

## BT Wholesale American Share Fund

**Fact Sheet**  
**September 2011**

ARSN: 087 594 509



### About the Fund

The BT Wholesale American Share Fund is an actively managed portfolio of securities, primarily North American shares.

The management of BTIM's regional international share assets is outsourced to MFS International (U.K) Limited (MFS), a member of the Boston-based Massachusetts Financial Services group. A member of the firm's group established the first mutual fund, Massachusetts Investors Trust, in 1924.

### Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P500 Total Return Index in AUD over the medium to long term. The suggested investment timeframe is five years or more.

### Investment philosophy

MFS believes that bottom-up, fundamental analysis offers the best opportunity to identify high quality companies with above average, sustainable earnings growth. Further, MFS believes that focusing on stock selection, rather than sector selection, is a compelling way to add value versus the S&P 500 over time.

### Investment process

Each analyst is responsible for following companies within their specific industry coverage. The analysts develop and maintain their own models, visit with company management, and interview competitors, suppliers and customers in order to form an opinion on each company.



The portfolio is managed in sector neutral style vs. the S&P500 according to eight broad sectors as defined by MFS: Capital Goods, Consumer Cyclical, Consumer Staples, Energy, Financial Services, Health Care, Technology and Telecom. Each sector has an allocation within the MFS Research Portfolio which matches its proportionate weight in the S&P 500. The Quantitative Analysts will run screens to exclude companies that are deemed to be illiquid.

The portfolio will typically hold 80-110 stocks.

### Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	-5.88	-5.65	-5.12
FYDT	-5.88	-5.65	-5.12
6 months	-8.98	-8.53	-8.26
1 year (pa)	-0.30	0.71	0.76
2 years (pa)	-0.83	0.14	0.59
3 years (pa)	-5.42	-4.48	-5.58
5 years (pa)	-4.50	-3.55	-6.27

The investment manager for this fund changed on 6th June 2006. Performance before this date may not be directly comparable.

### Asset allocation (as at 30 September 2011)

Consumer Discretionary	13.1%
Energy	12.4%
Information Technology	19.4%
Industrials	10.1%
Health Care	11.9%
Telecommunication Services	2.8%
Materials	2.8%
Utilities	2.9%
Finance	12.4%
Consumer Staples	10.3%
Cash & Other	1.9%

### Other information

Fund size (as at 30 Sep 2011)	\$12 million
Date of inception <sup>#</sup>	July 1999
Minimum investment	\$25,000
Buy-sell spread	0.30% <sup>1</sup>
Distribution frequency	Quarterly
APIR code	BTA0100AU

<sup>#</sup> MFS started managing the fund in June 2006.

<sup>1</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	1.00% pa*
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\* You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

## Market review

The September quarter was a very weak one for equity markets the world over, with the MSCI World Index falling by 17.1% over the period. The key drivers were a deteriorating economic outlook and fears over public debt in both the US and Europe, with S&P's downgrading US debt from AAA to AA+. All markets were soft, but European and Asian shares were particularly hard hit with the Euro Stoxx 50 down 23.5%, and the MSCI ex Japan down 21.6% in USD terms. The S&P500 was down 14.3%.

The US Federal Reserve implemented its USD400 billion 'Operation Twist', which is designed to reduce the longer dated treasury yields by increasing the Fed's holdings in longer dated treasuries and reducing shorter dated notes. This provided some temporary respite but overall the market reaction was underwhelming and the rally short-lived as attention moved back to the well documented European, and in particular Italian and Spanish, debt issues.

Political leaders within the Eurozone continued to demonstrate that their own political agendas were higher on the priority list than agreeing and implementing a workable solution to the debt problem, which resulted in the sell-off in equities gathering strong momentum in September. There was no respite from China either, with increasing speculation in the market of a 'hard landing', with softening equity data and increased concern around the property sector.

## Fund performance

The portfolio underperformed its benchmark during the September 2011 quarter. Detractors included stock selection in consumer staples, health care, and utilities. Positions in individual stocks: Teck Resources, Owens Corning, Celanese, and MetLife also detracted from performance.

Contributors included stock selection in consumer discretionary and information technology and the fund's underweight position in Bank of America.

## Strategy & outlook

Within their sector teams our analysts continue to look for compelling investment opportunities. Within financials, we continued to reduce our exposure to credit by eliminating our position in a major bank as the credit turn story has played out and revenue outlook is anemic given a weak loan growth outlook and continued rate pressures. We have no exposure to trust banks given continued interest rate pressures and lower activity levels in high margin businesses (securities lending, FX trading) are likely to persist for some time. We are overweight areas of revenue growth including select asset managers (which trade at only a slight valuation premium to trust banks and we believe offer improving earnings) and the payment processing space. We also increased our exposure to property & casualty insurance which offers lower litigation and reform risk, the possibility of an improving pricing environment and a compelling return of capital opportunity through increased dividends and buybacks. Finally,

given a bias towards income, we initiated a position in REITs with a stock that offers a dividend yield of around 15%.

Within technology, we remain focused on owning reasonably valued, strong secular growth stories. We do not own many of the large cap, mature technology stocks which are cheap but will likely be the slowest growers over the next several years. Specifically, while these companies have dominated the PC market over the years, there is a shift from desktop to mobile (in particular the tablet space) and from developed markets to undeveloped markets and these companies are unlikely to dominate these new markets. We are also underweight semiconductors as we are concerned about downside risk as the cycle slows. Our weighting in the internet space moved higher as we added to a couple of existing positions.

Within health care, we remain overweight medical devices & supplies and life science tools & diagnostics and added to positions on weakness due to macro concerns. We feel the companies we own offer compelling growth opportunities driven by long-term demographic trends, new product launches and a focus on innovation in faster growing markets, and have stock prices trading at attractive valuations.

Within consumer staples, we are overweight tobacco as we believe tobacco stocks offer continued margin expansion, pricing power, good capital allocation (returning cash to shareholders), reasonable valuations and better opportunities relative to other categories in consumer staples. We further increased our underweight to consumer products with the elimination of a couple of holdings. Our weighting in food & beverage moved higher with the addition of two companies that we feel will benefit from internal changes within their organizations.

Within consumer cyclical, we have been more defensively positioned, but we have started to add into more offensively positioned names that we feel have limited earnings estimate risk, better duration of growth and reasonable valuations. On the defensive side, we have maintained a large position in a retail store operator and added to an off price retailer.

Within telecommunication services, our biggest overweight is in cable which is funded by an underweight to the Regional Bell Operating Companies (RBOCs). While we believe cable does have lower dividend yields, it has faster dividend growth, faster revenue and FCF growth, and an annual total shareholder return greater than the RBOCs. We are also overweight cellular tower companies due to a position in a company which we feel offers the best secular growth in telecom.



## 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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