BT Wholesale Focus Australian Share Fund

Fact Sheet
September 2011

ARSN: 113 232 812

BT Investment Management

Australian Shares

About the Fund
The BT Wholesale Focus Australian Share Fund is a highly concentrated portfolio of 15-30 ASX listed stocks, developed to meet investor demand for a higher alpha, higher tracking error fund.

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

Investment approach
BTIM aims to add value primarily through active stock selection. The Fund is managed using the same core investment style as is applied to BTIM's other Australian equity portfolios and utilises the team's proven research and stock selection capabilities.

BTIM's investment process for shares is based on our core investment style and is unrestricted by a growth or value bias.

Fund positioning
The Fund is designed to complement a conventional, core share portfolio by providing satellite exposure to selected Australian equities with the potential for performance enhancement.

Investment team
BTIM's ten-member Equity Strategies team is one of the largest in the Australian fund management industry. The portfolio manager for the Fund is Crispin Murray, who has more than 17 year's industry experience. Crispin is also Head of Equity Strategies.

Other information

Fund size (as at 30 Sep 2011)	$140 million
Date of inception	April 2005
Minimum investment	$25,000
Buy-sell spread	0.50%[1]
Distribution frequency	Semi-annual
APIR code	RFA0059AU

Investment guidelines

Ex-ante tracking error	4.5% - 8.0%
Max absolute stock position	15%
Min/max sector position relative to index	+/- 15%
Min/Max BARRA style factors	+/- 0.5 SD
SIRA style factors	Within 1 SD
Maximum cash level	30%
Shorting	No
Borrowing	No

Performance

(%)	Total Returns		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	-5.86	-5.80	-6.28
3 months	-11.02	-10.85	-11.65
FYDT	-11.02	-10.85	-11.65
6 months	-15.32	-15.01	-15.41
1 year (pa)	-8.85	-8.16	-8.71
2 years (pa)	-4.76	-3.96	-4.14
3 years (pa)	0.63	1.54	-0.10
5 years (pa)	-0.81	-0.04	-0.71

Asset allocation (as at 30 September 2011)

Energy	17.1%
Materials	21.3%
Industrials	14.5%
Consumer Discretionary	5.1%
Consumer Staples	2.1%
Health Care	3.1%
Telecommunication Services	5.1%
Financials ex Property Trusts	26.4%
Cash & Other	5.3%

Top 10 holdings (as at 30 September 2011)

National Australia Bank Limited	9.2%
Westpac Banking Corporation	9.0%
BHP Billiton Limited	7.0%
Asciano Limited	5.8%
Origin Energy Limited	5.5%
Telstra Corporation Limited	5.1%
Santos Limited	5.1%
Rio Tinto Limited	4.8%
Amcor Limited	4.2%
Suncorp Group Limited	4.1%

Fees*

Issuer fee**	0.75% pa
Performance fee***	15% of the performance (before fees) above the performance hurdle.
Performance hurdle	Benchmark plus Issuer fee

*You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

**This is the fee for managing the assets of the Fund and overseeing the operations of the Fund. The issuer fee is paid from the assets of the Fund and is reflected in the unit price of your investment.

***A performance fee is payable to the manager if the Fund exceeds the performance hurdle. The Fund's performance hurdle is the benchmark (S&P/ASX 300 Accumulation Index) plus the issuer fee of 0.75% p.a. The fee is currently equal to 15% of the amount (if any) by which the performance of the Fund exceeds the performance hurdle. The performance fee is calculated each business day based on the investment performance and net asset value of the Fund on that day and, where positive, accrued daily in the Fund's unit price. The fee is payable annually as at 30 June. Any under-performance deficit must be recovered in dollar terms before any performance fee can be accrued in the unit price. Any unrecovered performance deficit is carried forward for up to three consecutive years. Performance fees are payable in relation to the performance of the Fund as a whole during each year, and do not necessarily reflect the performance of any individual unitholder's investment.

[1] 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 September quarter was a very weak one for Equity markets the world over, with the MSCI World index (USD) falling by 17.1% over the period. The Australian market fared better than most with the S&P/ASX300 Accumulation index down by 11.6%, which was the worst quarter since the nadir of the crisis at the end of 2008.

The market has once again been dominated by macro events, despite the year end reporting season in August. The beginning of the period saw investor confidence significantly dented by the political stalemate in Washington around raising the debt ceiling, with a deal eventually getting approved but not without enduring reputational damage. Firmly consolidating this negative sentiment was the fact that US economic data released in early August was very weak. The idea that any weakness was being caused by temporary factors and that the recovery was still on track was firmly brushed aside as investors contemplated the reality of a persistently slower growth environment. As a result, equities across the globe sold off sharply.

In the local market, the reporting season outlook comments from management were cautious, which is unsurprising given the uncertain global outlook. Earnings expectations for 2012 have fallen to more reasonable levels at 7% for industrials and 4% for the banks. Sector performance was driven mainly by macro themes with the traditional defensives such as Consumer Staples, Telecoms and Utilities performing best while sectors like Energy, Materials and Industrials fared the worst.

The RBA held the cash rate at 4.75% throughout the period, in what continues to be lacklustre domestic economy.

Fund Performance

The portfolio outperformed the benchmark S&P/ASX300 Accumulation index in the September quarter.

The leading contributor to performance was our overweight position in Macarthur Coal, which rallied by 36% over the period. The company was the subject of a take-over bid from large US miner Peabody Energy, which was backed by existing shareholder the Indian Steel giant Arcelor Mittal. The original bid was for $15.50 per share, which was upped to $16 per share. Macarthur knocked back both bids and it is clear that Macarthur has interest from other parties.

Our overweight position in Telstra added value over the quarter, with investors attracted to the stable and resilient cashflow and attractive dividend yield. During the period, the company released the independent export's report on the NBN, which recommended shareholders vote in favour. Even though the ACCC has not approved the deal yet, the shareholder vote will proceed on the 18th October.

Broadly speaking the main portfolio positions produced good results this reporting season in the context of a tough environment, the one stark exception to this was Transfield. The company fell 27% over the month, with the bulk occurring on the day of the result. The problem was caused not so much by the operating result but rather by the impact of the sale of its US maintenance business, USM & its stake in infrastructure company TSI. The company while receiving good prices for these non core assets, had never clarified the full P&L impacts. The problem proved to be that these businesses carried far lower depreciation than the rest of the group and that the cash proceeds would yield little interest saving as they waited to deploy the capital. We believe the stock can perform, given it is winning key contracts such as with Santos & the NBN, it has strong cash flow, trades at a discount to peers and management have enacted changes in recognition of the mishandling of their result.

Also detracting from performance was our overweight position in Rio Tinto. The share price was driven down particularly at the end of the quarter by sentiment and worries around the future direction of iron-ore prices. While ore prices held up reasonably well over the month, iron ore stocks still suffered as concerns around a global slowdown and softer Chinese demand led investors to price in increased possibility of weaker prices. Nonetheless the company demonstrated its long term positive outlook on the iron-ore business through a $833m expansion in the Pilbara region. The company also took its shareholding in Ivanhoe mines to 49% during the period.

Outlook & positioning

The key influence on the Australian share market continues to be the global macro environment. While we expect a recovery from the aggressive sell-off we saw in September, there looks to be little imminent chance of a meaningful and long lasting reduction in the levels of volatility to buoy equity investors. The key issue remains Europe and while the economic situation there remains dire, the element that continues to frighten markets the most remains a now seemingly entrenched lack of confidence in the key political protagonists agreeing on (let alone implementing) a timely and workable solution to the problem. The trend seems to be that a wave of market selling spurs the Euro-apparatchiks of Paris, Berlin and beyond into further acceptance that something more must be done. But once market fears are allayed, we then slip back into the inevitable doldrums of political tittle-tattling until the inevitable next wave of selling once again inspires some more meaningful action. And so it continues. The current focus is on an initiative to provide the under-funded European Financial Stability Facility (EFSF), with a 'first-loss guarantee' facility that would effectively insure a proportion of the face value of a sovereign bonds issue with the aim of re-instigating investor confidence in that sovereign issuer. Importantly, there are more meaningful initiatives to recapitalise European banks and clear consensus that action must be taken to avoid full contagion into the banking sector. Progress is being made but it is not quick enough to provide sustained confidence for markets.

Our portfolios have retained a defensive bias and we have core positions in solid cash generators with robust business models and quite conservative balance sheets. Valuations however have become more attractive of late and we are finding entry points in several more cyclical stocks that are well within our valuation estimates, which we believe will realise significant additional return for investors over a longer time-frame.

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For more information

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