

# BT Institutional Money Market Fund

Fact Sheet  
August 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	0.43	0.43
3 months	1.21	1.27	1.25
FYDT	0.82	0.85	0.85
6 months	2.41	2.53	2.51
1 year (pa)	4.80	5.03	5.00
2 years (pa)	4.39	4.62	4.60
3 years (pa)	4.42	4.65	4.61
5 years (pa)	5.38	5.61	5.58

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

## Sector exposures (as at 31 August 2011)

11am	20%
Bank securities	46%
Promissory notes	34%

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

A1+	77%
A1	23%

## Other information

Fund size (as at 31 Aug 2011)	\$32 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 maintained its mildly restrictive monetary policy setting at its August meeting, leaving the cash rate unchanged at 4.75%. The Reserve Bank's statement on monetary policy was released shortly after, showing that the Reserve Bank had increased its forecast for inflation (headline and underlying) and also for the growth outlook in 2012/2013. Underlying inflation, currently at 2.7% over the past 12 months, is expected to increase to the upper end of the Reserve Bank's inflation band to 3%. The Reserve Bank's forecast for growth in 2011 has been revised down, due predominately to the resumption of coal production taking longer than first expected following the Queensland floods. With coal production increasing and the investment pipeline strong, the Reserve Bank expects growth to pick up to 3.75% in 2012 and 2013. The Reserve Bank expects mining investment to pick up from its current level of 4% of GDP to 6% of GDP in 2012/2013.

Included in the statement on monetary policy were the International Monetary Fund's (IMF) forecasts for Australia's trading partner growth, which were forecast to grow at 4.7% for 2011 and 5.5% for 2012. IMF forecasts also have the United States growing at 2.5% in 2011 and 2.7% in 2012 with Europe forecast to grow at 2% for 2011 and 1.7% for 2012.

Economic data out of the United States continues to be weaker than what the Federal Reserve would have been looking for. Whilst the recent non-farm payroll was slightly better than expected, the unemployment rate in the United States has increased from 8.8% in February to 9.1%. Institute for Supply Management (ISM) manufacturing and non-manufacturing data released in August have both come out weaker than expected and the Philadelphia Fed Business outlook survey also recorded a significant decline. With the housing market also continuing to struggle and consumer sentiment declining further, market economists have revised lower their US growth forecasts.

Sovereign and banking risks in Europe have also resulted in significant financial market volatility. Austerity measures undertaken by various governments will also ensure that economic growth will remain anaemic in the nearer term, whilst German second quarter growth was disappointing and has not allayed concerns that economic growth in Europe is showing signs of slowing.

Domestic economic data released over the month was generally weaker than expected. Unemployment data for July reflected a moderating labour market, with employment declining by 100 jobs. The composition of the data release was weak with fulltime employment recording a significant decline of 22,200 jobs and the prior month's number also being revised down. The unemployment rate rose from 4.9% to 5.1%. The savings ratio remains at elevated levels and households continue to remain cautious, with consumer confidence and retail sales data both recording declines.

Financial markets were volatile during August. Australian three and ten year bond yields traded in a wide range before ending the month 59 and 43 basis points lower in yield to close at 3.77% and 4.37%. 90 day bank bills traded in a 29 basis point range and ended the month 20 basis points lower at 4.87%.

## Performance and activity

The fund ended the month with a weighted average maturity of 33 days. Commercial paper holdings predominately mature within one month and continue to offer an attractive margin to bank bills. All programs are reviewed regularly and remain of sound credit quality. There is currently no exposure held in the fund to European banks.

## Outlook

Should the Reserve Bank's forecast for economic growth and inflation prove to be correct, the combination of rising inflation and growth at above average pace would normally result in the Reserve Bank looking to tighten monetary policy. Since the Reserve Bank's meeting in August, financial markets have experienced extreme volatility with equity markets recording significant declines. The risk of the United States moving back into recession has increased and European sovereign and bank concerns remain. The Australian household has previously demonstrated extreme caution, and recent financial market volatility is only likely to increase further the conservative behaviour of the Australian household. Business confidence has also been affected, with business surveys pointing to a more subdued outlook for operating conditions and employment indicators also suggesting that the unemployment rate is moving higher in the nearer term. The investment pipeline is however vast, particularly in the mining sector in response to the historically high terms of trade. The Reserve Bank forecasts mining investment to rise from 4% of GDP to 6% of GDP in 2012/2013. Should the terms of trade decline and investment intentions dissipate then monetary policy easing is likely, a plausible scenario with risks to global growth having increased more recently. Should external conditions stabilise, the Reserve Bank will likely remain on hold for the remainder of the year. We do however 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.



## For more information

Please call 1800 813 886, contact your business development representative or visit [www.btim.com.au](http://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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