

## BT Core Australian Share PST

### Fact Sheet March 2011

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 Mar 2011)	\$5 million
Date of inception	August 1996
Minimum investment	\$50,000
Buy-sell spread	0.50% <sup>1</sup>
APIR code	RFA0017AU

<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	0.79% 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.

#### Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	3.43	3.58	3.12
FYDT	15.67	15.97	16.88
6 months	8.25	8.32	7.92
1 year (pa)	2.35	2.68	3.79
2 years (pa)	18.90	19.60	21.37
3 years (pa)	2.43	3.78	1.13
5 years (pa)	4.54	N/A	3.21

Total Returns (post-fee) are post tax.

Total Returns (pre-fee) are pre tax.

#### Asset allocation (as at 31 March 2011)

Energy	13.1%
Materials	30.5%
Industrials	13.4%
Consumer Discretionary	6.3%
Consumer Staples	5.2%
Health Care	1.5%
Information Technology	1.0%
Telecommunication Services	2.1%
Utilities	0.3%
Financials ex Property Trusts	23.8%
Property Trusts	0.9%
Cash & Other	1.9%

#### Top 10 holdings (as at 31 March 2011)

BHP Billiton Limited	12.6%
Westpac Banking Corporation	7.5%
Rio Tinto Limited	6.1%
Commonwealth Bank of Australia Ltd	5.8%
National Australia Bank Limited	4.5%
ANZ Banking Group Limited	3.7%
Asciano Limited	3.4%
Origin Energy Limited	3.4%
Newcrest Mining Limited	3.1%
Wesfarmers Limited	2.6%

## Market Review

The Australian Share Market gained 3.2% over the March quarter in what was a very eventful period. Natural disasters and geo-political issues in the Middle East dominated the news. The Queensland floods, the earthquake in Christchurch and the terrible events in Japan all had significant consequences for local and global markets. The ongoing tensions throughout the Middle East region caused the oil price to spike and rattled investor confidence. In Australia we also had the February half-yearly reporting season, which produced mixed results. Broadly, the results reinforced the notion that the economy was running at two speeds with the resource sector demonstrating increased profitability and the domestic economy still very lacklustre. Outlook comments from management reflected this with consumer exposed companies in particular citing continuing softness. Despite this, resource stocks actually underperformed the broader market, returning 2.32%.

Relative to global markets, the Australian Share market lagged the US market, which returned 5.4%. While European markets were mixed, the Euro Stoxx 50 returned 4.2% in local terms and in Japan the Nikkei was down 4.6%.

In economic news, the RBA left the cash rate unchanged at 4.75% and continued to stress capacity pressures of higher commodity prices and growth in the Mining sector. Despite this, market expectations of further rate rises diminished as the market considered the effect of the floods in particular.

## Fund Performance

The portfolio outperformed the benchmark over the quarter.

The largest contributor to performance was our overweight position to NewsCorp which rallied strongly over the quarter. The stock has enjoyed something of a re-rating as investors demonstrate more belief in the US recovery story as well as some positive catalysts for the company coming through. The company delivered second quarter profits for 2011 of US\$1.29 billion, which beat consensus expectations. There was strong performance from the cable division, which grew 22% in the quarter with management predicting consistent double digit growth over the next few years for that division.

Our overweight position in Asciano also rallied over the quarter. During the period, it was announced that CEO Mark Rowsthorn, who was on a short term contract expiring in July, will be replaced by John Mullen. The change coincides with the company's strategic review, which the market has speculated will focus in part on the ownership of the ports business, a part of the group that we believe is currently undervalued by the market. With regard to the company's results, Asciano increased 1H NPAT by 43% to 115m and cash flow grew by the same amount. The company also announced an additional Queensland haulage contract win from Anglo-American, which will add another \$200 million in revenue over the life of the contract. We remain very positive on the stock given its strong growth profile in coal haulage and the ability to improve returns in the port business and are maintaining our position in the company.

Detracting from performance was the portfolio's overweight position in Qantas. The share price suffered as a result of various setbacks occurring over the period, not least the higher oil price and a loss of revenue due to recent natural disasters. The company's response to these issues has been prompt, announcing various cost cutting measures including curtailing planned capacity growth and reductions in management numbers. Towards the end of the quarter, the company also announced increased surcharges in both domestic and international routes, which will add meaningfully to revenue. Despite a spate of recent challenges, the company's underlying operations remain strong and the valuation is supportive. In terms of results, the company increased profit before tax by 56% despite the one off effect from the A380 fleet being grounded. Jetstar also surprised on the upside despite well reported weather related one-off impacts.

Also detracting from performance was our small overweight position in Uranium producer Paladin, which was down by 27% over the quarter. Unsurprisingly, all companies exposed to the nuclear energy industry suffered as a result of the Japanese disaster as the Uranium price fell sharply. While it is still unclear what the longer term ramifications of this episode will be, there have been definite short term effects with eleven out of Japan's fifty four reactors being shut down and Germany and China both announcing suspensions or reductions of their nuclear programs.

## Outlook and positioning

Overall, we are encouraged by the amount of opportunities that we are finding within the Australian share market and valuations remain broadly supportive. However, short term headwinds exist beyond the well documented global issues that have dominated the news in the last quarter. For example, while no longer grabbing the headlines, the impact of the Queensland floods (and indeed persistent poor weather) may well continue to impact short term earnings for those companies affected. Looking through the short term though, the portfolio is well positioned to benefit from very strong domestic investment that is starting to come through which we believe will drive the economy through the next few years. This of course will be focussed largely on the resources sector infrastructure. Investors will also be trying to establish in what ways this investment theme will affect the rest of the domestic economy, the softness of which has been the subject of many column inches of late. Our own view is that we see strong potential returns across the breadth of the market. For example, despite the 'perfect storm' facing retailers at the moments, there are selective opportunities where valuations are compelling.



## 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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