BT Institutional Enhanced Global Fixed Interest Fund

Fact Sheet
August 2011

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BT Investment Management

Income and Yield Investments

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 arrangement[1].

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.

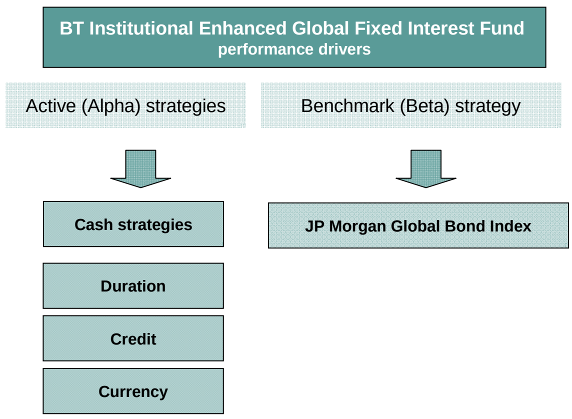
[1]Change in investment strategy

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 (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	1.96	1.99	2.37
3 months	3.55	3.64	4.02
FYDT	3.17	3.23	3.67
6 months	6.94	7.12	7.07
1 year (pa)	6.84	7.19	6.11
2 years (pa)	10.97	11.33	8.78
3 years (pa)	9.72	10.08	9.17
5 years (pa)	7.91	8.26	8.43

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 31 Aug 2011)	$866 million
Date of inception	July 1992
Minimum investment	$25,000
Buy-sell spread	0.12%[1]
Distribution frequency	Annual
APIR code	WFS0005AU

1_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	0.33% pa*

* 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 extended their strong rally in the first half of the month. Overall yields were largely unchanged by month end, but intraday volatility was significantly higher. The three-year bond yield fell from 4.36% to 3.77%; the ten-year yield from 4.80% to 4.37%; and the 3-10s yield curve steepened to 60bp. The Reserve Bank of Australia left the cash rate unchanged again at 4.75% at its August meeting. Overall the Reserve Bank softened their hawkish bias in the minutes, noting increased downside risks to demand, in part, due to high volatility in global financial markets. Global economic growth has slowed in the June quarter. Continued European sovereign crisis could further exacerbate the slowdown with further austerity budgets implemented. While Asian slowdown primarily reflects the disruption caused by the Japanese earthquake, there is broader based slowdown in advanced economies. Domestically, the June quarter inflation data shows the CPI and underlying inflation were higher than in 2010. Household sector remained cautious on spending and borrowing. Business confidence remained around long-run trend, while the resources sector remained much stronger than other sectors. Employment growth has slowed from rapid pace of 2010 and the Reserve Bank expects it to continue to moderate.

International market performance in August has been driven by the expanding European sovereign crisis and weak economic data. S&P's downgrading the United States prompted a wave of flight to safety. Economic data prints in the developed economies continued to surprise on the down side, while the European sovereign crisis shows no signs to end in the near future. As a result, US ten-year yields rallied 58bp for the month. European, UK and Japanese yields fell by 32bp, 26bp and 5bp, respectively. Australia underperformed US with the ten-year yield spread closing higher at 2.14%. The Australian currency underperformed over the period with the trade-weighted index depreciating 2.42%. Risk assets (equities and commodities) underperformed over the month.

Cash credit markets were wider by month end, after enduring a near US default and then a one notch downgrade of the United States by S&P to AA+. The EU's tepid policy responses to sovereign debt concerns appeared to represent only a temporary salve on Europe's problems. Synthetic credit spreads were wider over the month. The Australian iTraxx, US CDX finished 39bps and 22bp wider, respectively. European Main ended 39bps wider.

During the month, nearly all attention has continued to be on events unfolding overseas and not on the domestic front.

Market Outlook

The S&P downgrade of the US has many more ramifications for Europe that it does for the US. The market now starts to question the sustainability of more developed economies. At the Jackson Hole symposium, Bernanke acknowledged the disappointment on the slow recovery, but a new round of quantitative easing will require a much higher political hurdle. While the real yields in most major bond markets are negative, it is possible to see inflation falling rather than nominal yields rising, i.e. the risk of turning Japanese is much higher.

Financial markets have experienced extreme volatility in August. The risk of the United States moving back into recession has increased and European sovereign and bank concerns remain. The Reserve Bank's decision will depend on the global growth prospect and on terms of trade and the associated investment intension. We expect financial market volatility to remain and whilst we view the Reserve Bank as likely to ease monetary policy, we do not believe that this will occur at its September meeting.

From a fundamental perspective, we have become more negative, on credit markets in the short to medium as indicators have deteriorated. That said, indicators are still slightly positive to neutral. Whilst lending standards are still viewed as easing many of the other indicators have turned bearish. We continue to be concerned about European sovereign issues and mixed US economic data. Whilst corporate balance sheets are strong with a solid earnings season, concern over cautious management outlooks due to expectations of weak topline growth does represent a concern. Increasingly, macro event risk from European sovereigns or US double-dip fears, has the potential create headwinds for prospective credit performance.

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For more information

Please call 1800 813 886, contact your business development representative or visit www.btim.com.au