

BT Institutional Money Market Fund

Fact Sheet
September 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 | 0.39 |
| 3 months | 1.21 | 1.26 | 1.24 |
| FYDT | 1.21 | 1.26 | 1.24 |
| 6 months | 2.40 | 2.51 | 2.48 |
| 1 year (pa) | 4.81 | 5.05 | 5.02 |
| 2 years (pa) | 4.46 | 4.69 | 4.66 |
| 3 years (pa) | 4.35 | 4.58 | 4.54 |
| 5 years (pa) | 5.36 | 5.59 | 5.56 |

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

Sector exposures (as at 30 September 2011)

| | |
|------------------|-----|
| 11am | 19% |
| Bank securities | 50% |
| Promissory notes | 31% |

Security credit ratings (as at 30 September 2011)

| | |
|-----|-----|
| A1+ | 78% |
| A1 | 22% |

Other information

| | |
|-------------------------------|--------------|
| Fund size (as at 30 Sep 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* |
|----------------|-----------|

* 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 (RBA) left the cash rate unchanged at 4.75% at its September meeting. In its statement the Reserve Bank noted the unsettled nature of the financial markets due to sovereign debt concerns in Europe and the prospect of slower economic growth in the United States. The Reserve Bank noted also that there has been little evidence to gauge the effects of the issues in European and the United States on other regions and that the prices for Australian commodities have remained elevated. Investment in the resources sector remains strong, supported by the historically high terms of trade levels.

Australian households have displayed cautious behaviour, as witnessed by the elevated levels in the household savings rate. With increasing uncertainty in financial markets and with the unemployment rate having increased in recent months it is likely that the household sector continues to remain guarded in the nearer term.

The Reserve Bank also observed that monetary policy has been exerting a degree of restraint. Financial conditions remain tighter than normal as witnessed by slowing credit growth which remains subdued by historical standards, asset prices having softened and the high level of the exchange rate.

Economic data over the month was mixed. Second quarter Gross Domestic Product (GDP) data released early in the month was stronger than expected at +1.2% (against expectation of +1.0%). First quarter GDP was also revised upwardly from -1.2% to 0.9%. Employment data released shortly afterwards reflected deteriorating labour market conditions in Australia with the unemployment rate increasing from 5.1% to 5.3% as 9,700 jobs were lost in August. The components within the report were also weak, with fulltime employment declining by 12,600 jobs. NAB business surveys also recorded declines in business confidence and business conditions.

One of the most important releases during the month related to revisions to the second quarter RBA trimmed mean and weighted median inflation figures. The trimmed mean was revised down by 0.2% for the second quarter to 0.7% and resulted in the annual rate falling from 2.7% to 2.5%. With inflation trending higher and moving towards the 3% upper end of the Reserve Bank's target inflation band, the downward revision provides the Reserve Bank with some breathing space as it tries to gauge the effect that Europe and the United States has, and particularly on the outlook for South East Asian economic growth prospects.

Interest rate markets during the month were volatile, with 3 year bond yields trading in 43 basis point range (high of 3.85%, low of 3.42%) before closing the month 15 basis points lower in yield at 3.62%. 10 year bonds closed 15 basis points lower at 4.22%. 90 day bank bills traded in a 21 basis point range and ended the month at 4.92%.

Performance and activity

The fund outperformed the benchmark (pre-fee) and ended the month with a weighted average maturity of 35 days. We view the Reserve Bank as likely to ease monetary policy prior to the end of the year although yields further out the curve do suggest policy easing that we view as too aggressive and do not represent value at current levels. The fund currently has no exposure to European banks and asset backed commercial paper maturities remain predominately concentrated in short dated maturities and remain of strong credit quality.

Outlook

Global growth forecasts continue to be revised down due to the knock-on affects of ongoing banking and sovereign concerns in Europe and anaemic data out of the United States. Whilst the Reserve Bank has yet been able to gauge the extent that slowing growth in Europe and the US will have on emerging market economies, it would be naïve to suggest that they will come through unscathed and it is likely that China's export-led economy will start to moderate as export volumes decline. Declining commodity prices may also provide an indication of slowing emerging markets and may also result in a paring back of mining investment intentions in Australia, although the investment pipeline remains large. Australian households have remained cautious, behaviour that is only likely to be exacerbated by a weakening labour market and a high level of financial market volatility.

Key upcoming economic data releases for the month will be employment figures and third quarter inflation data. Any confirmation from the inflation data that inflationary pressures are moderating will provide scope for the Reserve Bank to ease monetary, particularly if the employment data released shows a further deterioration in labour market conditions. We continue to view the Reserve Bank as likely to ease monetary policy prior to the end of the year.



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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