

# BT Wholesale Focus Australian Share Fund

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

ARSN: 113 232 812



## About the Fund

The BT Wholesale Focus Australian Share Fund is a highly concentrated portfolio of 15-30 ASX listed stocks, developed to meet investor demand for a higher alpha, higher tracking error fund.

### Fund objective

The Fund aims to provide a return (before fees, costs and taxes), that significantly exceeds the S&P/ASX300 Accumulation Index over the medium to long term. The suggested investment timeframe is five years or more.

### Investment approach

BTIM aims to add value primarily through active stock selection. The Fund is managed using the same core investment style as is applied to BTIM's other Australian equity portfolios and utilises the team's proven research and stock selection capabilities.

BTIM's investment process for shares is based on our core investment style and is unrestricted by a growth or value bias.

### Fund positioning

The Fund is designed to complement a conventional, core share portfolio by providing satellite exposure to selected Australian equities with the potential for performance enhancement.

### Investment team

BTIM's ten-member Equity Strategies team is one of the largest in the Australian fund management industry. The portfolio manager for the Fund is Crispin Murray, who has more than 17 year's industry experience. Crispin is also Head of Equity Strategies.

### Other information

Fund size (as at 31 Dec 2010)	\$264 million
Date of inception	April 2005
Minimum investment	\$50,000
Buy-sell spread	0.50% <sup>1</sup>
Distribution frequency	Semi-annual
APIR code	RFA0059AU

### Investment guidelines

Ex-ante tracking error	4.5% - 8.0%
Max absolute stock position	15%
Min/max sector position relative to index	+/- 15%
Min/Max BARRA style factors	+/- 0.5 SD
SIRA style factors	Within 1 SD
Maximum cash level	30%
Shorting	No
Borrowing	No

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

\*\*This is the fee for managing the assets of the Fund and overseeing the operations of the Fund. The issuer fee is paid from the assets of the Fund and is reflected in the unit price of your investment.

\*\*\*A performance fee is payable to the manager if the Fund exceeds the performance hurdle. The Fund's performance hurdle is the benchmark (S&P/ASX 300 Accumulation Index) plus the issuer fee of 0.75% p.a. The fee is currently equal to 15% of the amount (if any) by which the performance of the Fund exceeds the performance hurdle. The performance fee is calculated each business day based on the investment performance and net asset value of the Fund on that day and, where positive, accrued daily in the Fund's unit price. The fee is payable annually as at 30 June. Any under-performance deficit must be recovered in dollar terms before any performance fee can be accrued in the unit price. Any unrecovered performance deficit is carried forward for up to three consecutive years. Performance fees are payable in relation to the performance of the Fund as a whole during each year, and do not necessarily reflect the performance of any individual unitholder's investment.

<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.

## Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	3.58	3.65	3.77
3 months	4.76	4.96	4.65
FYDT	11.11	11.54	13.34
6 months	11.11	11.54	13.34
1 year (pa)	0.17	0.98	1.90
2 years (pa)	19.63	20.81	18.41
3 years (pa)	-5.22	-4.42	-5.04
5 years (pa)	5.80	6.81	4.38

### Asset allocation (as at 31 December 2010)

Energy	13.6%
Materials	30.3%
Industrials	14.8%
Consumer Discretionary	7.1%
Consumer Staples	5.4%
Health Care	2.8%
Telecommunication Services	2.2%
Financials ex Property Trusts	22.5%
Cash & Other	1.4%

### Top 10 holdings (as at 31 December 2010)

BHP Billiton Limited	14.1%
Westpac Banking Corporation	8.6%
Rio Tinto Limited	6.3%
Commonwealth Bank of Australia Ltd	6.1%
Asciano Limited	5.5%
ANZ Banking Group Limited	4.1%
News Corporation Inc CDI CL B	4.1%
Qantas Airways Limited	3.9%
Newcrest Mining Limited	3.9%
Origin Energy Limited	3.6%

### Fees\*

Issuer fee**	0.75% pa
Performance fee***	15% of the performance (before fees) above the performance hurdle.
Performance hurdle	Benchmark plus Issuer fee

## Market review

The Australian Share market had a strong final quarter for 2010, returning 4.65%. 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 performed above the benchmark over the quarter, returning 5.0% (pre-fee). The portfolio's overweight position in Gloucester coal was the largest contributor to the portfolio's performance in the December quarter with the stock rallying by 33% over the period. The share price rallied consistently across the period. In October the company reported a 22% increase in sales from the prior corresponding period for the September quarter. As the quarter drew to a close the Queensland flooding worsened, which has resulted in higher coal prices. It is estimated that mines producing around 40% of the world's coking coal supply have been affected by the floods in Queensland. This supply constraint has resulted in significant upward pressure on coking coal prices, which is primarily used in steel production. Gloucester Coal is a producer of both thermal and coking coal, with its operations in New South Wales unaffected by the recent flooding.

Another strong performer was PanAust, which rallied by 37% over the quarter. Over the period the company increased its copper production guidance from its Phu Kham Copper-Gold operation in Laos and the company also expected the cash costs to decline. This improved guidance saw the stock rally immediately and the strength has been sustained by continuing strength in the copper price.

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](http://www.btim.com.au)

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