

# BT Wholesale European Share Fund

**Fact Sheet**  
**December 2010**

ARSN: 087 594 429



## About the Fund

The BT Wholesale European Share Fund is an actively managed portfolio of securities, primarily European shares.

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 Europe (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 that active management utilising fundamental research and rigorous risk management will lead to superior investment. MFS utilises a team-managed focus on fundamental analysis and thorough valuation discipline to build a high conviction portfolio.

### Investment process

The European Equity Team researches companies and industries in order to generate their "best ideas." The research analysts develop investment ideas by obtaining and analysing company and industry information from personal contacts with company management, suppliers, users and competitors, industry consultants, and the research community.



A universe of 500 to 600 European securities is monitored on an ongoing basis. The analysts then examine company fundamentals to further reduce the universe of stocks to 20 to 30 stocks that they will each focus on to develop a detailed earnings and valuation model as well as conduct management interviews to assess the relative attractiveness of each investment. At any given time, approximately 100 to 150 European stocks merit a "buy" rating. The portfolio will typically hold 60-90 stocks.

## Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	-0.80	-0.54	-1.29
FYDT	1.31	1.80	2.78
6 months	1.31	1.80	2.78
1 year (pa)	-7.36	-6.54	-8.86
2 years (pa)	-0.53	0.31	-2.04
3 years (pa)	-11.21	-10.45	-13.49
5 years (pa)	-2.30	-1.43	-3.81

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)

Netherlands	9.4%
Switzerland	17.6%
France	16.4%
Germany	14.2%
Austria	1.0%
Finland	0.9%
Spain	3.3%
Italy	2.1%
Sweden	1.3%
United kingdom	29.6%
Cash & Other	4.2%

## Other information

Fund size (as at 31 Dec 2010)	\$17 million
Date of inception #	July 1999
Minimum investment	\$50,000
Buy-sell spread	0.40% <sup>1</sup>
Distribution frequency	Quarterly
APIR code	BTA0124AU

# MFS started managing the fund in June 2006.

<sup>1</sup> 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

European equities lagged global markets during the fourth-quarter, posting negative returns. European sovereign debt problems remained at the forefront of concerns in peripheral Europe with worries over the ability of peripheral countries to rein in their budget deficits. In October, Portugal's government and opposition party failed to reach agreement over the 2011 budget deficit, and in November, Ireland became the second eurozone nation to get a bailout led by European governments. In addition, Greece saw its sovereign debt downgraded by rating agencies during the quarter, with some expectations in the market that other higher-leveraged European economies might see the same fate.

Eurozone economic data provided a mixed picture over the quarter. The unemployment rate for the region in October was 10.1%, a modest increase of 0.1% since September. Meanwhile, British and eurozone manufacturing growth soared in December, with noticeable improvements even in the eurozone periphery. In November, European consumer confidence, as measured by the European Commission, rose to its highest level in almost two years, indicating a boost in consumer morale. The greater confidence in the region, however, has yet to translate into higher sales growth. German business confidence hit a 20-year high in November, with the German Ifo business confidence index at 109.3 up from 107.7 the previous month.

In terms of currencies, the dollar continued to fall during the quarter as the market began to price in quantitative easing, while the euro and pound sterling rose. It remains unclear as to what steps, if any, the European Central Bank and the Bank of England will take in terms of quantitative easing and inflationary concerns; however, interest rates remain unchanged in the short term.

## Performance review

The portfolio outperformed the MSCI Europe Index during the fourth quarter of 2010.

## Contributors

- Stock selection in financials, industrials and information technology
- Individual stocks: Linde

## Detractors

- Stock selection in materials
- Individual stocks: BNP Paribas, KBC Groep, Cobham and Sanofi-Aventis

## Outlook and positioning

### Strategy

There has been no change to our investment philosophy or process. We remain focused on high-quality companies with sustainable above-average growth and returns, whose prospects are not reflected in their valuation.

### Market

The expectation of a recovery has yet to translate into higher consumer spending, which is needed to support growth. We continue to expect earnings and profit forecasts to face headwinds as deleveraging pressures margins. In this environment, we will focus our efforts on fundamental research to uncover those companies that are best positioned to maintain or take additional market share and that are trading at attractive valuation levels.

### Positioning

We remain focused on the long-term prospects for individual companies, and we base our investment decisions on our investment professionals' bottom-up research, not top-down forecasts. We remain focused on uncovering opportunities in stocks whose market valuations are below their intrinsic worth.

At the end of December, the portfolio was most overweight the health care and information technology sectors and was most underweight the utilities and industrials sectors.



## 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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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.

If market movements, cash flows or changes in the nature of an investment (eg a change in credit rating) cause the Fund to exceed any of the investment ranges or limits in this document, this will be rectified by BTIM (RE) as soon as reasonably practicable after becoming aware of it. If BTIM (RE) does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified in this document are accurate as at the date of its issue, and BTIM (RE) reserves the right to vary these from time to time.

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