

# BT Wholesale Partner Australian Shares Core (Challenger)

September 2011



## BT partner Funds – BT presents the world's best equity style managers

The BT Partner Funds proposition is to select and continuously monitor the world's best equity investments managers, domestically and from around the world, in the three style classifications of Growth, Value and Core.

### Fund objective

The Fund aims to provide an overall return that exceeds its benchmark over the recommended investment timeframe. This Fund invests in Australian shares with a core investment style, and is currently managed by Challenger.

### About core investment style

Core investment managers do not have a predetermined growth or value bias. They purchase shares that they believe are either undervalued or have above average growth potential. This investment approach moderates the cyclical swings from growth and value investing and can outperform over the full business cycle.

### About Challenger

Challenger Managed Investments Ltd (Challenger) is a part of Challenger Financial Services Group, an ASX listed company that focuses on manufacturing and distributing investment products.

#### Challenger:

- is a style-neutral active manager
- believes it can add value and outperform the market by combining high quality fundamental research, technology and a disciplined approach to find and exploit market inefficiencies and to identify companies that have been mispriced or overlooked
- looks beyond short term influences that might obscure a company's longer term outlook and true fundamental value, and identify companies that they expect to outperform the market
- has strong leadership and portfolio management skills in Peter Greentree. Well supported by a hand-picked group of analysts who each bring different attributes to create a strong team with a collegiate culture
- can sustain outperformance through the entire market cycle because of style neutrality.

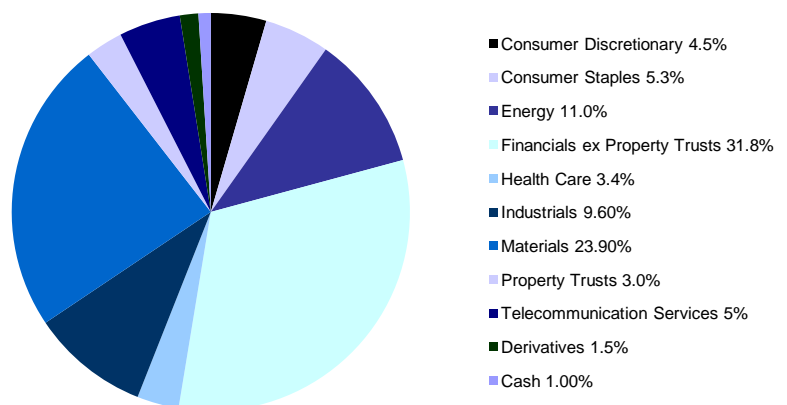
### Fund facts

Minimum suggested investment period	5 years
Date of inception	November 2002
Risk profile	Dynamic
Product size (\$m)	\$20.3
Management fee	0.89% pa
APIR code	BTA0241AU

### Performance vs benchmark (% pa)

(%) pa	3 months	1 year	3 years	5 years	Since incept.
Total returns (pre-fee)	-12.10	-7.85	-0.64	-2.58	5.76
Total returns (post-fee)	-12.29	-8.66	-1.52	-3.45	4.78
S&P/ASX 300	-11.65	-8.71	-0.10	-0.71	7.64

### Sector allocation



## Manager history

Manager	Appointed	Replaced
Challenger Financial Services	October 2006	
Alpha Investment Management	April 2004	October 2006
AMP Capital	November 2002	April 2004

## Commentary from Challenger

The portfolio underperformed its benchmark over the quarter. Key contributors to returns were overweight positions in Transurban Group, Fleetwood Corporation and Aston Resources. Transurban Group's shares rose as the company reported a solid increase in traffic and toll fares on its roads in addition to cost cutting measures. Fleetwood Corporation outperformed on the back of strong resource sector demand for manufactured accommodation expected in the years ahead. Aston Resources shares rallied after it upgraded the coal quality of its Maules Creek coal resource after completing its Feasibility Study, which confirmed its large scale metallurgical open cut mine had a project life of 30 years. Detracting from returns were overweight positions in Tio Tinto, Henderson Group and zero weight in David Jones.

## Outlook from Challenger

Global macro factors are likely to continue to dominate financial markets in coming months. However, the upcoming AGM season is likely to bring some more stock specific data that should lead to increased differentiation in stock returns. Early signs from the AGM's suggest that while the uncertainty has certainly increased the actual impact on trading conditions to date has been limited. This is also the overall feedback from our discussions with companies during the last few weeks. So while equity prices appear to be discounting a significant global slowdown which cannot be ruled out, there's little hard data to suggest that this is actually underway. A recapitalisation of the European banks which appears to be getting closer should reduce the risk of a GFC II and allow the market to focus more closely on the underlying economic and company data. In our view, these data points may not be as bad as equity prices are suggesting and thus a stabilisation of equity markets, at least, appears likely. We are maintaining a portfolio overweight in banks and Resources/Energy. We see limited value in traditional defensive stocks, particularly in the Consumer Staples sector preferring to add some low volatility stocks through the infrastructure stocks Map Group and Transurban as well as Telstra which in addition to being a stable dividend stock has turned the corner in terms of the company's earnings outlook driven by its mobile phones operations.

## Top 10 holdings

Stock	Weight %
BHP Billiton	12.52
Westpac Banking Corp	8.09
Commonwealth Bank of Aust	7.98
National Australia Bank	6.59
Telstra Corporation	5.00
ANZ Banking Group	4.12
Rio Tinto	3.87
Wesfarmers	3.62
Newcrest Mining	2.69
CSL	2.49

## Key performance contributors and detractors

Key performers	Contribution %
Transurban Group Stapled	0.21
Fleetwood Corporation	0.15
Aston Resources	0.14

Key detractors	Detraction %
David Jones	-0.30
Rio Tinto	-0.21
Henderson Group	-0.18



### What to do next

- See your adviser
- Visit [www.bt.com.au](http://www.bt.com.au)
- Call 1800 813 886

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