

BT Wholesale Core Australian Share Fund

Fact Sheet
December 2011

ARSN: 089 935 964



About the Fund

The BT Wholesale Core Australian Share Fund is an actively managed portfolio of Australian shares.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 300 Accumulation Index over the medium to long term. The suggested 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.

Our research is focused on four key factors, which we believe to be the primary drivers of medium term returns (generally 2 to 3 years): valuation, financial risk, franchise and management quality. The combination of these quantitative and qualitative factors forms the basis of the analysts' stock recommendations.

Investment team

BTIM's ten-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 year's 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 31 Dec 2011) | \$627 million |
| Date of inception | September 1992 |
| Minimum investment | \$25,000 |
| Buy-sell spread | 0.50% [#] |
| Distribution frequency | Semi-annual |
| APIR code | RFA0818AU |

[#] 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 Return |
|--------------|---------------|-----------|------------------|
| | (post-fee) | (pre-fee) | |
| 1 month | -2.06 | -2.00 | -1.44 |
| 3 months | 1.91 | 2.11 | 2.05 |
| FYDT | -9.05 | -8.69 | -9.83 |
| 6 months | -9.05 | -8.69 | -9.83 |
| 1 year (pa) | -9.78 | -9.06 | -10.98 |
| 2 years (pa) | -5.52 | -4.77 | -4.76 |
| 3 years (pa) | 7.23 | 8.09 | 7.67 |
| 5 years (pa) | -1.19 | -0.40 | -2.39 |

Asset allocation (as at 31 December 2011)

| | |
|-------------------------------|-------|
| Energy | 12.4% |
| Materials | 22.6% |
| Industrials | 14.1% |
| Consumer Discretionary | 8.0% |
| Consumer Staples | 5.3% |
| Health Care | 3.1% |
| Information Technology | 1.1% |
| Telecommunication Services | 3.0% |
| Financials ex Property Trusts | 27.7% |
| Property Trusts | 1.5% |
| Cash & Other | 1.2% |

Top 10 holdings (as at 31 December 2011)

| | |
|------------------------------------|------|
| BHP Billiton Limited | 8.3% |
| National Australia Bank Limited | 8.0% |
| Westpac Banking Corporation | 6.7% |
| Commonwealth Bank of Australia Ltd | 4.8% |
| Rio Tinto Limited | 4.3% |
| Santos Limited | 4.0% |
| Origin Energy Limited | 3.8% |
| Brambles Limited | 3.8% |
| Asciano Limited | 3.5% |
| Suncorp Group Limited | 3.3% |

Market review

In what was a rollercoaster quarter the ASX300 Accumulation Index was up 2.1%, a return that belies the volatility experienced during the period. Looking at it month by month, the market had a strong bounce-back at the beginning of the quarter, rallying back 7.2%, after six consecutive negatives months. However, the screens turned red again in November and December with the market down 3.4% and 1.4% respectively.

In terms of sector performance, defensive sectors did best with Telecoms up 7% and Utilities up 6.5%, while Materials were weak, down 3%. While most commodities actually rebounded over the quarter from a very weak period prior, spot iron-ore prices fell quite measurably, bringing its longer term performance pattern in line with other base metals, which reflects a softer economic outlook for China, which has been another key factor tempering markets during the period

As had been the case for most of the year though, the main influence on market sentiment in the December quarter was the ongoing European sovereign debt crisis. Peripheral European bond spreads continued to widen with the Italian ten-year bond yield moving above 7%, a level that indicates extreme funding difficulty, which prompted agreement at an EU summit to augment fiscal consolidation for member states via further government borrowing controls and initiatives were put in place to provide further capital support via the IMF. This tempered the negative sentiment to a degree with peripheral bond yields steadying towards the end of the period. However, the outlook remains tepid and uncertainty high, with few initiatives for growth and continued need for austerity dampening prospects.

The RBA started an easing cycle, cutting interest rates twice during the period in November so after a year of rates being at 4.75%, we are now at 4.25%.

Fund performance

Our overweight position in Brambles was the largest contributor to performance during the quarter, with the AGM comments relatively upbeat from management in contrast to much of the rest of the market. The company announced strong sales growth for the first quarter of 2012 and confirmed full year guidance. The company's strategy has been largely on track with recently acquired IFCO delivering positive results and growth being delivered in Emerging markets for the CHEP business.

Also contributing to our performance over the quarter was our underweight position in BHP, which fell by 1.43%, with most of the fall occurring in November as iron-ore prices softened. Our relatively large underweight position in BHP reflects our broadly cautious view on metals that we held during the period, given the economic slowdown in China and recent pressure on commodity prices. While we don't believe that there is significant risk of a 'hard landing' in China and our medium term view is still positive, the heightened level of risk has warranted more circumspect approach during the period. Nonetheless, we will be looking to increase positions in selective resource stocks as and when the opportunities present themselves.

Detracting from performance was our overweight position in JB Hi-Fi. The company was down significantly during the quarter, falling 26%, as the company announced that it expects first half EBIT to be around 5% lower than for the same period last year. The company stated that like for like sales for the five months to the end of November fell by around 2% and that heavy discounting had reduced gross margins by 27 bps.

Also detracting from performance was our underweight position in the ANZ Bank, which was the best performing of the big four banks during the quarter. The quarter saw the AGMs of the three other major banks, all of which reiterated funding cost pressures. All the banks had their credit ratings downgraded by S&P during December, reflecting a change in the ratings agency's methodology in assessing banks. While we see ANZ's longer term prospects as a relative positive, we believe that the short term headwinds may well be more difficult for ANZ than for competitors and hence maintain an underweight position.

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. Last year was a year when global macro issues were by far the biggest influence on the local share market's performance and it is hard to see this changing in the short term.

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 over the course of the next few months. Moreover, the institutions with the mandate to do so will continue to add liquidity into markets and, if the last six months are anything to go by, this will happen most at the highest point of nervousness. The 'risk-on, risk-off' pattern looks set to continue as long as this issue remains front and centre of investors' minds. While the specifics of a Euro summit deadline, the prospects of a bond auction or the latest raft of data will influence the shorter term flux, the key fundamental issue of there being too much debt looks set to remain for the foreseeable, with plans for growth not even on the agenda.

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 continue to 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 think that the authorities will take measures to stimulate growth and given the tightening measures that was implemented last year, they have some considerable levers at their disposal. Finally, the end of the year saw further woes in the retail sector. We will be watching the all important Christmas and new year period with interest, not only to assess specific earnings prospects for these companies but also as a key barometer for general consumer sentiment.



For more information

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

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