

BT Institutional Money Market Fund

Fact Sheet
March 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	0.40	0.42	0.42
3 months	1.17	1.23	1.22
FYDT	3.54	3.71	3.71
6 months	2.36	2.47	2.48
1 year (pa)	4.64	4.87	4.87
2 years (pa)	4.01	4.24	4.21
3 years (pa)	4.84	5.07	5.03
5 years (pa)	5.46	5.69	5.65

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

Sector exposures (as at 31 March 2011)

11am	5%
Bank securities	70%
Promissory notes	25%

Security credit ratings (as at 31 March 2011)

A1+	85%
A1	15%

Other information

Fund size (as at 31 Mar 2011)	\$34 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*
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* 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 March meeting. The Reserve Bank's accompanying statement remained consistent with prior months, noting the global economy's continuing expansion, led by very strong growth in the Asian region. Consumer price inflation has been picking up in many countries with authorities tightening monetary policy settings, although the Reserve Bank notes that current settings continue to remain accommodative.

The elevated level of the terms of trade continues to provide a significant boost to national income, with private investment mainly in the resources sector picking up as a result. Households however continue to remain cautious, with the household savings rate remaining around 10%. Overall credit growth remains quite subdued.

The Reserve Bank views inflation as being consistent with its medium term objective. The high level of the exchange rate, strong competition and decline in wages growth has worked to offset the large rises in utilities.

Economic data released after the Reserve Banks meeting was generally weaker than expected and would not cause concern for the Reserve Bank. Employment data was mixed, with employment contracting by 10,100 jobs in February, although the composition was stronger than the headline suggested with the contraction due to a large fall in part time employment. Full time employment increased by 47,600 jobs. The unemployment rate was steady at 5.0% and the participation rate fell from 65.9% to 65.7%. Dwelling starts, investment lending and home loan data released all recorded declines.

Natural disasters again had an effect on financial markets with the Japanese earthquake resulting in equity markets globally falling and government bonds rallying strongly on the news. Japan is Australia's second largest trading partner, accounting for 20% of Australian exports and 9% of total imports. Short term interest markets rallied, with the market pricing in the possibility of an interest rate cut by the Reserve Bank within 6 months. Prior to the earthquake the market had been pricing in one rate hike by the end of the year as being likely. 90 day bank bills rallied over the month, ending 4 basis points lower in yield at 4.93%. The 3 and 10 year bond curve steepened with the 3 year bond rallying 9 basis points to 5.04% whilst the 10 year bond finishing unchanged at 5.49%.

Portfolio Performance and Activity

The fund ended the month with a weighted average maturity of 41 days. Exposure remains consistent with previous months. Asset backed commercial paper continues to benefit the fund's performance, also offering an attractive margin to bank bills. Each program is reviewed regularly to ensure that it continues to remain of strong credit quality. The shape of the yield curve changed significantly following the earthquake in Japan. Prior to this, short dated maturities offered little value. With the yield curve now relatively flat, longer dated securities offer less value. Should the curve flatten further the portfolio will reduce its holding in longer dated bank bills and move into shorter dated maturities.

Outlook

The Reserve Bank is unlikely to change its monetary policy setting in the near term, with inflationary pressures remaining at the lower end of their target band and economic data more recently reflecting a more subdued Australian economy. The market pricing in the possibility of monetary policy easing is a situation that we view as unlikely to occur. Recent natural disasters will have an affect on economic data, with inflation data released late in April likely to be particularly affected. One off increases such as school fees that occur in the first quarter of the year will also add upward pressure on the headline inflation rate. Whilst the Reserve Bank will look through these one off factors in its assessment, it is likely that inflationary pressure begins to increase. Competition and the high exchange rate have assisted in reducing inflationary pressure, although it is likely that these factors do not detract from inflation going forward. The investment pipeline remains significant and is something that the Reserve Bank will be following closely, particularly noting if investment intentions translate into development. Household spending and credit growth remain subdued currently with the Reserve Bank more likely to act should household spending increase or credit growth pick up. These are scenarios that we view as unlikely to occur in the near term and see the Reserve Bank on hold until later in the year.



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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