

# BT Wholesale Property Securities Fund

## Fact Sheet December 2010

ARSN: 087 593 584



Property Investments

### About the Fund

The BT Wholesale Property Securities Fund invests primarily in Australian listed property-related investments including listed property trusts, developers and infrastructure investments, both directly and indirectly. In addition, up to 15% of the Fund can be invested in international listed property-related investments and around 5% of the Fund will generally be invested in unlisted property investments.

### Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 300 Property Accumulation Index over the medium to long term. The suggested investment timeframe is five years or more.

### Investment style

BTIM's property securities investment style is active, bottom-up and valuation-driven with stock selection driven by absolute valuations.

### Investment philosophy

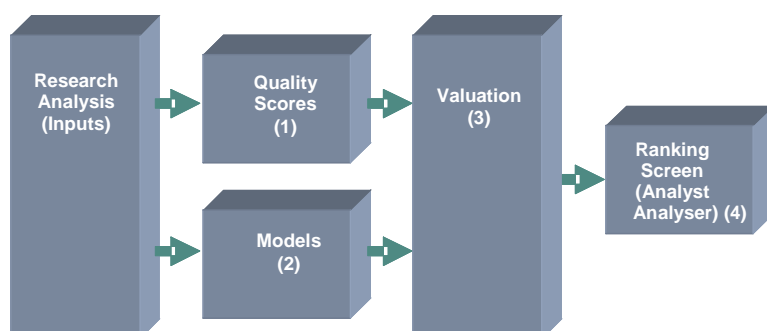
BTIM's investment philosophy is based on the beliefs that:

- market inefficiencies provide opportunities for well researched and disciplined investors to identify and purchase securities that are mispriced compared to what we consider to be their fundamental value;
- quality companies will outperform over time. BTIM's Listed Property Team place a high emphasis on quality scores to identify the best business franchises; and
- active investment management will outperform passive alternatives over a full market cycle

### Investment process

The Property Securities investment process starts with comprehensive research utilising a range of proprietary valuation methodology and continues to four steps:

1. Scoring of quality factors
2. Financial modelling
3. Valuation
4. Stock Ranking



### Investment team

BTIM's Head of Property Securities, Peter Davidson has over 20 years industry experience and is supported by a team of two portfolio managers/analysts and a specialist LPT dealer. The team also draws on the resources of BTIM's other specialist teams: Macro Strategies, Income Strategies and Equity Strategies.

### Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	1.18	1.24	1.20
3 months	-0.81	-0.65	-1.17
FYDT	2.89	3.23	2.55
6 months	2.89	3.23	2.55
1 year (pa)	-0.61	0.03	-0.68
2 years (pa)	5.72	6.40	4.31
3 years (pa)	-18.01	-17.49	-21.36
5 years (pa)	-6.63	-6.04	-9.79

### Other information

Fund size (as at 31 Dec 2010)	\$87 million
Date of inception	November 1997
Minimum investment	\$50,000
Buy-sell spread	0.50% <sup>#</sup>
Distribution frequency	Quarterly
Currency management	Foreign currency exposure is hedged
Cash holdings	Up to 20%
Tracking error guideline	2-5%
APIR code	BTA0061AU

<sup>#</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	0.65% 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 Listed Property Trust sector provided a total return of -1.2% in the December 2010 quarter. The broader share market was up by 4.7% over the same period. Over the past year the LPT sector is down by 0.7% against a broader market which is up by a mere 1.9%.

The December quarter saw a sharp increase in confidence and risk appetite. In the US, the Federal Reserve Board announced a second round of Quantitative Easing which should help to support growth in the economy. At the same time the Obama Administration extended a programme for personal and payroll tax cuts that was due to expire.

Locally we saw the RBA lift cash rates to 4.75%, the 7th increase in the current tightening cycle. The main feature of the domestic economy has been stellar job creation in nearly every sector of the economy over the past quarter.

In the LPT sector, we saw a return to capital raisings, with a whopping \$3 billion raised in one short 3 month period. Stockland sold its strategic stake in GPT raising just under \$700million. Westfield spun off a half share in its 54 Australian and New Zealand malls. This transaction allows Westfield Group to pursue a lower capital intensive model, which should be similar to Westfield Holdings of old. The new vehicle, Westfield Retail Trust, raised \$2 billion from investors. Finally, Commonwealth Property Office Fund raised \$377m to buy three Melbourne office assets.

A Goldman led consortium announced a conditional cash offer at \$1.3 billion to buy ING Industrial Trust.

Over the quarter, returns from the various LPT sub-sectors were mixed. The industrial sector performed well (+4.5%). Office returns were disappointing (-0.2%, on soft office demand). Retail stocks (-1.1%) were weak due to capital raising pressure from the Westfield Retail issue.

Looking forward, earnings growth for the LPT market overall may be only 2 % for the near term FY11-FY12, but thereafter earnings momentum should improve.

## Fund performance

The fund performed above benchmark over the December 2010 quarter, with an overweight position in Centro Retail and GPT adding to performance. A zero weight in Commonwealth Office also added to performance. On the negative side of the ledger, our overweight position in Valad detracted, as did our underweight position in Charter Hall Office Trust.

## Strategy and outlook

We are holding overweight positions in industrial and retail, funded by underweights in office and diversified trusts.

At present the LPT sector offers a 6.2% FY11 yield with 2.0% medium term earnings growth.



### 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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