

BT Sustainable Balanced Fund

Formerly known as
"BT Institutional Ethical Balanced Fund"

Fact Sheet
March 2011



About the Fund

The Fund is an actively managed diversified portfolio that invests in Australian and international shares, Australian and international property securities, Australian fixed interest and cash investments.

Fund objective

The Fund aims to provide a return (before fees and expenses) that exceeds the Fund's benchmark over the medium to long term. The suggested investment timeframe is five years or more.

Investment approach

The underlying investments in the Fund are managed by BTIM together with external partners. The investment process for Australian shares is managed by BTIM's Australian Equities team and has the addition of sustainability screens. International shares are invested in a Socially Responsible Investment fund managed by AMP.

The Australian fixed interest component of the Fund is an actively managed combination of corporate, semi-government and government debt and short-term money market securities.

Benchmark

The benchmark for the Fund is created from a blend of indices based on the Fund's exposure to different asset classes. The benchmark is calculated by using the weighted average asset allocation neutral position and the index returns for each asset class. Details of the particular market indices used for the Fund's benchmark can be found on our website at

<http://www.btim.com.au/AllFunds> and clicking on your fund page.

Investment team

The Fund is managed by BTIM's Macro Strategies team headed by Joe Bracken who has more than 15 years industry experience. The team has a diverse skill set, combining a range of global and domestic market experience and drawing on the resources of BTIM's other specialist teams: Income Strategies and Equity Strategies.



CERTIFIED BY RIAA

BT Investment Management Limited ABN 17 126 390 627, AFSL 316455, has been certified by RIAA according to the strict disclosure practices required under the Responsible Investment Certification Program. The Certification Symbol signifies that an investment product or service takes environmental, social, ethical or governance considerations into account along with financial returns. See www.responsibleinvestment.org for details.

Performance¹

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	2.81	3.04	3.07
FYDT	8.50	9.24	10.03
6 months	5.28	5.75	5.81
1 year (pa)	3.53	4.46	5.05
2 years (pa)	11.42	12.43	13.71
3 years (pa)	1.40	2.32	2.30
5 years (pa)	2.21	3.14	2.54

Asset allocations (as at 31 March 2011)

Australian Listed Shares:	37.0%
Overseas Listed Shares:	21.6%
Australian Fixed Interest:	24.3%
Property Trusts	5.8%
Global Listed Property	2.9%
Australian Liquidity (< 180 days):	8.5%

Investment guidelines

Asset allocation ranges (%)	Neutral position	Ranges	
		Min	Max
Australian shares	38	28	48
International shares	22	12	32
Australian property	5	0	10
International property	3	0	10
Australian fixed interest	25	12	40
International fixed interest	0	0	10
Cash	7	0	15

Other information

Fund size (as at 31 Mar 2011)	\$134 million
Date of inception	August 1984
Minimum investment	\$500,000
Buy-sell spread	0.34% [#]
Distribution frequency	Quarterly
APIR code	BTA0122AU

[#] 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	0.90% pa*
----------------	-----------

* You should refer to the latest Information Memorandum for full details of fees and other costs you may be charged.

¹ The asset allocation neutral position, asset allocation ranges and the benchmark have changed over time. As it is historical information, the fund performance reflects the asset allocation neutral positions and ranges that have applied over time. The benchmark performance shown is that of the combined benchmarks that the fund has aimed to exceed over time.

Market Review

The Australian share market gained 3.1% over the March quarter in what was a very eventful period. Natural disasters and geopolitical 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%.

The MSCI World Accumulation Index in local currency terms rallied by 4.6% in the first quarter of 2011. Despite unsettling events continuing in the Middle East and the catastrophe in Japan, most global equity markets were strong. The US S&P 500 rallied by 5.4%, which signalled the seventh positive quarter in a row. In fact, volatility as measured by the VIX dropped to a level not seen since July 2007. Volatility did increase and returns came off with escalating problems in the Middle East and the shock of Japan. The market recovered strongly towards the end of the quarter with Energy being far the strongest sector (+16.3%) as the oil price strengthened. The Industrials sector was in fact the only other sector to beat the index. European markets also finished stronger with the Euro Stoxx 50 index returning 4.2% in local terms despite ongoing issues with sovereign debt. In Japan, the Nikkei was down 4.6% as investors digested the ramifications of the natural disasters and subsequent events.

Australian 10-year bonds were almost exactly flat over the quarter. At the shorter end, a reduction in interest rate hike expectations saw the bank bill rate fall over the period as the market considered the effect of the floods in particular. The rising oil price did push up yields temporarily in the middle of the period but events in Japan soon tempered growth expectations.

In economic news, the Reserve Bank of Australia (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 had a very strong quarter, with all asset classes in the portfolio posting a positive return over the period.

The strongest returns were from Global Property, followed by Australian Listed Property and Australian Equities.

On relative basis, the portfolio marginally underperformed the benchmark. The international equities sector was the key detractor to excess performance. All the other sectors within the portfolio outperformed their benchmarks. The strongest excess performance came from Australian Equities.

Outlook

Overall, the amount of available opportunities within the Australian share market is encouraging 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 stock market is well positioned to benefit from very strong domestic investment that is starting to come through which is likely to 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. There is potential for strong returns across the breadth of the market. Despite the 'perfect storm' facing retailers at the moments, there are no doubt selective opportunities where valuations are compelling, for example.

On the global front, familiar issues continue to dominate markets, albeit recently put to one side somewhat by geopolitical issues and the terrible events in Japan. In the US, the markets have proved resilient with investors confident that the recovery will be robust and hence the earnings recovery in corporate America a strong one. There are, however still doubts. The recovery in housing is not just around the corner and there are a few worries creeping in about how and when the second round of quantitative easing will be reduced. In Europe, the situation is reminiscent of the late 1990s where central bankers are hawkish, yet most of the region's economies are still sluggish. As is often the case however, equity markets may not be in kilter with the short term economic trends and the 'growth' trade seems to be firmly on the table, partly spurred on by continuing M&A activity – both real and rumoured.



For more information

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

BT Investment Management (RE) Limited ABN 17 126 390 627, AFSL 316 455, is the responsible entity and issuer of units in the BT Sustainable Balanced Fund. An Information Memorandum (IM) is available for the Fund and can be obtained by contacting your business development representative on 1800 813 886 or visiting www.btim.com.au. You should obtain and consider the IM before deciding whether to acquire, continue to hold or dispose of units in the Fund. This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs. An investment in the Fund is not a deposit with or any other liability of the Westpac Banking Corporation (ABN 33 007 457 141) or any other Company in the Westpac Group of companies.

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.

BT Investment Management (RE) Limited is a member of the Westpac Group. Neither BT Investment Management (RE) Limited, nor any other company in the Westpac Group, guarantees the repayment of capital or the performance of the product or any particular rate of return.

BT® is a registered trade mark of BT Financial Group Pty Ltd and is used under licence.

Regnan stock stories

Wesfarmers Ltd (WES)

WES is a diversified group with its businesses spanning several industries, including retail (Coles supermarkets, Target, Bunnings etc.), coal mining, industrial and safety products and services, LPG processing and distribution, chemicals and fertilisers, and general insurance.

The diversified nature of WES' business means it is exposed to risks associated with a wide range of environmental issues, including risks related to climate change, greenhouse gas emissions (GHGE), energy use, and water security. WES demonstrates a strong commitment to managing its environmental risks and has programs and strategies across each of its business divisions. For example, each business has undertaken carbon reduction activities and discloses performance towards achieving objectives. The major focus of efforts is the Coles business, where there has been significant investment to improve the efficiency of refrigeration systems and to reduce refrigerant gas losses - FY 2010 GHGE were down approximately 18% from FY 2009. There has also been action to reduce GHGE and energy use in the Bunnings business, which has set a target of becoming carbon neutral by 2015.

WES' social performance is mixed. On the one hand, there is evidence of superior human capital management and strategic actions to mitigate skills shortage risks in exposed business divisions (e.g. the Chemicals and Fertilisers and Energy businesses). On the other hand, despite establishing comprehensive safety management systems, WES' safety performance remains inconsistent and it is not yet achieving its stated objective of reducing accidents by 50% each year, with the ultimate goal of zero accidents. In addition, there was a fatality at the Curragh coal mine in QLD in 2010. On the positive side, WES' overall Lost Time Injury Frequency Rate (LTIFR) declined from 13.06 to 10.95 in the same year.

An additional concern relates to WES' continued involvement in the gaming industry. Gaming exposes the Coles business to both reputation and regulatory risks. Fortunately, Coles' major competitor, WOW, has attracted most of the public criticism from anti-pokies activities in recent years due to its much greater stake in the Australian gaming industry. Finally, there are some concerns about WES' imposition of harsh terms and conditions on produce suppliers in the Coles business. However, it is generally positive that other retail businesses have established, or are in the process of establishing, ethical sourcing policies/codes. This is particularly important in the apparel supply chain where poor working conditions in suppliers' factories can result in brand damage.

DuluxGroup Ltd (DLX)

DLX is a manufacturer, marketer and distributor of paints, household and industrial coatings, and home garden products. As a chemical manufacturer, key ESG exposures for DLX are GHG emissions and workplace health and safety (WHS).

DLX's emissions intensity is the lowest amongst its Australian peers as a result of its lower energy and emissions-intensive manufacturing processes. Its relatively low carbon footprint means that whilst DLX is unlikely to receive any compensation for its emissions, the financial impact of a carbon price is likely to be less than 1% of EBITDA. Despite the low exposure to carbon costs, DLX still maintains robust controls, including board oversight of its emissions via its 'Safety and Sustainability' board committee. Strong management of GHG emissions may also have a positive impact on DLX's premium brand and corporate reputation.

DLX has continued many of the rigorous safety practices established by its former parent ORI, including strong board and management oversight of WHS, linkage of safety performance to at-risk executive remuneration, and a regular self-audit program. With no fatalities and a TRCR injury rate lower than the industry average, DLX's safety performance compares favorably to industry peers.



For more information

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

BT Investment Management (RE) Limited ABN 17 126 390 627, AFSL 316 455, is the responsible entity and issuer of units in the BT Sustainable Balanced Fund. An Information Memorandum (IM) is available for the Fund and can be obtained by contacting your business development representative on 1800 813 886 or visiting www.btim.com.au. You should obtain and consider the IM before deciding whether to acquire, continue to hold or dispose of units in the Fund. This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs. An investment in the Fund is not a deposit with or any other liability of the Westpac Banking Corporation (ABN 33 007 457 141) or any other Company in the Westpac Group of companies.

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.

BT Investment Management (RE) Limited is a member of the Westpac Group. Neither BT Investment Management (RE) Limited, nor any other company in the Westpac Group, guarantees the repayment of capital or the performance of the product or any particular rate of return.

BT® is a registered trade mark of BT Financial Group Pty Ltd and is used under licence.