

BT Institutional Enhanced Global Fixed Interest Fund

Fact Sheet
April 2011

ARSN: 088 841 972



About the Fund

The BT Institutional Enhanced Global Fixed Interest Fund is a diversified portfolio of investments which utilises a combination of active and enhanced strategies including: cash strategies, duration, credit investments, a currency strategy and a benchmark swap arrangement¹.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the JP Morgan GBI Global Traded Index, hedged in Australian dollars, over the medium term. The recommended investment timeframe is three years or more.

Investment process

Investment returns for the BT Institutional Enhanced Global Fixed Interest Fund may be generated from a number of sources:

- **Cash strategies:** an actively managed portfolio of debt securities which aims to add value from sector and security selection and portfolio construction
- **Duration:** a combination of fundamental and quantitative analysis is employed to create an optimal global duration portfolio. Positioning reflects the risk adjusted allocation of duration to the markets of: US, Australia, Europe, Japan and Canada.
- **Credit:** exposure to global corporate markets with dynamic allocation between sectors determined by return expectations and break even spread analysis.
- **Currency:** a quantitative valuation tool is used to assess relative value and create an optimal currency portfolio.
- **Benchmark:** the return of the global government bond market is delivered via a Total Return Index Swap.

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 Fund is managed by Vimal Gor, Head of Income Strategies who has more than 15 years industry experience.

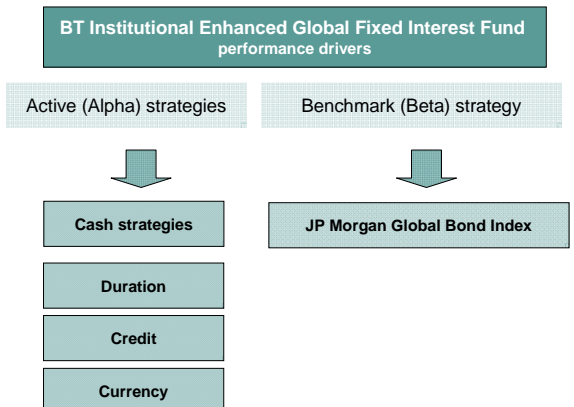
¹Change in investment strategy

From its inception, the main investment strategy employed in the Fund was an enhanced index strategy using an alpha transfer technique combined with a benchmark swap. From May 2007, the Fund added three active alpha strategies to its investment universe: duration, credit and currency. The new sources of excess return were introduced to provide greater diversification and increase the potential for outperformance.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	1.32	1.35	1.13
3 months	2.16	2.24	1.78
FYDT	5.57	5.86	3.89
6 months	0.80	0.96	0.56
1 year (pa)	8.49	8.85	7.08
2 years (pa)	11.51	11.87	7.04
3 years (pa)	8.60	8.95	8.25
5 years (pa)	7.55	7.90	8.00

The benchmark for this fund has changed over time. The benchmark performance shown is that of the combined benchmarks that the fund has aimed to exceed over time.



Other information

Fund size (as at 30 Apr 2011)	\$988 million
Date of inception	July 1992
Minimum investment	\$50,000
Buy-sell spread	0.12% ¹
Distribution frequency	Annual
APIR code	WFS0005AU

¹The 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	0.33% pa*
----------------	-----------

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

Global - Market Review

Recent data show that the global economic environment has rolled over and should show further signs of weakness going forward.

The fiscal stimulus in the US was largely responsible for the strength in the second half of last year and this is well and truly behind us now. Fiscal conditions are already tightening and with monetary policy tightening (the end to QEII and the end of loosening policy - for the meantime at least) in June we expect consensus growth expectations for the second half of this year to be marked down dramatically in the coming months. Global growth will also be impacted by the large run-up in commodity prices, but it is likely that the increase in commodity prices will hamper consumption going forward, and this will impact consumption globally not just in the US.

The ECB as well as ignoring this consumption hit are worried about a non-existent inflation threat while the peripheral economies come under further pressure. When the German economy turns lower, in line with the slowing leading indicators, the ECB will likely curtail the rate hiking cycle. The ECB is currently playing a game of chicken with the European politicians who are yet to speak with a unified voice and are drifting further and further to the right with every regional election. Not only is there diminishing funds for further bailouts but the political will is decreasing rapidly, this increases the risk of restructuring (read default) ahead of the touted 2013 plan.

Australian - Market Review

The key Australian economic data release for March was the CPI which was published late in the month. This print ended three consecutive quarters of below-consensus inflation outcomes with a strong number buoyed by Queensland flood related rises in fruit and vegetables, fuel price rises and an unexpectedly large rise in the inflation non-tradeable goods and services. The effect of the rising Australian Dollar over the quarter had less of an effect on retail good discounting than expected also. The latest underlying inflation outcome moves annualised inflation back to the top of the RBA's target band, increasing the threat of another rate rise later in the year, especially if the figure for the quarter ending in June is strong.

Inflation may have surprised on the upside, but there is plenty of reason to believe that the economy is constrained at the current level of monetary policy. The pace of consumer deleveraging is still hurting credit growth, housing and retail sales. Manufacturing, education and tourism are also suffering due to the strength of the Australian Dollar, which is likely more of a threat to the economy than an uptick in inflation. Even the key themes – the resource investment boom and wage growth – have been slow to materialise and will leave the RBA on hold for a while yet.

The 3 year bond yield rose by 3bp over the month from 5.04% to 5.07%. The 10 year bond yield fell by 5bp from 5.49% to 5.44%. The Australian Dollar had a strong run from 1.0329 to 1.0971 over the month. Further rises in the currency will likely continue to encourage a strong bid for the long end of the yield curve.

Credit – Market Review

Credit markets ended the month firmer with better than expected Q1 2011 company earnings, supportive economic data and strong US and European equity markets. Credit markets performed well in the face of higher oil prices on continued Middle East tensions and speculation intensified about a Greek debt restructure.

First quarter reporting season out of the US has been positive with three quarters of the S&P 500 companies reporting earnings ahead of market consensus. Earnings growth rate for Q1 2011 is tracking at just under 18% vs Q1 2010. The estimated earnings growth rate for Q2 2011 is 14.5%. Some of the themes coming out from the reporting season are improving bank earnings on the back of asset quality improvements and associated provision write-backs. As a counterpoint to improving bank results is the tepid growth in credit, which can be a reliable predictor of macro weakness. Industrial companies are performing well through higher end user demand translating into stronger sales, but concerns over margin pressures still remain as commodity prices have continued to rise.

Moving to Europe, some positive news came out of the Irish Stress test announcements. Whilst the banks will need an additional EUR 24bn to bolster capital levels, the result was consistent with market expectations. Further, the governor of the Central Bank of Ireland put the market's worst fears at rest in confirming that senior bank bond holders will not take any hair cuts or burden share in times of stress that require capital support.

Further support for credit markets came mid-month on news that a number of European banks (Deutsche Bank, Commerzbank and Intesa Sanpaolo) all announced plans to raise equity capital to support their balance sheets.

Greek sovereign spreads deteriorated further in April on talk of a Greek debt restructure. The German financial minister said Greece may need to restructure its sovereign debt, separately S&P said the risk of a Greek restructure was almost one in three, and it was also reported that the IMF believes Greece's debt is unsustainable and Athens should consider restructuring by next year. Greece 5 yr cds widened over 300bps to 1300bps in April and is implying approximately 60% probability of default over the next 5 years.

In the middle of April, S&P placed the US sovereign AAA credit rating on negative watch. The agency warned that the U.S. fiscal profile may become "meaningfully weaker" than that of peer AAA sovereigns if policy makers can't reduce the budget deficit. The US sovereign CDS widened 8bps on the news but later recovered to close 2bps wider on the month to 44bps as most market participants realise that the US needs to cut its debt burden to remain a AAA sovereign.



For more information

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

BT Investment Management (RE) Limited ABN 17 126 390 627, AFSL 316 455, is the responsible entity and issuer of units in the BT Institutional Enhanced Global Fixed Interest Fund. A Product Disclosure Statement (PDS) is available for the Fund and can be obtained by contacting your business development representative on 1800 813 886 or visiting www.btim.com.au. You should obtain and consider the PDS before deciding whether to acquire, continue to hold or dispose of units in the Fund. This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs. An investment in the Fund is not a deposit with or any other liability of the Westpac Banking Corporation (ABN 33 007 457 141) or any other Company in the Westpac Group of companies.

Performance figures are calculated in accordance with the Investment & Financial Services Association (IFSA) standards. Total returns (post-fee) are calculated: to the last day of each month using exit prices; taking into account management costs of the fund; assuming reinvestment of distributions (which may include net realised capital gains from the sale of assets 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.

BT Investment Management (RE) Limited is a member of the Westpac Group. Neither BT Investment Management (RE) Limited, nor any other company in the Westpac Group, guarantees the repayment of capital or the performance of the product or any particular rate of return.

BT® is a registered trade mark of BT Financial Group Pty Ltd and is used under licence.