BT Sustainable International Share Fund

ARSN: 612 665 219

Fact sheet

Global Equities

December 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	-1.56	-1.50	-1.71
3 months	5.89	6.08	5.81
6 months	9.51	9.90	8.49
1 year (pa)	14.23	15.03	13.38
Since Inception (pa)	14.94	15.78	14.75

Country allocation (as at 31 December 2017)

Belgium	0.4%
Denmark	1.2%
Finland	0.6%
France	3.9%
Germany	3.9%
Italy	1.2%
Netherlands	1.6%
Spain	1.1%
Sweden	1.0%
Switzerland	3.4%
United Kingdom	6.2%
Hong Kong	1.5%
Japan	8.4%
Canada	3.1%
USA	59.2%
Cash & other	3.3%

Top Ten Holdings (as at 31 December 2017)

Apple Ord Shs	2.1%
Microsoft Ord Shs	1.8%
Facebook Class A Ord Shs	1.4%
JPMorgan Chase Ord Shs	1.2%
Alphabet Ord Shs Class A	1.1%
LyondellBasell Industries Ord Shs Class A	1.1%
Johnson & Johnson Ord Shs	1.1%
Allstate Ord Shs	1.1%
Southwest Airlines Ord Shs	1.1%
UnitedHealth Group Ord Shs	1.0%

Other Information

Fund size (as at 31 Dec 2017)	$161 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

Global equity markets finished the year with strong returns in December, although a strengthening Australian dollar reversed the local currency gains, with the MSCI World ex Australia Total Return (A$) Index returning -1.7%. Market sentiment continued to be favourable towards shares, reflecting continued improvement in economic conditions in the US and Europe, together with signs of stability in China. Expectations of continued global growth into 2018 were accompanied by rises in key commodity prices, with crude oil (West Texas Intermediate) trading above the US$60/bbl mark, iron ore rising above US$75/mt and copper rallying to well above US$3/lb on supportive demand from China. The red metal has risen by over 30% for the year, while crude oil has risen to its highest level since June 2015. Bullish conditions in capital markets have pushed the MSCI World ex Australia (A$) Index to its sixth consecutive year of strong positive returns.

The US equity market was buoyed by continuing strong economic momentum and policy developments. The Trump agenda for tax cuts reached completion following passage of the US Tax Reform Bill through both houses of Congress to be signed into law. The policy will see the corporate tax rate fall to 21% from its current 35%, together with measures to improve interest on debt and spending deductions for companies. The US Federal Reserve also followed through with its well-flagged intention to raise interest rates, with the policy setting board passing a unanimous decision to raise the Fed Funds Rate by 25 basis points. At a sector level, Telecommunications, Energy and Consumer Staples were among the best performing sectors, while Utilities was the weakest. The S&P500 delivered a 1.1% return while the Nasdaq was up 0.4%.

Returns from major European equity markets were mixed for December, with the German DAX (-0.8%) and the French CAC (-1.1%) weighing on returns from the region. Companies within the base metals and consumer sectors were among the best performers, while utility stocks were generally weak. However, economic data signalled continued improvement in the region's economy, with the euro zone Purchasing Managers (Composite) Index (PMI), a private sector activity survey and leading economic indicator, rose to an 82-month high, driven by strong conditions within the manufacturing sector and a robust services sector. The Consumer Confidence indicator, as measured by the European commission, also rose to its highest level in more than a decade.

The UK market delivered strong gains, aided by the broad representation of resource companies that enjoyed strengthening commodity prices. The FTSE Index rose by 4.9% for the month, while the Bank of England decided unanimously to maintain interest rates at 0.5%, but confirmed it expects 'further modest increases' as the economy moves towards the 2% inflation target.

Asian markets benefitted from the positive developments offshore and strong conditions domestically to deliver gains for the month. Hong Kong (+2.5%) led the region's gains, as did India, while returns from Japan (+0.2%) were more muted, albeit positive.

The Australian dollar finished the month 3% higher against the US dollar, 3.1% stronger against the British pound and 2.3% higher against the euro. The local currency was a direct beneficiary of stronger commodity prices and stabilising demand from China, and rose in spite of the hike in US interest rates.

Fund performance

The Fund outperformed its benchmark over the month of December. Outperformance was sourced from North America, while Europe and developed Asia performed in line with regional benchmarks over the month.

Thematically, the outperformance in North America was driven by strong performance of relative value and business quality signals. Offsetting was weakness in momentum signals for industry selection within Canada and US markets. Active returns were flat within Europe over the month, with strength in earnings quality measures the notable positive contributor and relative valuation, for both stock and industry selection the notable detractor. Developed Asia also produced flat results over the month, with management signals the strongest performer, most notably offset by weakness in business quality measures.

From a stock and industry attribution perspective, active industry tilts detracted but losses were outweighed by the outperformance of active stock positioning within industry groups over the month. At a sector level, the underweight to Energy was the largest detractor and overweight to Materials to largest contributor over the month. Stock selection within industry groups was the driver of outperformance over the period, notably within Materials and Industrials.

Strategy & outlook

Entering January, the largest sector tilts are overweights in Industrials and Materials and underweights in Consumer Staples and Energy. 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 and Europe and Japan.