BT Core Australian Share PST

Fact Sheet
June 2011

ABN: 71 753 267 021
FRN: R1003871

BT Investment Management

Australian Shares

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 30 Jun 2011)	$5 million
Date of inception	August 1996
Minimum investment	$50,000
Buy-sell spread	0.50%[1]
APIR code	RFA0017AU

[1] 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*

* 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
	(post-fee)	(pre-fee)	Return
3 months	-3.96	-3.87	-4.26
FYDT	11.09	11.49	11.90
6 months	-0.67	-0.43	-1.27
1 year (pa)	11.09	11.49	11.90
2 years (pa)	11.33	11.52	12.47
3 years (pa)	1.31	2.03	0.26
5 years (pa)	3.67	4.45	2.37

Total Returns (post-fee) are post tax.
Total Returns (pre-fee) are pre tax.

Asset allocation (as at 30 June 2011)

Energy	13.5%
Materials	27.1%
Industrials	12.9%
Consumer Discretionary	6.4%
Consumer Staples	5.5%
Health Care	1.3%
Information Technology	1.0%
Telecommunication Services	3.5%
Utilities	1.1%
Financials ex Property Trusts	24.4%
Property Trusts	1.2%
Cash & Other	2.2%

Top 10 holdings (as at 30 June 2011)

BHP Billiton Limited	10.3%
Westpac Banking Corporation	7.3%
National Australia Bank Limited	6.3%
Rio Tinto Limited	6.0%
Commonwealth Bank of Australia Ltd	5.1%
Origin Energy Limited	4.3%
Asciano Limited	3.5%
Telstra Corporation Limited	3.5%
ANZ Banking Group Limited	3.2%
Newcrest Mining Limited	3.0%

Market Review

The final quarter of the financial year was a weak one for the Australian share market, with three negative months culminating in a disappointing return of -4.3%, as measured by the S&P ASX300 Accumulation index. In what was very similar pattern to the same period last year, equity markets were dominated by global macro themes. In fact, these themes have changed little, namely concerns over the strength of the US recovery, European sovereign debt and monetary tightening in China. This year-end, investors also had the additional headache of the end of quantitative easing, the initiation of which mid last year helped bring global equity markets out of the doldrums. Local economic news did nothing to temper the negative sentiment either with most data pointing towards a slowing economy.

Unsurprisingly, defensive parts of the market held up better during the month with Consumer Staples, Utilities and Telecoms holding up well. The worst performing sector was Energy, which was down by 11.1% as oil prices retreated and investors started to focus more on increasing costs in the sector. Materials were also weak, losing 5.5% having clawed some performance back at the end of the period. The Banking sector was also weak, down 4.4% with investors concerned about the lack lustre domestic economy and soft credit growth.

The Reserve Bank of Australia (RBA) again left interest rates on hold at 4.75%. The prospect of further interest rates has lessened with softer local economic conditions but could easily resurface if the threat of inflation becomes more pressing and growth prospects pick up.

Fund Performance

The portfolio outperformed its benchmark over the period.

The largest contributor to performance over the quarter was our overweight position in Equinox Minerals. Canadian company, Barrick Gold Corporation made an all cash offer of C$8.15 per share for Equinox, which was accepted by the board. This superseded a previous offer from Chinese company Minmetals Resources. The opportunistic bid by Minmetals was quite significant in that it re-emphasised China's continued attempts to buy up quality resource assets, which supports the long term structural growth story for commodities. The share price rallied by 39.5% during the period, reflecting the value of the Barrick bid.

Also contributing strongly to performance was our overweight position in Brambles, which returned 2% over the period. The company provided a trading update covering the last three quarters that stated that earnings expectations remain broadly unchanged, but that its CHEP business had won back several customers in the US. They also expected the IFCO Systems division result for the fourth quarter to be stronger than expected. Brambles is well positioned for growth in its key global markets and the fact that it is winning market share provides us with more confidence that our investment case is playing out as we anticipated.

The largest detractor from performance was our overweight position in Qantas which was down 15.4% over the period. The company gave profit guidance for 2011 in the $500m to $550m range, which was at the lower end of the market consensus. They cited a profit before tax impact of $206m due to weather related losses incurred by the Japanese earthquake and Tsunami and the Queensland floods and a further $21m from the volcanic ash cloud in June. They will also receive $95m in damages from Rolls-Royce relating to the A380 engine issue. In June, Qantas announced that it was reducing planned domestic capacity growth from 8% to 5.5%, a move that is consistent with other airlines. More positively for the airline domestic yield growth of 9.6% in May was the strongest month since July 2007.

Our underweight position in Iluka was another key detractor from performance with the stock continuing its strong rally. The driver for the continuing strong returns is the upward price momentum in zircon prices which has endured further than we had anticipated. While the fundamentals for zircon have been supportive, we have typically preferred to gain resource exposure through high quality iron ore, copper and coal producers, where compelling opportunities in selective companies remain.

Outlook

The most significant driver in the direction of equity markets for some time now has been the handful of major macro issues that have persistently dominated the headlines. From where we are today, it seems unlikely that this will stop any time soon. The European sovereign debt problem lurches from one elastoplast solution to the next, with no proposed more permanent solution palatable to enough of the disparate parties to make it workable. Speculation as to which country the crisis will land in next continues, all the while unsettling markets. Across the Atlantic, where the national debt problem should be more manageable, political agendas are exacerbating the problem. The once implausible notion that US Treasuries could default has now become only an improbable one, as initiatives to increase the US debt ceiling stall in the face of congressional brinkmanship, despite the obvious dismal consequences. Meanwhile, the Chinese continue to grapple with inflationary issues, which given the more downbeat investor mood, is gaining more focus despite this being a protracted issue. With this backdrop, there appears very little on the horizon to get equity investors excited, particularly as there is no current prospect of any further quantitative easing, which boosted equity markets this time last year.

However, as always, there are opportunities. In particular, the market valuation looks attractive. Excluding the range seen during the crisis period, the overall Australian share market prospective price to earnings multiple is at levels not seen since the early 1990s. Of course, there are clearly downgrades coming, particularly in sectors exposed to the domestic economy such as Retail and Media, which on a prima facie basis look extremely cheap but in our view lack clear catalysts to bring about a share price turnaround. We are focused on finding investment opportunities where we can buy quality businesses with sound growth prospects.

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For more information

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