (\$1265). Spot iron ore prices began the quarter strongly but then gave ground to end the quarter lower as China's policies to cool down its property market appeared to take effect and steel prices in the region softened. Base metals were also weak reflecting concerns over the strength of Chinese demand as well as wavering confidence in developed world growth.

The Aussie dollar started the quarter strongly and came close to the November high of US\$0.94, but the sell-off in riskier assets prompted by sovereign debt problems in Europe saw it slide sharply against the US dollar and for the quarter lose 8.3%.

Fund performance

The portfolio slightly underperformed its benchmark for the June quarter. The portfolio's overweight position in Qantas was the main detractor over the period. The airline released its May operating statistics which showed yield pressure in low end domestic fares but continued recovery in business travel both domestic and international. Though the stock's fall was mainly related to increased concerns about global slowdown rather than stock specific factors.

Our position in Westpac also detracted with Banks one of the worst performing sectors over the quarter. Our underweight bank sector position reflects slowing underlying profit growth combined with concerns about bank funding requirements over the next year.

The portfolio's underweight in Westfield was another detractor as the now more defensive Property sector outperformed the broader market for the month. While we see the sector offering more defensive characteristics this cycle we see it as still relatively expensive to other parts of the market.

The major contributor to returns over the quarter was our holding in Metcash as the defensive Consumer Staples sector outperformed the market. Metcash has announced two highly accretive small scale acquisitions that will enable it to grow at double digit rates; this coupled with a strong reported result made the stock a strong contributor over the quarter.

Another major contributor was our holding in Lihir Gold which jumped over 42% over the quarter on the bid from Newcrest. We see this as a good move by both companies. Lihir benefits from getting genuine diversification from its key Lihir Island mine; Newcrest adds a low cost long life mine to its portfolio and benefits from the knowledge Lihir has of operating in PNG, which will prove useful in further expansions planned for that country.

Strategy & outlook

Early June saw somewhat of a reversal of the poor market sentiment that was experienced in May and the market was in positive territory for the first three weeks. However the last week in June was characterised by a resurgence in concerns about the risks of a double dip in the US economy and newer fears about the extent of a slowdown in the Chinese economy. These macro factors were then enough to move the market into negative territory for the month as a whole.

In a strong show of good faith to the global community China announced that it was amending its US dollar peg for the currency, though we expect only very modest appreciation to occur in the short term. The market also remains very wary about the near-term growth outlook in China with some key economic indicators pointing to a slowdown in the second half of the year.

Domestically the headlines continued to be dominated by the RSPT. The political fallout from the tax and other contentious issues was very significant with Rudd being replaced as Prime Minister by Julia Gillard. The market has rightly been very concerned about many aspects of the tax but equally as concerning for the market is the extent to which the Government continues to inject itself into many industries with policy that does not always appear to be soundly based or market aware. The final format of the tax does appear to go a long way to addressing many of the aspects that the mining companies had most vocal disagreement about and so we expect that with this uncertainty removed, capex plans that have been put on hold will be reactivated.

Whilst significant uncertainties remain with respect to the global growth outlook, equity markets have retreated to the extent that a number of value opportunities are beginning to emerge. Indeed on our long-term market valuation models both the US and Australian markets are showing up as being at very attractive long-term valuation levels. In the portfolio we continue to favour stocks that have inherent internal growth opportunities such as Asciano and News Corp. Amcor is a relatively defensive name that will show strong earnings growth over the next two years from the bottom of the cycle packaging acquisition they made from Rio Tinto.



For more information

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

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