

## BT Wholesale Ethical Share Fund

Fact Sheet  
March 2011

ARSN: 096 328 219



### About the Fund

The BT Wholesale Ethical Share Fund is an actively managed portfolio of Australian shares which seeks to ensure that funds are invested in an ethical or socially responsible manner. Investors are becoming increasingly aware of the link between a company's sustainability focus and its long term success and profitability. As a result, ethical fund investing combines the best of both worlds – the potential to achieve strong performance over the long term while contributing to a sustainable environment.

### Fund objective

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

### Investment approach

The Fund will not invest in companies which:

- directly mine uranium for the purpose of weapons manufacture
- produce alcohol or tobacco
- manufacture or provide gaming facilities
- manufacture weapons and armaments
- have been subject to environmental and/or human rights prosecutions

### Investment process

The Fund uses the same investment process as BTIM's flagship Australian equities products with the addition of sustainability screens.

1. The negative screen effectively determines the investment universe of the BT Wholesale Ethical Share Fund
2. The positive screen identifies companies for active consideration, given their focus on the production of sustainable goods and services. The ethical screen is provided by Regnan Governance Research and Engagement, a leading independent research organisation. Examples of positively screened companies include those that derive greater than 20% of their revenue from sustainable technologies, products and services.

### Investment team

BTIM's ten-member Equity Strategies team is one of the largest in the Australian funds management industry. The portfolio managers for the Fund are Crispin Murray and Rajinder Singh, who have a combined 28 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%
Number of stocks	50-90

### Fees

Management fee	0.95% pa*
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BT Investment Management (RE) Limited ABN 17 126 390 627, AFSL 316 455, 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](http://www.responsibleinvestment.org) for details.

\* 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)	
1 month	1.10	1.18	0.67
3 months	3.78	4.03	3.12
FYDT	15.13	15.96	16.88
6 months	8.11	8.62	7.92
1 year (pa)	1.22	2.19	3.79
2 years (pa)	17.84	18.96	21.37
3 years (pa)	-0.20	0.75	1.13
5 years (pa)	3.32	4.27	3.21

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

Energy	12.5%
Materials	32.0%
Industrials	12.6%
Consumer Discretionary	5.7%
Consumer Staples	1.2%
Health Care	2.4%
Information Technology	1.0%
Telecommunication Services	2.3%
Utilities	1.3%
Financials ex Property Trusts	25.6%
Property Trusts	2.3%
Cash & Other	1.2%

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

BHP Billiton Limited	13.0%
Westpac Banking Corporation	7.9%
Rio Tinto Limited	6.3%
Commonwealth Bank of Australia Ltd	6.0%
ANZ Banking Group Limited	4.7%
National Australia Bank Limited	4.5%
Origin Energy Limited	3.9%
Newcrest Mining Limited	3.5%
Asciano Limited	3.3%
Amcor Limited	2.6%

### Other information

Fund size (as at 31 Mar 2011)	\$169 million
Date of inception	May 2001
Minimum investment	\$50,000
Buy-sell spread	0.50% <sup>#</sup>
Distribution frequency	Quarterly
APIR code	RFA0025AU

<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.

## 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.

Our overweight position to Iluka was the strongest contributor to excess return. The company continues to benefit strongly from high zircon prices. During the quarter, the company was rated with higher earnings forecasts due to anticipated further price rises in zircon and Titanium dioxide. The portfolio has benefited significantly from the position in Iluka and the stock has appreciated considerably over the last year. We are supportive of the way that this business has been run but will be monitoring the valuation closely given the recent share price rally. During the quarter, the company posted a \$36.1M profit, which beat market expectations.

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 overweight position in Resmed, which has suffered largely due to the strong Australian dollar as the company generates much of its revenue from the US. During the period, CEO Kieran Gallahue resigned to take up another role. Resmed founder and chairman Peter Farrell, who was CEO of the company for seventeen years has stepped in on an interim basis.

## 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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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.

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