BT Wholesale Focus Australian Share Fund

Fact Sheet
December 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 31 Dec 2011)	$137 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	-2.06	-2.00	-1.44
3 months	2.75	2.95	2.05
FYDT	-8.57	-8.22	-9.83
6 months	-8.57	-8.22	-9.83
1 year (pa)	-10.60	-9.92	-10.98
2 years (pa)	-5.36	-4.63	-4.76
3 years (pa)	8.56	9.55	7.67
5 years (pa)	-2.29	-1.51	-2.39

Asset allocation (as at 31 December 2011)

Energy	15.3%
Materials	20.0%
Industrials	16.2%
Consumer Discretionary	7.3%
Consumer Staples	3.0%
Health Care	2.9%
Telecommunication Services	2.6%
Financials ex Property Trusts	29.5%
Cash & Other	3.2%

Top 10 holdings (as at 31 December 2011)

National Australia Bank Limited	10.3%
Westpac Banking Corporation	6.8%
BHP Billiton Limited	6.7%
Asciano Limited	5.6%
Santos Limited	5.0%
Brambles Limited	4.9%
Origin Energy Limited	4.9%
Suncorp Group Limited	4.8%
Rio Tinto Limited	4.8%
Qantas Airways Limited	3.6%

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

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.

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

The largest contributor to performance over the quarter was our overweight position in Gloucester Coal. The miner was the subject of a $2.1 bn cash and scrip offer from Chinese firm Yanxhou Coal. Yanzhou is offering Gloucester Coal shareholders 32.20 cash per share and 23% in the new entity. The Noble Group, which is Gloucester's largest shareholder with 65% has agreed to the terms but the due diligence process will not be complete until February

Also contributing to our performance over the quarter was our overweight position in Brambles, 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.

Detracting from performance was our overweight position in ResMed, which was down by 16% over the quarter with quarterly result announced in October that disappointed investors. The source of the disappointment was that ResMed have held firm with customers on pricing on their non-premium Obstructive Sleep Apnea (OSA) product range, which has impacted earnings for the quarter with some customers delaying their orders. The company has stated that much of this will be down to timing and lost revenue should come through in the next quarter. In this lower end product range, which is not ResMed's targeted growth area, there has been some price pressure brought about by the only meaningful competitor in the industry but we do not see this continuing further. The industry dynamics remain very positive for ResMed, with industry growth set to continue at 6-8% and they remain the market leader in sleep-disorder apparatus and well positioned for further growth.

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 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.

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For more information

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