

# BT Institutional Money Market Fund

Fact Sheet  
May 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	1.19	1.25	1.24
FYDT	4.35	4.56	4.56
6 months	2.37	2.49	2.49
1 year (pa)	4.72	4.95	4.97
2 years (pa)	4.15	4.38	4.36
3 years (pa)	4.67	4.90	4.86
5 years (pa)	5.43	5.66	5.63

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

## Sector exposures (as at 31 May 2011)

11am	15%
Bank securities	58%
Promissory notes	27%

## Security credit ratings (as at 31 May 2011)

A1+	83%
A1	17%

## Other information

Fund size (as at 31 May 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*
----------------	-----------

\* 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 again at 4.75% at its May meeting. The themes remain consistent with prior month's statements, with the Reserve Bank noting that the global economy is continuing its expansion, led by very strong growth in the Asian region although Japan production has been adversely affected due to natural disasters. Sovereign and banking uncertainty does however remain a concern with some European countries.

The Australian economy continues to benefit from the elevated levels of the terms of trade, which continues to boost national income. The high level of commodity prices is resulting in investment intentions increasing in the resources sector. Households do however remain cautious despite strong employment growth, with the household savings rate remaining around 10%.

First quarter inflation data was affected by natural disasters with some reversal of this rise expected when more normal production resumes. After looking through the short term effects, the Reserve does see inflation as having troughed and expects inflation to move towards to top end of the target bank over the year ahead if conditions develop as expected. This was reinforced in the Statement on Monetary Policy, in which the inflation forecast for 2011 was increased from 2.75% to 3.00%. The unemployment rate was revised from 4.5% to 4.25% by the end of 2013, whilst growth is expected to remain above trend.

Data released after the Reserve Bank's meeting was mixed. Employment data was weaker than expected, with employment falling by 22,100 jobs in April. This was particularly weak, with fulltime employment declining by 49,100 jobs. There are some reservations about the accuracy of this data, with New South Wales recording a decline of 45,000 jobs during the month. This is inconsistent with other job data released.

Wage cost data released late in the month will do little to allay inflationary concerns, with first quarter wage index data rising by a larger than expected 1.1% (market survey +0.8%). Private capital expenditure was also stronger than expected, growing by 3.4% in the first quarter. Late in the month weaker company operating profit data and net export data resulted in economists revising down their forecasts for first quarter GDP data, due to be released in early June.

European sovereign concerns and consistently weak economic data, particularly out of the US resulted in international fixed interest markets rallying strongly over the month. As a result, Australian 3 and 10 year bond yields both rallied by 22 basis points to end the month at 4.86% and 5.21% respectively. 90 day bank bill yields rose by 10 basis points to close at 5.02%.

## Portfolio Performance and Activity

The fund ended the month with a weighted average maturity of 37 days. Investment themes remain similar to prior months, with the short end of the curve remaining expensive. The fund remains underweight to this part of the curve, with only short dated commercial paper holdings held which offer an attractive margin over bank bills. With the Reserve Bank in a tightening bias we remain wary of extending the fund further out the curve. Three month yields offer the best relative value at current levels with the fund continuing to invest in this part of the curve.

## Outlook

Despite the weak data out of the US and concerns out of Europe, the Reserve Bank remains in a tightening bias. Growth out of Asia is assisting Australia's economic performance, particularly the income boost via the elevated level of the terms of trade. The Reserve Bank will be focussed on the level of capital investment that occurs. The pipeline is significant. The Reserve Bank's statement on monetary policy indicates that further tightening will occur within the next year, with the market now focussing on the timing of further policy tightening rather than if policy tightening will occur. Should the Reserve Bank's forecast of a 4.25% unemployment rate occur then multiple policy tightening is more than likely. Households are showing restraint, although any decline in the household saving rate will likely result in the Reserve Bank bringing forward any policy tightening. We remain sceptical of the weak employment data released during the month and would not be surprised to see some prior month revisions when employment data is released in June.



## For more information

Please call 1800 813 886, contact your business development representative or visit [www.btim.com.au](http://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 Money Market Fund. An Information Memorandum (IM) 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](http://www.btim.com.au). You should obtain and consider the IM 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 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.

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.