

BT Core Australian Share PST

Fact Sheet December 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 31 Dec 2010) | \$5 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* |
|----------------|-----------|

* 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 | 4.66 | 4.58 | 4.65 |
| FYDT | 11.84 | 11.97 | 13.34 |
| 6 months | 11.84 | 11.97 | 13.34 |
| 1 year (pa) | -0.72 | -0.37 | 1.90 |
| 2 years (pa) | 16.87 | 17.53 | 18.41 |
| 3 years (pa) | -3.56 | -2.28 | -5.04 |
| 5 years (pa) | 5.91 | N/A | 4.38 |

Total Returns (post-fee) are post tax.
Total Returns (pre-fee) are pre tax.

Asset allocation (as at 31 December 2010)

| | |
|-------------------------------|-------|
| Energy | 11.2% |
| Materials | 29.9% |
| Industrials | 13.2% |
| Consumer Discretionary | 7.0% |
| Consumer Staples | 6.0% |
| Health Care | 1.5% |
| Information Technology | 0.5% |
| Telecommunication Services | 2.2% |
| Financials ex Property Trusts | 23.4% |
| Property Trusts | 1.9% |
| Cash & Other | 3.3% |

Top 10 holdings (as at 31 December 2010)

| | |
|------------------------------------|-------|
| BHP Billiton Limited | 13.2% |
| Westpac Banking Corporation | 7.5% |
| Rio Tinto Limited | 6.3% |
| Commonwealth Bank of Australia Ltd | 6.1% |
| ANZ Banking Group Limited | 4.3% |
| Asciano Limited | 3.7% |
| National Australia Bank Limited | 3.6% |
| Newcrest Mining Limited | 3.5% |
| News Corporation Inc CDI CL B | 3.3% |
| Wesfarmers Limited | 2.8% |

Market review

The Australian Share market had a strong final quarter for 2010, returning 4.6%. The resources sectors lead the way returning 13%, which was the largest quarterly outperformance of the broader market since the second quarter of 2008. While resources rallied off the back of higher commodity prices, the banks underperformed with the majors coming under fire after raising interest rates by more than the Reserve bank's hike. Some investors were also cautious about regulatory initiatives affecting the sector, which turned out to be less cumbersome than first feared.

The market sentiment was broadly positive during the quarter, driven particularly by the initiation of further stimulus measures in the US in the form of Quantitative Easing, or QE2. Further European sovereign debt concerns, most pressingly around Ireland did create some volatility, as did measures from China to curb inflation.

The quarter also saw an increase in the level of M&A activity, including a revised bid from AMP for AXA, after the ACCC had scuppered National Australia Bank's approach. Also in financial services, private equity company KKR made a bid for Perpetual Ltd, which was rejected and Singapore Stock Approach made a merger approach to the ASX. Also over the quarter, BHP withdrew their bid for Potash Corp. Finally, the quarter saw the largest IPO since Telstra with the privatisation of Queensland Rail National.

In economic news the RBA raised interest rates once to 4.75%, which continued to put pressure on consumer based stocks. US data was generally positive, consolidating the view that the US recovery was gaining traction. However, continuing weak employment numbers and weak core inflation prompted the Fed to initiate their program of large-scale asset purchases

Fund performance

The portfolio's performance was in line with that of the benchmark, returning 4.6% (pre-fee) over the quarter.

The portfolio's largest contributor was our overweight position in Worley Parsons, which rallied by over 20% during the quarter. The stock continues to benefit from helpful conditions, with continuing new projects being initiated in the global mining industry. During the quarter Worley has been successful in securing several new engineering contracts, including a lucrative upstream engineering contract for the multi-billion Gladstone LNG project. The pipeline remains strong for the company through 2011.

Another significant contributor to performance was our overweight position to Woolworths, which was down by 6.5% over the quarter. The company has been under pressure in what has been a tough environment. Supermarkets have been facing the headwind of food deflation, which directly affects their top line.

In terms of detractors from performance, the largest detractor was our overweight position in Qantas, with the stock down 9.1% for the quarter. The A380 issue that has dominated news on the company since early November continued into December with the company filing a claim against engine manufacturer Rolls-Royce for loss of business due to the engine failure. Also of note is the

general underperformance of global airline stocks, with the sector suffering due to flight cancellations caused by adverse weather in the US and Europe.

Also detracting from performance was our overweight position to Asciano. At the beginning of the quarter, the stock was under pressure due to market noise around the QRN float and also the company provided a fairly conservative outlook after adverse weather conditions had affected its volumes. After recovering in November, the stock was under further pressure in November. Clearly volumes will be severely restricted in Queensland for the time being and investors may be tempted to adopt a wait and see approach to ascertain what the full impact on earnings will be on any companies operating in this sector, even though Asciano's operations span far beyond coal haulage in Queensland.

Strategy & outlook

We are now leading up to the February reporting season, which as always will be preceded by the 'confession season' in January when companies provide the market with guidance prior to reporting. We saw a few downgrades come through towards the end of 2010, particularly in consumer based stocks and it is not unlikely that this pattern will continue in January with the domestic based economy still facing headwinds. This may present some selective buying opportunities if the market overreacts to negative short term news flow.

Looking ahead more broadly as we move into the new calendar year, investors' expectations for the local share market are positive after what was an ultimately lacklustre return in 2010.

The market is not overly expensive, China should sustain its strong growth and the US recovery is taking grip, all of which will be positive for the local market. However a positive outcome is by no means assured with several macro risks still very much in evidence. Many of the serious problems that came out of the GFC have not been solved but merely patched up. Perhaps the most serious of these are in Europe, where the overall level of debt remains too high. Thus far attempts to resolve these sovereign issues have sometimes illustrated the political tensions and different agendas that are evident within the Eurozone members. If these issues are dealt with poorly, there is the risk of contagion to the broader financial sector. Furthermore, any setback in the US recovery is sure to unsettle markets. While US corporate balance sheets are now in good shape, with very strong free cash flow generation and low debt, this is in stark contrast to the US government whose fiscal position remains weak. Finally, the threat of higher inflation in China persists, which may lead authorities to curtail credit growth more aggressively. The resulting softening in the property market would see softer demand for commodities.

Reassuringly though, these global risks are more sensibly priced in to markets than say at this point last year.



For more information

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

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