

BT Wholesale Asian Share Fund

**Fact Sheet
December 2010**

ARSN: 087 593 468



About the Fund

The BT Wholesale Asian Share Fund is an actively managed fund that invests in shares selected from the Asian region (excluding Japan and Australia). The Fund can invest in any market in the Asian region that offers attractive opportunities including Korea, Hong Kong, Taiwan, Singapore, China, Malaysia, Thailand, Indonesia, the Philippines, India and Pakistan.

The management of BTIM's regional international share assets is outsourced to MFS International (U.K) Limited (MFS), a member of the Boston-based Massachusetts Financial Services group. A member of the firm's group established the first mutual fund, Massachusetts Investors Trust, in 1924.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the MSCI AC Asia ex Japan (Standard) Index (Net Dividends) in AUD over the medium to long term. The suggested investment timeframe is five years or more.

Investment philosophy

MFS believes that stock selection based on bottom-up fundamental research is the most consistent method of generating alpha and that a long term focus allows us to capitalise on opportunities created by investors with shorter-term investment horizons. MFS seeks to invest in high quality companies with above average growth and reasonable valuations.

Investment process

The MFS, Asia Pacific ex-Japan Equity strategy is to invest in companies with sustainable fundamentals or significant potential for improvement in earnings and returns, whose value is not fully recognised by the market. Overall, portfolio construction focuses on bottom-up best ideas at weights that reflect conviction levels and, with risk controls at multiple levels.



The security selection process begins with a universe of approximately 600 Asian securities, of which around 400 are covered by analysts. The portfolio will typically hold 45-65 stocks.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	2.00	2.26	0.80
FYDT	3.23	3.72	2.36
6 months	3.23	3.72	2.36
1 year (pa)	8.08	9.02	4.95
2 years (pa)	20.13	21.14	18.32
3 years (pa)	-4.11	-3.32	-5.66
5 years (pa)	5.07	5.98	5.56

The investment manager for this fund changed on 6th June 2006. Performance before this date may not be directly comparable.

Asset allocation (as at 31 December 2010)

Hong Kong	19.5%
Singapore	9.2%
Thailand	3.4%
Malaysia	4.4%
Indonesia	3.2%
South Korea	16.6%
India	8.0%
Taiwan	12.6%
China	19.7%
Cash & Other	3.4%

Other information

Fund size (as at 31 Dec 2010)	\$245 million
Date of inception #	August 1996
Minimum Investment	\$50,000
Buy-sell spread	0.60% ¹
Distribution frequency	Quarterly
APIR code	BTA0054AU

MFS started managing the fund in June 2006.

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	1.00% 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.

Market review

The Asia ex-Japan market moved higher during the fourth quarter, although the MSCI All Country Asia ex-Japan Index rose only slightly in Australian dollar terms because of the appreciation of the Australian dollar. While the region's economic and financial conditions continued to be better than in other parts of the world, a policy-induced slowdown in China remained a potential headwind for the country and the region, and many Asian countries are increasingly concerned about inflation, foreign capital inflows, and currency appreciation. Markets in South Korea and Taiwan posted the best performance in the region, while markets in the Philippines, Indonesia and China had the weakest performance during the quarter.

Amid continued signs of strong economic growth, high property prices and inflation, China took a series of monetary tightening steps and announced a shift from a "moderately loose" monetary policy to a "prudent" policy for 2011. China's central bank surprised the market and raised its benchmark interest rate by 0.25% each in October and late December, after keeping its interest rate on hold for nearly three years. The central bank also raised banks' reserve requirement three times during the fourth quarter. China's gross domestic product growth slowed to 9.6% in the third quarter, and its Purchasing Managers Index dropped to 53.9 in December after reaching a seven-month high of 55.2 in November. Home prices in 70 Chinese cities rose for an 18th month in November, even after the government implemented multiple policies to cool down the property market earlier in the year. Surging food prices pushed up China's consumer price index to a 28-month high of 5.1% in November. China's currency, the yuan, strengthened beyond 6.6 per US dollar, bringing its 2010 appreciation against the dollar to 3.6%. The gradual appreciation of the yuan, after China ended the currency's peg to the US dollar in June, is seen as a tool by the government to help curb inflation without dramatically hurting exports.

India's economy continued to power ahead and put pressure on the government to raise interest rates further, although India's central bank decided to hold policy rates steady in December. The country reported an 8.9% growth in third-quarter GDP and nearly a 10% increase in consumer prices for October, while India's factory output in November grew at the fastest pace in six months.

South Korea's economic growth slowed as the appreciation of its currency curbed exports. Third-quarter GDP advanced 0.7% from the previous quarter, compared to the 4.5% growth a year ago. Goods export growth slowed to 1.9% from 7% in the previous three months. South Korea's central bank hiked interest rates by 0.25 percentage points after consumer price inflation accelerated to a 20-month high of 4.1% in October, exceeding the central bank's inflation ceiling of 4%. Meanwhile, geopolitical tensions in the region escalated once again, as South Korea held a live-fire military exercise after North Korea launched an artillery attack on a South Korean island.

Governments in Asia are taking steps to stem foreign capital inflows and slow their currency appreciation. Taiwan's central bank increased the reserve requirement on some local currency

deposits by foreigners to as much as 90% and said it will step up curbs on the use of exchange rate derivatives to combat currency speculation by foreigners. Thailand reinstated a 15% tax on foreign investors of local bonds. Indonesia plans to reintroduce limits on local currency accounts held by foreigners. India also warned that it might restrict foreign capital inflows.

Performance review

The portfolio outperformed the MSCI All Country Asia ex Japan index in the fourth quarter of 2010.

Contributors

- Stock selection in information technology, industrials and energy
- Individual stocks: Formosa Plastics, Hong Kong Exchanges & Clearing, SmarTone Telecommunications and Shinhan Financial

Detractors

- Stock selection in consumer discretionary
- Individual stocks: Yes Bank, HDFC Bank, Maanshan Iron & Steel, China Unicom, Hengan International and Steel Authority of India

Outlook and positioning

Asian companies still have relatively strong balance sheets with comparatively low levels of debt. Structurally healthier economies in Asia are experiencing increased consumer spending and improved capital spending. There have been signs of economic improvement with most countries in the region showing resilient and rapid growth. We believe Asia's economies and markets will continue to benefit from a number of positive factors, including favorable demographic trends, growing international and intra-Asia trade, increasing domestic consumption, an expanding middle class, improving infrastructure, and continued liberalization and structural reforms.

Despite the strong economic data, there remain concerns over monetary tightening, asset bubbles, foreign capital inflows, currency appreciation, and the threat of inflation. As the global economic recovery remains fragile, a potential slowdown of Asia's own economies (particularly China's), albeit from very robust levels, may increase uncertainty in the Asia equity market in the near term.

We continue to focus on bottom-up stock selection as the primary source of alpha, looking for reasonably valued companies that have strong visibility in their earnings, shareholder-friendly managements, and sustainable competitive advantages that can help them outperform through economic cycles. Meanwhile, we are aware of the macroeconomic situation in Asian markets as part of our investment process. While we expect near-term volatility in equity markets and corporate earnings, we believe that the current market environment enables us to invest in high-quality companies (those with significant free cash flow, solid balance sheets and strong management teams) at relatively attractive valuations. That investment will potentially provide us with a strong upside over the next three to five years.



For more information

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

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