

## BT Sustainable Conservative Fund

Formerly known as  
"BT Wholesale Ethical Conservative Fund"

### Fact Sheet June 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	0.35	0.58	0.42
FYDT	5.95	6.92	7.17
6 months	2.50	2.96	2.58
1 year (pa)	5.95	6.92	7.17
2 years (pa)	6.77	7.75	7.82
3 years (pa)	4.34	5.29	5.90
5 years (pa)	4.99	5.95	5.85

#### Asset allocations (as at 30 June 2011)

Australian Listed Shares:	24.4%
Australian Fixed Interest:	48.6%
Australian Liquidity (< 180 days):	27.0%

#### Other information

Fund size (as at 30 Jun 2011)	\$100 million
Date of inception	September 1989
Minimum investment	\$25,000
Buy-sell spread	0.20%#
Distribution frequency	Quarterly
APIR code	RFA0811AU

#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.



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](http://www.responsibleinvestment.org) for details.

## 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.

Australian longer term bonds had a strong quarter, helped by some mixed economic data over the month. The prospect of further interest rates has lessened over the period with softer local economic conditions but could easily resurface if the threat of inflation becomes more pressing and growth prospects pick up. As a result short term futures priced out further interest rate increases

Despite the higher than expected CPI print earlier in the quarter, the Australian economy has showed signs of slowing. The Reserve Bank left the interest rate unchanged over the quarter. The Reserve Bank noted that the economy continued strong proposed investment growth in the mining sector which was offset by weaker conditions in most non-mining sectors. Households remained cautious on spending and borrowing, reflected in the elevated savings ratio, weak retail sales and soft housing market. The three-year bond yield fell by 28bp over the quarter from 5.04% to 4.76%. The ten-year bond yield fell by 26bp from 5.49% to 5.21%. The Australian dollar had a strong run from 1.0329 to 1.0722 over the quarter.

Credit markets were a little weaker over the quarter on the back of mixed global economic data, continued speculation of a nearer term Greek debt restructure and soft equity markets. The month of April saw credit markets firmer on better than expected Q1 2011 company earnings reports and strong economic data, however the markets softened in May and June on generally weaker than expected economic data and responding to Greek default uncertainty. Markets did recover late in the month of June after the passing of the Greek austerity measures.

## Fund Performance

The portfolio outperformed (pre-fee) its benchmark over the period. In a quarter when growth assets underperformed defensives, the worst performing asset class was Australian Equities, which was down by over 4%. Australian fixed interest performed well, up 2.3%.

In active terms, Australian equities performed well while Australian fixed interest marginally underperformed.

## 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.

Australian economic data has continued its slowing trend and the market has largely now priced out further hikes by the RBA this year. With inflation having most likely troughed though any indication that inflation pressures are emerging faster than the Reserve Bank had forecast will see the market move to pricing in some chance of policy tightening. The Reserve Bank does however appear comfortable with the current monetary policy setting.

From a fundamental perspective, we are positive on credit markets in the medium to long term. However, we continue to be concerned about the European peripheral sovereign crisis and the impact on credit spreads. We expect to see significant fiscal austerity measures enacted in many Euroland economies which will weigh on economic growth in the region. Increased global M&A activity is potentially a headwind for credit investors as cheap debt funding makes these deals look more attractive from an equity perspective.



## For more information

Please call 1800 813 886, contact your business development representative or visit [www.btim.com.au](http://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 Conservative Fund. A Product Disclosure Statement (PDS) 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](http://www.btim.com.au). You should obtain and consider the PDS 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<sup>®</sup> is a registered trade mark of BT Financial Group Pty Ltd and is used under licence.

## Regnan stock stories

### JB Hi-fi Limited (JBH)

JBH is a discount retailer of home, personal, and auto electronic and entertainment goods. As a retailer, key ESG exposures for JBH are human capital management and staff satisfaction, and to a lesser extent, reputation risks from ethics and conduct breaches. JBH is not exposed to any material environmental risks.

Customer satisfaction in retail is increasingly linked to staff engagement and retention. The technical nature of JBH's electronic goods means attracting and retaining knowledgeable and experienced staff is even more important than traditional retailers such as MYR or DJS. On a positive note, at-risk remuneration of the company's key executives is linked to human capital development, providing management with incentive to retain and develop employees. However, in general, human capital management remains in line with most sector peers.

By focusing on electronic goods, JBH is largely protected from many of the reputation risks faced by sector peers, such as DJS, MYR and PBG, which are exposed to issues such as sweatshops and illegal or sub-standard work practices. Nevertheless, JBH could improve its ethics and conduct controls by, for example, implementing and publicly disclosing a whistleblowing policy and procedure.

### Boart Longyear Limited (BLY)

BLY provides drilling services and drilling products for customers in the mining and minerals, environment and infrastructure, and energy industries. BLY operates in the Asia Pacific region, Canada, USA, South America, Europe and Africa.

BLY's social exposures include workplace health and safety (WHS), the risk that its operations will be impacted by skill shortages, and exposure to business ethics and conduct risk. Safety is a stated core value at BLY and, in Regnan's opinion, its safety controls are industry best practice. In 2010, BLY maintained a sector-leading Lost Time Injury Frequency Rate (LTIFR) of 0.35. BLY has an Environment, Health and Safety Committee responsible for WHS oversight and a component of executive remuneration is dependent on meeting safety performance targets. The majority of BLY sites have OSHAS 18001 certification.

Whilst a large proportion of BLY's workforce is employed in remote locations and high demand occupations (drillers, engineers, and metal tradespersons) where skills shortages are expected to intensify in Australia, BLY has relatively low exposure to these risks because its operations are globally diverse: Australia contributed less than 30% revenue in 2010. BLY provides clear evidence of human capital management (HCM) strategy and controls overseen by the board and a senior executive with explicit responsibility for HCM. The company's business ethics controls are well beyond those of sector peers and other companies of comparative size, and include a best practice 'code of conduct', which includes detailed coverage of corruption and bribery.

As a contract service provider, BLY does not have a significant direct environmental exposure in the short to medium term. The introduction of a carbon price will result in operation cost increases via increases to fuel and electricity, however, many of BLY's customers operate in mining and oil and gas (boom industries) and Regnan expects the majority of cost increases to be passed through.



### For more information

Please call 1800 813 886, contact your business development representative or visit [www.btim.com.au](http://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 Conservative Fund. A Product Disclosure Statement (PDS) 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](http://www.btim.com.au). You should obtain and consider the PDS 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<sup>®</sup> is a registered trade mark of BT Financial Group Pty Ltd and is used under licence.