

BT Sustainable Balanced Fund

Formerly known as
"BT Institutional Ethical Balanced Fund"

Fact Sheet
December 2011



About the Fund

The Fund is an actively managed diversified portfolio that invests in Australian and international shares, Australian and international property securities, Australian fixed interest and cash investments.

Fund objective

The Fund aims to provide a return (before fees and expenses) that exceeds the Fund's benchmark over the medium to long term. The suggested investment timeframe is five years or more.

Investment approach

The underlying investments in the Fund are managed by BTIM together with external partners. The investment process for Australian shares is managed by BTIM's Australian Equities team and has the addition of sustainability screens. International shares are invested in a Socially Responsible Investment fund managed by AMP.

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.

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.



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 for details.

Performance¹

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	1.98	2.24	2.46
FYDT	-4.46	-3.99	-3.39
6 months	-4.46	-3.99	-3.39
1 year (pa)	-2.85	-1.94	-1.85
2 years (pa)	-0.61	0.30	0.69
3 years (pa)	3.52	4.47	5.26
5 years (pa)	-0.67	0.24	-0.10

Asset allocations (as at 31 December 2011)

Australian Listed Shares:	35.1%
Overseas Listed Shares:	21.8%
Australian Fixed Interest:	25.4%
Property Trusts	6.9%
Global Listed Property	3.1%
Australian Liquidity (< 180 days):	7.7%

Investment guidelines

Asset allocation ranges (%)	Neutral position	Ranges	
		Min	Max
Australian shares	38	28	48
International shares	22	12	32
Australian property	5	0	10
International property	3	0	10
Australian fixed interest	25	12	40
International fixed interest	0	0	10
Cash	7	0	15

Other information

Fund size (as at 31 Dec 2011)	\$136 million
Date of inception	August 1984
Minimum investment	\$500,000
Buy-sell spread	0.27% [#]
Distribution frequency	Quarterly
APIR code	BTA0122AU

[#] 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.

¹ The asset allocation neutral position, asset allocation ranges and the benchmark have changed over time. As it is historical information, the fund performance reflects the asset allocation neutral positions and ranges that have applied over time. The benchmark performance shown is that of the combined benchmarks that the fund has aimed to exceed over time.

Market review

The December quarter was a reasonably strong one for Equity markets the world over, with both the MSCI World index and Australian share market rising by around 2.0% over the period. This was after the September quarter which was the worst quarter since the GFC. On a hedged basis due to the AUD movements, the returns for international equities hedged were much stronger, around 7.1%.

The market has once again been dominated by macro events mostly out of Europe. In a series of summits, Eurozone nations agreed on measures to alleviate the sovereign debt crisis, looking at 50% haircuts on private sector Greek debt holdings, proposed increases on tier 1 bank debt ratios and reduction of structural deficits.

In the US, the economic news continued show signs of improvement, with GDP increasing at a 1.8% annualised rate, the unemployment rate fell from 9.1% to 8.6%. Congress passed a \$1 trillion spending package, averting a government shutdown. It extended for two months a payroll tax cut and other benefits.

In Australia, corporate news offered little to offset a difficult macro background. Annual General Meetings (AGM) commentary was mixed and a number of companies lowered market expectations over the quarter including JB Hi-Fi, Billabong and Newcrest Mining. Corporate activity was subdued; the buy-back theme of 2011 continued with Sims Metal and Transfield Services announcing programs.

Market volatility, concerns over global growth and in particular signs that China's momentum may be easing contributed to a sub-par showing from the Resource stocks which were negative for the quarter. Banks and defensive stocks outperformed over the quarter.

Australian bond yields continued their rally in the fourth quarter. The three-year bond yield fell from 3.62% to 3.13% and the ten-year yield from 4.22% to 3.67%. The Reserve Bank cut interest rates by 0.50% over the quarter with inflation lower than expected. The bank noted considerable turbulence and difficult financing conditions in financial markets, especially in Europe.

International bond market performance in the fourth quarter was driven by some progress in attempting to resolve the European crisis, and the strength of the US recovery. Investor sentiment improved and the market calmed down toward year end as the European governments explored a number of possible solutions to the crisis. Central banks also acted on deteriorating financial and economic conditions: the ECB cut interest rates by 0.50% over the quarter and the six major central banks lowered the USD liquidity swap facility by 0.50%. In the US, the economic data was generally stronger than expected, with more signs of a sustained recovery. Over December, the US, UK and Japan ten-year yields rallied 4 basis points, 46 basis points and 4 basis points, respectively. Australia outperformed the US with the ten-year yield spread closing lower at 1.79%.

Fund performance

The portfolio underperformed its benchmark in the December quarter. The quarter was a reasonably strong one for risk assets, particularly shares and property, with Australian shares up 2.1% and Global Property up 8.9%. International equities held up as well, returning a positive 2.0%. Government bonds continued to rally over the quarter, contributing to a 1.9% return for Australian Fixed Interest.

In a relative sense, our underlying active strategies were mixed with Australian Fixed Interest adding value whilst Australian equities, International equities and Global property detracted value in December quarter. Our asset allocation position was slightly negative for the quarter.

Strategy & outlook

It is customary at this time of year to reflect on the previous twelve months and to gaze into the crystal ball to deduce what might happen over the next twelve. From this standpoint, many of the key drivers that made 2011 such a difficult year look set to continue into 2012. As we have been saying throughout the European sovereign crisis, there is no silver bullet and it seems that we will continue to see recent initiatives to bring about more fiscal integration muddle through the various EU members' legislatures. Moreover, the institutions with the mandate to do so will continue to add liquidity into markets and support the banking system. The 'risk-on, risk-off' pattern looks set to continue as long as this issue remains front and centre of investors' minds. The crux of the issue however remains – there is too much debt. Austerity measures brought in to pay down this debt will continue to temper meaningful growth in the region, which is a painful fact that investors have had to get used to.

In the US, recent data has been more encouraging than expected but in our view a sustained recovery has to come from more significant investment from the corporate sector, which remains in good financial shape. If we're looking for catalysts to improve sentiment over the coming months, signs of stronger investment from this sector would be a clear one.

Closer to home, the much discussed slowdown in the Chinese economy has put further pressure on the Australian market and in particular the resources sector.

Our view is that the Chinese economy may well continue to slow in the shorter term as authorities try to get a grip on the overheating property market but we do not think that a 'hard landing' is a likely outcome. Rather, we believe that the authorities will take measures to stimulate growth and given the tightening measures that have implemented last year, they have some considerable levers to stimulate growth.

The environment remains difficult. However, it also provides opportunities for investors to identify value in companies where negative sentiment has driven share prices well below what their fundamentals indicate they are worth.



For more information

Please call 1800 813 886, contact your business development representative or visit 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 Balanced Fund. An Information Memorandum (IM) 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. You should obtain and consider the IM 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 Financial Services Council (FSC) 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® is a registered trade mark of BT Financial Group Pty Ltd and is used under licence.

Regnan Stock Stories

Transfield Services Ltd (TSE)

TSE is engaged in resources, energy and utility infrastructure construction and maintenance, primarily in Australia and New Zealand but also in the Americas. Its most significant exposures are skills shortages in Australia amongst its trade and engineering workforce, health and safety, and the environmental impacts of its operations.

Increasing skills shortages and wage pressure is a significant exposure for the engineering services sector, particularly in WA and QLD. TSE is more diversified than resource intensive peers, and its contracts are predominantly focused in asset services and maintenance rather than project construction and delivery, which limits its exposure. Regnan considers TSE's management of human capital to be best practice. There is clear strategic oversight and board level commitment which includes a human resources committee and the use of short term performance incentives for the chief human resources officer. TSE has a variety of initiatives to address skills and diversity, including regular training of staff and subcontractors, flexible work practices and relatively generous parental leave. The company also has a registered Reconciliation Action Plan and Indigenous Development Coordinator to focus on recruitment from indigenous communities. TSE also discloses a human resources information system that measures recruitment, turnover, salary and gender ratios, and the development of a human resources scorecard that uses HCM and financial metrics to monitor productivity and the return on investment from human capital.

TSE also maintains robust controls over workplace health and safety (WHS) that compare favourably against its peers. The company's WHS policy and safety, health, and environment (SHE) management system are both comprehensive. Lost time injury frequency rate (LTIFR) performance is much better than the industry average. There were two fatalities in 2011 however, following on from one in 2010 and two in 2009. TSE launched a series of 'mandatory safety rules' in 2010 in response to the fatalities. In June 2010, it organised a global shut down of operations where staff were trained on the rules, their implementation, and the consequences of non-compliance.

TSE exposure to the direct effects of carbon pricing limited and most of its liabilities can be passed on to asset owners. The company is still in the process of understanding its emission profile and opportunities for efficiency and reduction so action is currently limited. TSE recognises the opportunity from providing efficient solutions to clients, and has implemented several successful water saving projects, but its actions lag behind peers such as WOR. TSE's diversified global footprint and limited asset ownership provides a hedge against the physical impacts of climate change but improvements could be made to disclosure of risk assessment and management.

Amcors Ltd (AMC)

Amcors (AMC) is a global packaging company with five business divisions with operations in 42 countries. It continues to be one of the best environmental performers in the materials sector, particularly in terms of resource efficiency and greenhouse gas (GHG) emissions reduction. Not including the newly acquired aluminium foil business (which is GHG intensive), AMC's GHG intensity declined for the fourth consecutive year, falling only slightly short of its five year target. It also made progress in reducing the water intensity of its products. For example, municipal water use intensity at its Australian sites (the largest water users in the group) declined by ~22% during 2010/11; since 2005/06 there has been a reduction of 46% in water use intensity. This progress is the result of implementation of a variety of water efficiency initiatives and the implementation of a supply of recycled water into AMC's Petrie cartonboard mill. AMC also continues to demonstrate a strong commitment to sustainable packaging and reducing waste to landfill. Three fines for environmental incidents, two of which were relatively significant (totalling US \$55,700), detract from what is otherwise very good environmental performance over the past year.

AMC's social performance continues to be relatively strong. There is evidence that the ethical conduct controls implemented in the wake of the price-fixing scandal with Visy have been maintained. They include a best practice whistle blowing system and board level oversight of ethical conduct issues. AMC has also improved its safety performance and, during FY2011, its lost time injury frequency rate declined for the fifth year straight. However, AMC could improve its disclosure on human capital management, such as providing metrics (e.g. employee turnover, absenteeism, employee engagement), which would enable benchmarking of its performance against peers. On the positive side, there is an Employee Assistance Program that is available to around 90% AMC's employees.



For more information

Please call 1800 813 886, contact your business development representative or visit 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 Balanced Fund. An Information Memorandum (IM) 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. You should obtain and consider the IM 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® is a registered trade mark of BT Financial Group Pty Ltd and is used under licence.