

# BT Wholesale Global Fixed Interest Fund

Fact Sheet  
March 2011

ARSN: 009 567 558



## About the Fund

The BT Wholesale Global Fixed Interest Fund actively seeks out investment opportunities within a broad portfolio of international fixed interest securities.

The management of BTIM's global fixed interest portfolios is outsourced to US-based BlackRock Financial Management Inc., a premier provider of international investment services across a broad range of asset classes. BlackRock has a cross-disciplinary team approach, which enables BTIM to benefit from the pooled expertise of all BlackRock's resources: its investment and risk management professionals, and its highly sophisticated, integrated, proprietary analytical tools.

### Fund objective

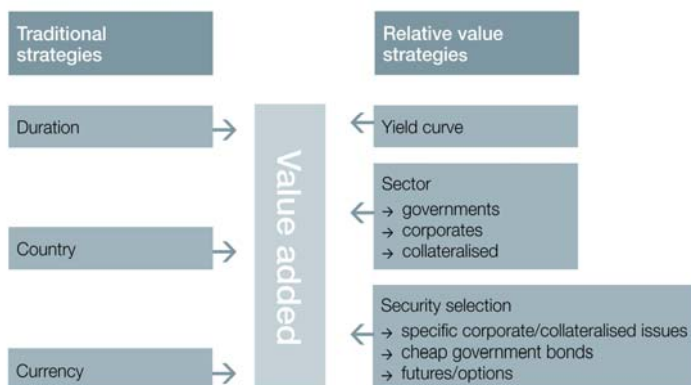
The Fund aims to provide a return (before fees, costs and taxes) that exceeds the Barclays Capital Global Aggregate Bond Index, hedged to AUD, over the medium term. The suggested investment timeframe is three years or more.

### Investment approach

BlackRock's Global Bond philosophy is an extension of its risk-controlled approach that focuses on active sector/sub-sector rotation and security selection. BlackRock believes that this strategy is particularly well suited to today's dynamic global fixed income markets where the opportunity for relative value has increased.

### Investment process

BlackRock's investment team employs multiple strategies to add value with an emphasis on exploiting relative value along the yield curve, across sectors and between individual securities. While value is also derived from traditional strategies, active exposures to country, currency and duration relative to the benchmark tend to be limited. In general, BlackRock expects 35% of value add to come from traditional strategies (duration, country and currency), while 65% is expected to come from relative value strategies (sector, security and yield curve).



BlackRock's portfolio construction is a two-stage process:

- Formulate strategies around major macro factors: country/bloc, currency and duration exposures
- Focus on relative value considerations: yield curve positioning, rotation between sectors and sub-sectors, and security selection are the key decision drivers

## Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	0.38	0.43	0.34
3 months	1.36	1.49	0.96
FYDT	4.39	4.80	3.94
6 months	0.80	1.07	0.47
1 year (pa)	8.05	8.59	7.42
2 years (pa)	10.37	10.93	8.82
3 years (pa)	7.31	7.85	8.22
5 years (pa)	6.53	7.06	7.81

On 3rd November 2008 the benchmark name for this fund was changed to Barclays Capital Global Aggregate Bond Index Hedged to AUD.

### Asset allocation (as at 31 March 2011)

Denmark	1.9%
France	2.4%
Germany	9.8%
Italy	4.1%
Netherlands	1.6%
Sweden	1.8%
United Kingdom	8.5%
Other Europe	11.6%
Japan	9.7%
Canada	3.3%
USA	43.5%
Cash & Other	1.8%

## Duration

Portfolio duration is managed to +/- 1 year of the benchmark's duration.

## Other information

Fund size (as at 31 Mar 2011)	\$112 million
Date of inception	July 2002
Minimum investment	\$50,000
Buy-sell spread	0.20%#
Distribution frequency	Semi-annual
APIR code	RFA0032AU

# The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

## Fees

Management fee	0.53% pa*
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\* You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

## Market Review

At the FOMC's meeting on 3/15, they, unsurprisingly, decided to continue QE2 at the current rate and remain accommodative. The members also confirmed their existing policy to purchase \$600 billion of longer-term Treasury securities by the end of Q2 2011. As Q2 begins, market participants are increasingly wary of what the end of QE2 will mean for fixed income and the economy. The Fed also left their target for the federal funds rate at 0-0.25%, marking more than two years at this level. The next FOMC meeting will take place on April 26th. On March 10th, the Bank of England left rates on hold at 0.50% as expected and held the £200 billion of quantitative easing unchanged.

In UK economic news, the revised GDP number for Q4 came out weaker than expected at -0.5% (vs. -0.6% est.). In line with most developed markets, PMI data was broadly positive with strong manufacturing and construction readings coming in at 61.5 (vs. 61 est.) and 56.5 (vs. 52.8 est.), respectively. PMI services did disappoint coming in at 52.6 (vs. 53.7 est.). The British Chambers of Commerce and PwC cut their growth estimates for 2011 to 1.4% from 2%. On a more positive note, Industrial Production came out ahead of expectations at 4.4% year-over-year (vs. 4.2% est.), and Manufacturing Production also beat expectations at 6.8% (vs. 6.3% est.). CPI came in at 4.4% as rumoured and ahead of Bloomberg estimates, while core CPI came in at 3.4% (vs. 3.1% est.).

Moody's downgraded Spain by 1 notch to Aa2 with a negative outlook, Greece by 3 notches to B1 and Portugal by two notches from A1 to A3 with a negative outlook. Portugal was in the centre of the focus towards the end of the month as market participants remain sceptical about Portugal's ability to meet its government bond redemptions in April and June. Portugal is an increasingly precarious position since no new election has been called after the Prime Minister handed in his resignation last week when his party failed to pass further austerity measures in the parliament. Adding on to the bad news, the Portuguese Treasury has revised up its 2011 Budget Deficit.

In terms of economic data, Eurozone Industrial Production rose 6.6% year-over year in January (vs. 6.5% est.). Eurozone Q4 Labour Costs rose 1.6% year-over year (vs. 1.1% est.). This was the first rise since Q4 2008. More notable however, the core inflation rose 1.1% (vs. 1.0% est.). Eurozone CPI for March, which rose 2.6% year-over-year (exp: 2.4%). Eurozone PMI Composite rose to 57.5 (vs. 57.8 est.). European yields were up over the month led by the front end. The periphery is sharply wider, especially in the front end, with Portuguese 2-years up over 400 bps vs. bunds to 8.78% and Irish 2-years up 197 bps to 9.87%. Portions of the periphery were tighter with Spanish 10-year 28 bps tighter vs. bunds at 194 bps and Italian 10-year 20 bps tighter to 147 bps.

In March, Japan was hit with a tragic earthquake and a subsequent tsunami followed by a nuclear crisis which the Prime Minister called the country's largest crisis since World War II. JGB yields rallied more than 10 bps following the earthquake but yields climbed back up into month-end. The benchmark 10-year JGB yield closed the month 3.4 basis points lower at 1.260%. The yield curve bull flattened between the short and belly of the curve while it twisted steeper in the super long end sectors. 15-year JGB floaters flows performed strongly supported by a steeper yield curve. While outright real yields continued to perform well in March, Japanese inflation-linked bonds underperformed nominal counterparts for the first time in the last seven months as the rally in nominals was led by futures. In terms of fundamentals, inflation data came out as expected with March Tokyo Core CPI recording -0.3% year-over-year and February Nationwide Core CPI -0.6% year-over-year.

## Fund Performance

Overall, our duration positioning in the dollar bloc had a positive impact on performance, primarily due to our overweight position in Australia. The portfolio's sector positioning in the dollar bloc contributed to performance, primarily due to our positions in High Yield. Positive technicals and low rates have kept high yield well bid. On the contrary, our overweight US CMBS position detracted from performance as CMBS spreads gave back some of the gains from January and February. Our duration positioning in the Pan-Europe bloc had a neutral impact on performance due to our underweight position in the Euro Bloc offset by our short EUR vs. GBP position. Our positions in German linker had a slightly positive impact on performance while our underweight EUR Credits position had a slightly negative impact on performance. Our underweight position in Japan had a negative impact on performance. Additionally, our underweight Asia ex-Japan positioning detracted slightly from performance. Our positions in JGB Floaters had a positive impact on performance which was strongly supported by a steeper yield curve.



## For more information

Please call 1800 813 886, contact your business development representative or visit [www.btim.com.au](http://www.btim.com.au)

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