

BT Wholesale Enhanced Credit Fund

Fact Sheet
April 2011

ARSN: 089 937 815



About the Fund

The Fund is an actively managed portfolio of corporate debt securities.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds UBS Non-Government Bond Index over the medium term.

The suggested investment timeframe is three years or more.

Investment strategy

The Fund is actively managed and aims to take advantage of investment opportunities within the Australian non-Government fixed interest market. The Fund invests predominantly in AUD non-Government fixed interest securities, including securities of investment grade issued by leading corporations listed on the Australian Stock Exchange. The Fund may also invest in a limited amount of investment grade hybrid securities, non-investment grade securities, unrated securities and, where appropriate, derivatives.

Investment philosophy

Our philosophy is based on our belief that credit markets are inefficient due to market shocks, changes in the underlying economy, and the continually evolving nature of the credit market itself. Consequently, we believe that credit investments are often mispriced as participants may incorrectly measure the underlying risks and returns of the investment. This mispricing of investments provides numerous excess return opportunities for the credit fund manager with the appropriate analytical skill set, portfolio management skills, and execution capabilities.

Investment process

BTIM's Credit team uses a disciplined and transparent process. The team's research effort focuses on identifying and capturing what we consider mispricings in credit market securities and utilises both qualitative assessment of companies and quantitative modelling which aim to identify opportunities and avoid problematic issuers. In addition to BTIM's internal research resources, BTIM sources research from an independent research company, CreditSights, focused on global companies.

Key benefits of the Fund

Investing in the Fund:

- provides investors with the potential for enhanced performance and higher long-term capital growth
- delivers significant diversification benefits for investors via accessing a broad range of companies, industries and countries.

Currency management

The Fund may have assets denominated in foreign currencies. This means that changes in the value of the Australian dollar relative to foreign currencies may affect the value of the assets of the Fund. Currency markets can be extremely volatile and are subject to a range of unpredictable forces.

The Fund's foreign currency exposure may be hedged from time to time, in whole or part.

Investment team

BTIM's Income Strategies team includes five dedicated investment professionals. The team also draws on a wide range of knowledge resources including BTIM's other specialist investment teams: Equity Strategies and Macro Strategies.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	0.41	0.45	0.45
3 months	1.57	1.68	1.64
FYDT	3.97	4.36	4.55
6 months	2.61	2.84	2.76
1 year (pa)	5.76	6.23	7.02
2 years (pa)	7.96	8.45	6.24
3 years (pa)	7.65	8.14	7.93
5 years (pa)	5.55	6.03	6.34

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.

Investment guidelines

Asset allocation ranges (%)	Ranges		Benchmark
	Min	Max	
Investment grade corporate bonds	70	100	UBS Non-Government Bond Index
Commonwealth bonds and semi-government bonds	0	20	
Convertible notes	0	10	
Convertible preference shares	0	10	
Capital notes	0	10	

Other information

Fund size (as at 30 Apr 2011)	\$486 million
Date of inception	November 2008
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.12% [#]
Distribution frequency	Semi-annual
APIR code	RFA0100AU

[#] 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	0.45% 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.

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.

New Issuance

Domestic new issuance volumes was lower in April compared to previous months given the extended Easter break, however there was still a healthy \$3.4b issued.

Most of the issuance came from Supra-national issuers and offshore banks. Other issuers included a large \$900m deal from Westfield Retail Trust and a smaller \$200m deal from QIC Shopping centre.

Australian companies that issued offshore included ANZ, Asciano, Brambles, CBA, Macquarie Bank, NAB, Telstra, WBC and Woolworths.

Credit spread movements

Credit spreads were a little tighter over the month. The Australian synthetic credit index finished 3bps tighter whilst the US and Europe both narrowed 5bps. Physical credit spreads were 1bp tighter.

Fund Performance

The fund performed in line (pre-fee) with the benchmark in April. Positive performance came from an overweight to ABS and industrial sectors whilst the short iTraxx hedge position negatively impacted performance.

Over the month we added to our real estate sector exposure funded out of diversified financials and cash.

Credit Market Outlook

From a fundamental perspective, we are positive on credit markets in the medium to long term. Leading indicators are looking more positive, balance sheets are strong, earnings continue to improve, equity volatility is low, defaults are falling and valuations are appealing on a historical basis.

However, we continue to be concerned about the European peripheral sovereign crisis and the impact on credit spreads. We expect to see significant fiscal austerity measures enacted in many Euroland economies which will weigh on economic growth in the region. Peripheral sovereign bond holder haircuts are likely and concerns over this continue to weigh on markets.

The Middle East political unrest and the civil war in Libya, has contributed to higher oil prices, which if sustained, could negatively impact global economic growth.

Increased global M&A activity is potentially a headwind for credit investors as cheap debt funding makes these deals look more attractive from an equity perspective. This is a focus for us going forward, particularly if highly geared private equity deals are on the increase.



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.

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