

BT Institutional Enhanced Global Fixed Interest Fund

Fact Sheet
June 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 six 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.

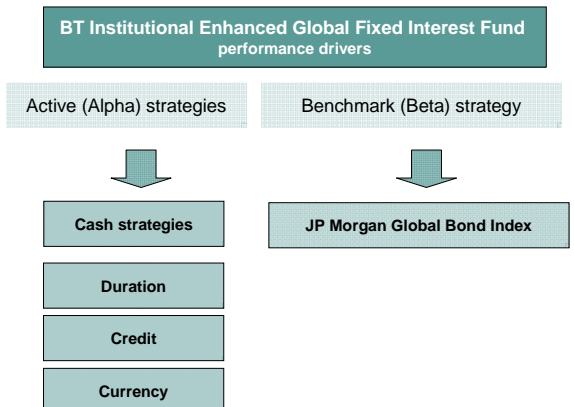
¹Change in investment strategy

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	0.37	0.40	0.33
3 months	3.28	3.37	2.96
FYDT	7.61	7.97	5.77
6 months	3.80	3.97	3.45
1 year (pa)	7.61	7.97	5.77
2 years (pa)	11.08	11.44	7.84
3 years (pa)	9.43	9.79	9.03
5 years (pa)	7.83	8.18	8.25

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 Jun 2011)	\$965 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*
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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

Australian bond yields experienced large volatility over the period, firstly rallying then selling off as risk asset gained comfort about the second Greek bailout leaving the market broadly unchanged. The three-year bond yield fell from 4.86% to 4.76% and the ten-year yield was unchanged at 5.21% which saw the 3-10s yield curve steepen to 45bp. The Reserve Bank of Australia left the cash rate unchanged again at 4.75% at its June meeting. Overall the Reserve Bank remains consistent with prior month's statements that global economy recovery was continuing but recent data were softer. Growth in Asia remained strong with continued inflation pressures. Economic conditions in the European peripheral nations were still weak and Greek sovereign risk remained a dominant concern. Domestically the Australian economy continued to see strong proposed investment growth in the mining sector which was offset by weaker conditions in most non-mining sectors. With slowing employment growth households remain cautious on spending and borrowing, confirmed by the weak retail sales and soft housing market.

International market performance in June has been driven by the Greek sovereign crisis and became more volatile toward the end of the month. US ten-year yields closed higher 12bp higher for the month. European and UK yield rose 13bp and 9bp respectively, while Japanese yields fell by 2bp. Australia outperformed US with the ten-year yield spread closing lower at 2.05%. The Australian currency marginally outperformed over the period with the trade-weighted index appreciating 0.37%. While the expectation of a slowing economic environment earlier in the month continued driving bond yields lower, risk assets (equities and commodities) suffered weakness. However, as the European crisis saw a temporary relief on the impending Greek default, the bond yields increased and risk assets recovered towards the end of the month. Positive performance from long duration in earlier June was offset by the later market volatility and June was closed flat to the benchmark. Globally economic data still suggests a slowing recovery.

Credit Review

Credit markets were wider over the month, responding to Greek default uncertainty and mixed US economic data that tended to be weaker than expected. Synthetic credit spreads and physicals widened over the month. The Australian iTraxx, US CDX finished 5bps wider, while the European ended 3bps wider.

During the month, nearly all attention has been on events unfolding overseas and not on the domestic front. Local corporates continue to be solidly capitalised and operating within comparatively benign local conditions.

Market Outlook

The bias is to continue to position portfolios from the long-side in bonds especially as the short-base in the market still exists. While the market volatility has been high, the global economy has clearly slowed over the past few months and this slowing has yet to be fully reflected in bond prices. The US fiscal situation and concerns over European peripheral debt continue to be significant risk events going forward.

Australian economic data has continued its slowing trend and the market has largely now priced out further hikes by the RBA this year. With inflation having most likely troughed though any indication that inflation pressures are emerging faster than the Reserve Bank had forecast will see the market move to pricing in some chance of policy tightening. The Reserve Bank does however appear comfortable with the current monetary policy setting.

From a fundamental perspective, we are positive on credit markets in the medium to long term. 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. 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.



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 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.

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