BT Sustainable International Share Fund

ARSN: 612 665 219

Fact sheet

Global Equities
November 2017

About the Fund

The BT Sustainable International Share Fund (**Fund**) is an actively managed portfolio of international shares. Investments are selected on a range of sustainable, ethical and financial criteria.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the MSCI World ex Australia (Standard) Index (Net Dividends) in AUD by 2% p.a. over rolling 3 year periods.

Description of the Fund

The Fund offers investors access to a diversified portfolio of international shares and seeks exposure to companies that demonstrate leading environmental, social and corporate governance (ESG) and ethical practices while avoiding exposure to companies with activities that we consider to negatively impact the environment or society.

The Fund will not invest in companies with material business involvement in the following activities:

- production of tobacco or alcohol,
- manufacture or provision of gaming facilities,
- manufacture of weapons or armaments,
- manufacture or distribution of pornography,
- directly mine uranium for the purpose of weapons manufacturing,
- extraction of thermal coal and oil sands production.

We consider that a company has a material business involvement in an activity if 10% or more of its total revenue is derived from that activity.

As the investment manager for the Fund, AQR's investment process is based on their quantitative investment strategies and aims to add value through active stock and industry selection and investment research. AQR employs a systematic investment process to maintain a highly diversified and risk controlled portfolio.

By incorporating ESG-related factors as an input into the multi-factor stock selection approach, the portfolio is able to favour companies that score better across all factors on average.

Consistent with the Fund's focus on sustainable and ethical investments, the Fund's proxy voting policy generally supports shareholder proposals advocating ESG related activities including proposals advocating enhanced disclosure and transparency.

Investment Team

Founded in 1998, AQR Capital Management is an investment management firm employing a disciplined multi-asset, global research process. AQR's team spans a variety of backgrounds including fund management and academic finance.

Management Costs[1]

Issuer fee[2]	0.70% pa

[1] You should refer to the latest Information Memorandum for full details of fees and other costs you may be charged.

[2] This is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. The Issuer fee is paid from the assets of the Fund and is reflected in the unit price of your investment.

CERTIFIED BY RIAA

The BT Sustainable International Share Fund has been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details.

The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	2.95	3.01	3.23
3 months	11.16	11.36	11.36
6 months	7.98	8.36	7.47
1 year (pa)	21.18	22.03	20.51
Since Inception (pa)	17.31	18.17	17.24

Country allocation (as at 30 November 2017)

Belgium	0.3%
Denmark	1.2%
Finland	0.6%
France	3.9%
Germany	4.2%
Italy	1.2%
Netherlands	1.5%
Spain	1.2%
Sweden	1.1%
Switzerland	3.4%
United Kingdom	6.0%
Hong Kong	1.4%
Japan	8.4%
Canada	3.0%
USA	59.4%
Cash & other	3.2%

Top Ten Holdings (as at 30 November 2017)

Apple Ord Shs	2.4%
Microsoft Ord Shs	2.0%
Facebook Class A Ord Shs	1.4%
JPMorgan Chase Ord Shs	1.2%
Alphabet Ord Shs Class A	1.1%
Johnson & Johnson Ord Shs	1.1%
UnitedHealth Group Ord Shs	1.1%
Allstate Ord Shs	1.1%
Oracle Ord Shs	1.0%
Intesa Sanpaolo Ord Shs	1.0%

Other Information

Fund size (as at 30 Nov 2017)	$164 million
Date of inception	July 2016
Minimum investment	$500,000
Buy-sell spread[3]	0.10% (0.05%/0.05%)
Distribution frequency	Quarterly
APIR Code	BTA0568AU

[3] The buy-sell spread represents a contribution to the transaction costs incurred by the Fund, when the Fund is purchasing and selling assets. The buy-sell spread is generally incurred whenever you invest in the Fund, and may vary from time to time without notice.

Risks

An investment in the Fund involves risk, including:

- **Market risk**: The risk associated with factors that can influence the direction and volatility of an overall market, as opposed to security-specific risks. These factors can affect one country or a number of countries.
- **Security Specific risk**: The risks associated with an individual security.
- **International investments risk**: The risk arising from political and economic uncertainties, interest rate movements and differences in regulatory supervision associated with international investments.
- **Currency risk**: Currency exchange rate fluctuation risk arising from investing across multiple countries.

Please read the Fund's Information Memorandum (**IM**) for a detailed explanation of each of these risks.

Market review

Equity markets delivered another month of solid gains in November, with the MSCI World ex Australia Total Return Index returning 3.2%. Positive sentiment continued as investor confidence was reaffirmed on the back of favourable earnings results from major corporations, positive economic data and the Bank of England's decision to raise interest rates for the first time in a decade. The oil price continued to advance towards the US$60 mark while non-energy commodities prices were more subdued.

US equities registered another strong month in record high territory. The market was broadly supported on account of prospective US tax reform after Senator John McCain backed the Senate Tax Bill that had undergone extensive debate during the month. The increasing likelihood of cuts to corporate tax rates spurred a rotation away from the technology sector towards financials. Strong early indications of consumer demand from Black Friday sales also boosted consumer stocks. The S&P500 delivered a 3.1% return whilst the Nasdaq was up 2.2%.

Major European equity markets weakened during the month, with the German DAX (-1.6%) and the French CAC (-2.4%) weighing on returns from the region. Falling bond yields and muted inflation indications led to a risk-off environment, while positive signals on the Eurozone economy such as unemployment falling to 8.8% the lowest level in nine years – together with generally strong private sector surveys failed to placate markets. The UK market also declined, with the FTSE Index declining by 2.2% as uncertainty on the political arena and the Bank of England hiking interest rates by 0.5% weighed on sentiment.

Asian markets delivered a mixed set of results, with Hong Kong, China and Japan yielding from some strong earnings results, despite weaker economic data from China. South Korea and Taiwan lost ground due to weak sentiment towards technology companies as investors globally took profits on the sector. Japan (+3.2%) and Hong Kong (+3.3%) were the standout performers for the region.

The Australian dollar finished the month 1% lower against the US dollar, -2.9% weaker against the British pound and down 3.3% against the euro. The local currency was weaker on lower than anticipated trade data and signs of weak consumption data.

Fund performance

The Fund underperformed its benchmark over November 2017. Underperformance was sourced from Europe and developed Asia, which was partially offset outperformance in North America against the regional benchmark's performance over November.

Thematically, the underperformance in Europe was due to negative performance of momentum and management signalling factors which outweighed the positive performance of valuation signals. In developed Asia, valuation was a negative contributor and outweighed the positive performance of indirect momentum signals. In North America, business quality metrics were the strongest positive contributor, offset somewhat by weakness in indirect momentum signals.

From a stock and industry attribution perspective, both active industry tilts and stock selection within industry groups contributed to underperformance. At a sector level, the underweight to Consumer Staples and overweight to Materials detracted, offset somewhat by a positive contribution from an underweight position in Energy. Stock selection within industry groups was largely a source of positive active returns, notably within Materials and Industrials, but was outweighed by underperformance of positions within the Information Technology sector.

Strategy & outlook

Entering December, the largest sector tilts are overweight positions in Information Technology and Industrials and underweight positions in Consumer Staples and Financials. Relative to long-term allocations, we remain mildly tilted towards higher quality companies with positive momentum and away from cheaper industry peers in the US, Europe and Japan.