

BT Wholesale Partner Australian Shares Growth (Schroders)

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 growth investment style, and is currently managed by Schroders.

About growth investment style

Growth investment managers look for strong growth potential, and believe the company’s value will increase as the company grows. They purchase shares of companies they believe will achieve strong earnings growth in the future.

About Schroders

Schroders is part of the Schroders Group which is one of the largest and most internationally diverse independent investment managers, providing investment management from offices located in 26 countries.

Schroders:

- is an active manager with a growth investment style
- has a very clear investment process that targets companies with high quality growth prospects rather than apparent growth from financial engineering or cyclical conditions
- subject both companies and industries to a strategic assessment to establish growth characteristics. Analysts then complete a full valuation of the company and classify it into one of four categories reflecting growth attributes. The stock classification guidelines set a tight framework for portfolio construction, ensuring their growth style is maintained.
- has a large and stable Australian equities team lead by an experienced portfolio manager, Martin Conlon.
- believes the market fundamentally mis-prices long term growth opportunities in an exploitable way
- has a well resourced and experienced team comprised of over 230 investment professionals across the world.

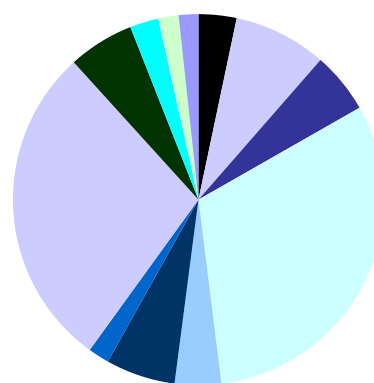
Fund facts

| | |
|-------------------------------------|---------------|
| Minimum suggested investment period | 5 years |
| Date of inception | November 2002 |
| Risk profile | Dynamic |
| Product size (\$m) | \$143.0 |
| Management fee | 0.89% pa |
| APIR code | BTA0242AU |

Performance vs benchmark (% pa)

| (%) pa | 3 months | 1 year | 3 years | 5 years | Since incept. |
|--------------------------|----------|--------|---------|---------|---------------|
| Total returns (pre-fee) | -10.86 | -5.79 | 4.42 | 2.10 | 9.47 |
| Total returns (post-fee) | -11.06 | -6.62 | 3.51 | 1.20 | 8.44 |
| S&P/ASX 300 | -11.65 | -8.71 | -0.10 | -0.71 | 7.64 |

Sector allocation



- Consumer Discretionary 3.31%
- Consumer Staples 8.12%
- Energy 5.32%
- Financial-x-Property Trusts 31.27%
- Health Care 4.04%
- Industrials 6.06%
- Information Technology 1.85%
- Materials 28.30%
- Property Trusts 0.00%
- Telecommunications Services 5.75%
- Utilities 2.5%
- Derivatives 1.77%
- Cash 1.71%

Manager history

| Manager | Appointed | Replaced |
|--------------------------------|----------------|----------------|
| Schroder Investment Management | September 2004 | |
| Alliance Capital | November 2002 | September 2004 |

Commentary from Schroders

The Fund outperformed for the quarter. Contributing to performance was Telecom Corp of NZ after sensible outcome in the UFB (ultra fast broadband) negotiations with Crown Fibre Holdings left TEL in a strong long term competitive position, as it will retain a reasonable degree of control over the fixed line market, in addition to having an upgraded mobile network. Whilst returns have come down to only average levels given the impact of years of aggressive regulation, we believe there is scope for investors to view telecommunications companies more favourably as returns stabilise. Also contributing positively was Telstra. As the market share leader in both mobile and fixed line telecommunications domestically, Telstra generates strong returns on capital across its business. The key challenge for the business is the impact which the proposed NBN will have on returns in the fixed line business. Our valuation reflects fairly aggressive declines in returns and earnings for fixed line operations. This is materially more pessimistic than market and reflects a greater probability on the NBN progressing to fruition and significantly altering Telstra's positioning. Alumina fared poorly during the quarter in line with the weak performance of most materials stocks. We remain of the view that the low cost, good quality asset positioning of the business should allow them to deliver reasonable returns through time. Versus most other commodities, the increments seen in pricing over recent years have been extremely mild, and are therefore far closer to the levels that we see as sustainable through the cycle.

Outlook from Schroders

Our fundamental outlook remains largely unchanged, albeit the reality is that large price moves now far better reflect the economic challenges we have consistently spoken to and still see as confronting and unresolved. Globally, both the US and now the EC have seen economies and markets assailed through too much debt and inflated asset prices, still to be written down to fair levels. It may be because of concerns that such a path may yet lay in front of them, that the Chinese are not keen to use their own stores of liquidity to recapitalise Europe. The same major themes are affecting the Australian markets, augmented by commodity prices continuing to trade at levels well above what we consider long term sustainable prices. The Portfolio is positioned accordingly, with a bias to industrials with earnings exposure to economies where we believe upside to mid cycle exists more than can be said to be the case in Australia, or with exposure to domestic industries where cyclical debasing has already occurred, such as pathology. These ongoing risks have indeed become amplified the longer they remain unaddressed, and this will continue. This balancing act has dominated our thinking in constructing the Portfolio through the past three years, and continues to dominate our assessment of not just future likely returns, which have of course increased as market prices have fallen, but also risks, which are yet to materially abate, in the Portfolio.

Top 10 holdings

| Stock | Weight % |
|-------------------------|----------|
| BHP Billiton Limited | 13.0 |
| National Australia Bank | 7.5 |
| Westpac Banking Corp | 6.9 |
| Commonwealth Bank | 6.4 |
| ANZ Banking Group | 5.2 |
| Woolworths Limited | 4.8 |
| Telstra Corporation Ltd | 4.3 |
| Brambles Limited | 2.8 |
| Amcors Limited | 2.7 |
| Suncorp Group Limited | 2.5 |

Key performance contributors and detractors

| Key performers | Contribution % |
|-------------------------|----------------|
| Telecom Corp of NZ | 0.31 |
| News Corporation | 0.27 |
| Fortescue Metals Group | 0.19 |
| James Hardie Industries | 0.18 |
| Amcors Limited | 0.17 |

| Key detractors | Detraction % |
|-----------------------------|--------------|
| BHP Billiton Limited | -0.57 |
| Alumina Limited | -0.26 |
| Transfield Services Limited | -0.22 |
| Wesfarmers Ltd | -0.18 |
| Foster's Group Limited | -0.15 |



What to do next

- See your adviser
- Visit www.bt.com.au
- Call 1800 813 886

BT Funds Management Limited ABN 63 002 916 458 is the responsible entity of the BT Partner Australian Growth 1 Fund (Fund) and is the issuer of units in the Fund. A Product Disclosure Statement (PDS) is available for the Fund and can be obtained by calling 1800 813 886 or online at www.bt.com.au. You should obtain and consider the PDS before deciding whether to acquire, or continue to hold, units in the Fund. This fact sheet has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs. Total returns for the Fund are calculated to the last day of each month using exit prices. Total return figures assume distributions are reinvested and issuer fee and expenses are deducted but contribution fees (where payable) and taxes are not. Returns are historical and past performance is not a reliable indicator of future performance. This fact sheet is updated quarterly and is accurate at the time of publishing. We may change the investment characteristics of the Fund at any time.