

BT Institutional Money Market Fund

Fact Sheet
February 2011



About the Fund

The BT Institutional Money Market Fund is an actively managed portfolio of short-term money market securities of strong credit quality.

Fund objective

The Fund aims to provide a return (before fees and expenses) that exceeds the return from the Fund's benchmark (UBS Bank Bill Index) over the short term. The Fund also aims to maintain a stable \$1.00 unit price while providing income which reflects the returns available in the short-term money market. The suggested investment timeframe is a rolling 12 month period or more.

Investment approach

The Fund offers money market returns with the flexibility to make deposits and withdrawals using cheque and deposit books. This flexibility provides an efficient way of managing cash flows while making significant savings on administrative costs.

The Fund generally maintains exposure to bank-backed, corporate and government short-term money market and floating rate securities, annuities and, where appropriate, derivatives. The weighted average maturity of the portfolio will generally be consistent with the Manager's expectations of future changes in interest rates.

The Fund allows investors to benefit from all sources of value in a structured and disciplined way via:

- weighted average maturity management
- asset allocation (which may include bank bills, corporate and asset backed securities).

Investment team

BTIM's Income Strategies team includes five dedicated investment professionals. The team also draws on a wide range of knowledge resources across BTIM including BTIM's other specialist investment teams: Equity Strategies and Macro Strategies. The portfolio managers of the Fund are Vimal Gor and Steve Campbell, who have a combined 29 years industry experience.

Performance

| (%) | Total Returns | | Benchmark Return |
|--------------|---------------|-----------|------------------|
| | (post-fee) | (pre-fee) | |
| 1 month | 0.36 | 0.38 | 0.37 |
| 3 months | 1.17 | 1.22 | 1.23 |
| FYDT | 3.12 | 3.27 | 3.28 |
| 6 months | 2.33 | 2.44 | 2.43 |
| 1 year (pa) | 4.57 | 4.80 | 4.78 |
| 2 years (pa) | 3.93 | 4.16 | 4.12 |
| 3 years (pa) | 4.91 | 5.14 | 5.11 |
| 5 years (pa) | 5.47 | 5.70 | 5.67 |

Post-fee return is based on management fees deducted from the unit price: currently 0.22% (pa).

Sector exposures (as at 28 February 2011)

| | |
|------------------|-----|
| 11am | 7% |
| Bank securities | 77% |
| Promissory notes | 16% |

Security credit ratings (as at 28 February 2011)

| | |
|-----|-----|
| A1+ | 87% |
| A1 | 13% |

Other information

| | |
|-------------------------------|--------------|
| Fund size (as at 28 Feb 2011) | \$43 million |
| Date of inception | June 1989 |
| Minimum investment | \$500,000 |
| Buy-sell spread | Nil |
| Distribution frequency | Monthly |
| APIR code | BTA0119AU |

Fees

| | |
|----------------|-----------|
| Management fee | 0.22% pa* |
|----------------|-----------|

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

Market review

The Reserve Bank of Australia left the cash rate unchanged at 4.75% at its February meeting. In its statement the Reserve Bank noted the strong outlook for global growth, with the expansion in the Chinese and Indian economies performing particularly well.

Commodity prices remain high and Australia's terms of trade are at their highest level since the early 1950's, assisting national income growth. The Reserve Bank noted that indications of private investment are beginning to pick up in response to the high levels of commodity prices. The household sector however remains cautious, with the household savings rate remaining above 10%.

The Reserve Bank noted that inflation has declined significantly from its peak in 2008, with recent data showing underlying inflation around 2.25% in 2010. The high level of the exchange rate, previous declines in wages growth and strong competition in some markets are assisting in offsetting utilities price increases.

Labour market data released during the month was mixed, with employment growing by a larger than expected 24,000 jobs in January and the unemployment rate remaining at 5.0%. The composition of the employment growth was weaker than the headline suggests, with full time employment declining by 8,000 jobs and part time employment increasing by 32,000 jobs. The labour market performed extremely well over 2010, with the Reserve Bank expecting further employment growth at a more modest pace.

The Reserve Bank also noted in its statement that whilst the flooding in Queensland and Victoria will have a temporary adverse affect on economic activity and prices, the focus of monetary policy will remain on medium term prospects. The Bank's preliminary assessment is that the net additional demand from rebuilding is unlikely to have a major impact on the medium-term outlook for inflation.

Australian bank bills traded in a tight range over the month, with 90 day bank bills trading in a 7 basis point range and ending the month 5 basis points higher at 4.97%. The Australian yield curve flattened over the month, with the 3 year bond yield rising 8 basis points to close at 5.13% and the 10 year bond yield closing 2 basis points lower at 5.49%.

Fund performance

The fund performed in line with its index over the month and ended the month long of index with a weighted average maturity of 49 days. The portfolio composition remains consistent with prior months. Asset backed commercial paper remains concentrated in shorter dated maturities and provides an attractive pick up in yield relative to bank bills. All programs are reviewed consistently and remain of strong quality. The yield curve provided relative value opportunities during the month, with the short end of the curve remaining particularly expensive.

The portfolio extended slightly further out the curve during the month, with four month exposure added. With the Reserve Bank unlikely to tighten monetary policy further in the first half of 2011, this part of the curve provides additional yield pick up relative to shorter parts of the yield curve.

Outlook

The Reserve Bank left the cash rate unchanged at 4.75% at its March meeting.

We expect monetary policy to remain unchanged in the first half of 2011. In the medium term we expect tightening pressure beginning to emerge, despite underlying inflation being at the bottom end of the Reserve Bank's target range. Influences that have assisted in keeping inflation subdued will begin to dissipate, with underlying inflation expected to trend higher. Tighter labour market pressures will continue to emerge, particularly in the construction and mining sector which are already exhibiting shortages. The infrastructure investment pipeline was significant prior to the floods and will be added to following the rebuilding required. The elevated terms of trade levels will remain key in determining whether infrastructure investment intentions translate into development.



For more information

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

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Performance figures are calculated in accordance with the Investment & Financial Services Association (IFSA) standards. Total returns (post-fee) are calculated: to the first day of each month using average daily distribution yields; taking into account management costs of the fund. No reduction is made to the unit price (or performance) to allow for tax you may pay as an investor, other than withholding tax on foreign income (if any). Certain other fees such as Contribution fees or Withdrawal fees (if any) are not taken into account. Total returns (pre-fee) are calculated by adding back management costs to the (post-fee) returns. Past performance is not a reliable indicator of future performance.

If market movements, cash flows or changes in the nature of an investment (eg a change in credit rating) cause the Fund to exceed any of the investment ranges or limits in this document, this will be rectified by BTIM (RE) as soon as reasonably practicable after becoming aware of it. If BTIM (RE) does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified in this document are accurate as at the date of its issue, and BTIM (RE) reserves the right to vary these from time to time.

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