

# BT Institutional Money Market Fund

Fact Sheet  
July 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	0.41	0.42	0.42
3 months	1.20	1.26	1.24
FYDT	0.41	0.42	0.42
6 months	2.37	2.48	2.46
1 year (pa)	4.78	5.01	4.98
2 years (pa)	4.31	4.53	4.51
3 years (pa)	4.50	4.73	4.69
5 years (pa)	5.40	5.63	5.60

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

## Sector exposures (as at 31 July 2011)

11am	23%
Bank securities	45%
Promissory notes	32%

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

A1+	83%
A1	17%

## Other information

Fund size (as at 31 Jul 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 July meeting. Themes remained consistent with prior statements. The Reserve Bank noted that the global economy is continuing to expand although the pace of growth slowed in the June quarter. The Reserve Bank also noted the uncertainty in financial markets due to European sovereign and banking debt problems.

The recovery from the floods and cyclones have taken longer than what the Reserve Bank had initially expected, with growth for 2011 now likely to be weaker than forecast. The Reserve Bank does expect growth over the medium term to be at trend or above.

Investment in the resources sector remains strong, supported by high commodity prices and the elevated levels of the terms of trade. Other areas of the economy are not performing as well, with credit growth subdued and the household savings rate remaining at elevated levels.

The Reserve Bank noted that the unemployment rate has remained close to 5% more recently with the pace of employment growth moderating. Leading indicators also suggest that the pace of employment growth is expected to slow going forward.

The Reserve Bank views underlying inflation as having troughed, with a gradual increase expected over time. Underlying inflation was currently in the bottom half of the range. Headline inflation is however likely to remain at elevated levels in the near term due to the extreme weather events earlier this year. The Reserve Bank viewed the current policy stance as being mildly restrictive.

Data released post the Reserve Bank meeting was predominately weaker than expected. Retail sales, building approvals, consumer confidence and business conditions surveys all came out weaker than what was expected.

Employment data was slightly stronger with employment growing by 23,400 jobs in June leaving the unemployment rate unchanged at 4.9%. Components of the data were strong, with full time employment growing by 59,000 jobs being partially offset by a 35,600 decline in part time jobs.

Inflation data for the second quarter was released late in the month and came out higher than what the market was expecting. Headline inflation and the trimmed mean both rose by 0.9% against expectation of a 0.7% increase.

Financial market continued to be volatile during the month over concerns about peripheral European sovereign debt and the political impasse in the US over the debt ceiling and also possible rating agency downgrades. Australian 3 year government bonds traded in a wide range, peaking at 4.84% early in the month and trading as low as 4.28%. 3 year bonds ended the month at 4.36%, 40 basis points lower than the previous month, whilst 10 year bond yields closed 41 basis points lower at 4.80%. 90 day bank bills ended 4 basis points higher in yield at 5.07%.

## Fund Performance and Activity

The fund performed in line with index (pre-fee) and ended the month with a weighted average maturity of 46 days. Commercial paper holdings remain concentrated in the short end of the curve, offering an attractive yield pick up to bank bills. The fund was particularly active during the month, taking advantage of relative value opportunities that will assist the return in the coming months. Whilst the Reserve Bank maintains a tightening bias, international uncertainty has seen market pricing indicating that the next move in monetary policy is more likely to be an easing. With the next inflation data not due until late October and domestic economic data generally being weaker than expected we do not see the catalyst for the Reserve Bank to tighten monetary policy further in the near term. We will look to extend the weighted average maturity further should the appropriate pricing opportunities arise.

## Outlook

Inflation data released late in the month was higher than expected and resulted in the market pricing in a slight possibility of a rate hike at the Reserve Bank's August meeting. The Reserve Bank subsequently left the cash rate unchanged at its meeting. Offshore events will continue to influence market moves in the nearer term. Whilst the US has reached an agreement to raise the debt ceiling, concerns remain about potential rating agency downgrades. European sovereign and banking concerns also remain. Economic data in the US and Europe has been generally weaker than expected and whilst the risk remains that inflation trends higher domestically the nearer term outlook is also for slower global growth. With financial conditions already moderately restrictive the Reserve Bank does not need to tighten monetary policy further at this point. Should international uncertainty continue the possibility of the Reserve Bank easing monetary policy increases.



## 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.