

## BT Sustainable Conservative Fund

Formerly known as  
"BT Wholesale Ethical Conservative Fund"

### Fact Sheet March 2011

ARSN: 090 651 924



#### About the Fund

The Fund is a diversified portfolio that invests principally in Australian fixed interest securities, cash and a limited amount of Australian shares.

#### Key benefits of the Fund

- provides investors with the potential for income as well as capital growth
- allows for diversification across a number of asset classes
- offers access to companies assessed as demonstrating superior environmental practices and sustainable product and service offerings.

#### Fund objective

The Fund aims to provide a real return over inflation over the medium term to meet the objectives of conservative investors including tax exempt entities whilst excluding companies which do not meet the Fund's sustainable guidelines. The suggested investment timeframe is three years or more.

#### Investment approach

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.

The investment process for Australian shares is managed by BTIM's Australian Equities team and has the addition of sustainability screens.

#### 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.

#### Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	2.14	2.37	2.14
FYDT	5.58	6.30	6.71
6 months	3.24	3.71	3.57
1 year (pa)	4.04	4.99	5.85
2 years (pa)	7.69	8.68	8.57
3 years (pa)	4.35	5.31	5.81
5 years (pa)	5.00	5.95	5.82

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

Australian Listed Shares:	25.3%
Australian Fixed Interest:	49.6%
Australian Liquidity (< 180 days):	25.1%

#### Other information

Fund size (as at 31 Mar 2011)	\$96 million
Date of inception	September 1989
Minimum investment	\$50,000
Buy-sell spread	0.20% <sup>#</sup>
Distribution frequency	Quarterly
APIR code	RFA0811AU

<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	0.90% pa*
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\* You should refer to the latest Information Memorandum for full details of fees and other costs you may be charged.



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## Market Review

The Australian share market gained 3.1% 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%.

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 strong quarter, with all asset classes in the portfolio posting a positive return over the period. The strongest return was from Australian equities.

On relative basis, the portfolio outperformed the benchmark. The Australian equities sector was the key contributor to excess performance. The Australian Fixed interest sector performed in line with its benchmark.

## 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.



## 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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## 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.



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