

BT Institutional Money Market Fund

Fact Sheet
June 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	0.39	0.41	0.40
3 months	1.18	1.23	1.23
FYDT	4.76	4.99	4.98
6 months	2.36	2.47	2.47
1 year (pa)	4.76	4.99	4.98
2 years (pa)	4.23	4.46	4.43
3 years (pa)	4.59	4.82	4.78
5 years (pa)	5.41	5.65	5.62

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

Sector exposures (as at 30 June 2011)

11am	27%
Bank securities	41%
Promissory notes	32%

Security credit ratings (as at 30 June 2011)

A1+	87%
A1	13%

Other information

Fund size (as at 30 Jun 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*
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* 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 at 4.75% at its June 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 natural disasters have affected Japanese production. The Reserve Bank noted also that European banking and sovereign debt concerns have been adding to financial market volatility.

The multi speed nature of the Australian economy continues. The Reserve Bank noted that private investment is picking up, particularly in the resources sector as a result of elevated levels of the terms of trade. Outside of the resources sector, investment intentions have been revised lower whilst the household sector continues to remain cautious with the household saving rate remaining at elevated levels.

The Reserve Bank noted also that employment growth has moderated in recent months and that leading indicators suggest that a slower pace of employment growth remains likely in the near term. The Reserve Bank expects inflation to remain close to target over the next 12 months, despite temporary price shocks caused by adverse weather and a rise in utility prices.

First quarter GDP released prior to the Reserve Bank's meeting was weaker than expected with growth contracting by 1.2%, due to natural disasters affecting production. There were components however that were strong, with domestic final demand rising by 1.3%. Household consumption, dwelling and business investment all reported solid gains.

Data released post the Reserve Bank meeting was predominately weaker than expected. Confirming the Reserve Bank's view on the slowing labour market, employment in May recorded a modest rise of 7,800 jobs. The components of this were particularly weak, with full time employment declining by 22,000 jobs and part time employment increasing by 29,800 jobs. The unemployment rate remained unchanged at 4.9% and the participation rate declined slightly to 65.6%. Business and consumer confidence surveys released also reported deteriorating sentiment and conditions.

Financial markets were particularly volatile late in the month on concerns that the Greek parliament would vote against proposed austerity measures, heightening concerns of an imminent Greek default. The ensuing risk aversion resulted in government bond yields rallying strongly, with 3 year bonds hitting a low of 4.53% before moving higher in yield following the Greek parliament passing the austerity measures. 3 year yields ended the month at 4.76%, whilst 10 year yields reached a low of 5% before ending the month at 5.21%. 90 day bank bill yields ended the month 1 basis point higher at 5.03%.

Portfolio Performance and Activity

The fund ended the month with a weighted average maturity of 31 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

Economic data generally has been weaker than expected and will most likely result in the Reserve Bank leaving monetary policy unchanged in the near term. Employment data more recently has shown signs of slowing growth and is unlikely to provide the near term impetus for monetary policy tightening. The key data released in July will be the second quarter CPI inflation data released late in the month. With inflation having most likely troughed, any indication that inflation pressures are emerging faster than what 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.



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.

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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