

BT Institutional Money Market Fund

Fact Sheet
October 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	0.40	0.42	0.42
3 months	1.20	1.26	1.24
FYDT	1.61	1.69	1.66
6 months	2.42	2.53	2.50
1 year (pa)	4.83	5.06	5.02
2 years (pa)	4.53	4.76	4.74
3 years (pa)	4.29	4.52	4.44
5 years (pa)	5.34	5.57	5.54

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

Sector exposures (as at 31 October 2011)

11am	22%
Bank securities	47%
Promissory notes	31%

Security credit ratings (as at 31 October 2011)

A1+	78%
A1	22%

Other information

Fund size (as at 31 Oct 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 left the cash rate unchanged at 4.75% at its October meeting. The most important reference in the statement related to the outlook for inflation. In the statement the Reserve Bank noted that the Board had been concerned about a further pick-up in inflation, however more recently questioned whether a period of weaker than expected conditions would contain inflationary pressures. Labour cost pressures outside of mining and related sectors were less likely to accelerate with labour market conditions softening and unemployment increasing. Inflation data revisions also reflected a more subdued inflationary environment, with the Reserve Bank's annual trimmed mean revised down from 2.7% to 2.5% for the year ended June. Inflation data for the third quarter released in late October would provide further evidence of any further moderation in inflationary pressures. Third quarter inflation subsequently came out weaker than expected and resulted in the trimmed mean falling to 2.3% for the year ended September, towards the bottom end of the Reserve Bank's target band. In its statement at its October meeting the Reserve Bank noted that an improved inflation outlook would increase the scope for monetary policy to provide some support to demand (via a cut in the cash rate), should that prove necessary.

Other parts of the statement remained consistent with prior months' statements. The Reserve Bank noted that global financial markets remain unsettled with uncertainty over European sovereign debt and the banking sector continuing and recent data suggesting a continuing period of soft economic conditions in both Europe and the United States. Evidence of the effect of slower growth in developed economies on other parts of the world is however yet to emerge, although global growth forecasts have been revised down by market economists.

The Reserve Bank continued to note that investment in the resources sector is picking up very strongly and that the terms of trade remain at very high levels. The household sector does however remain cautious. The Reserve Bank expects solid growth over the medium term although indications are that near term growth is unlikely to be as strong as expected.

Economic data released following the Reserve Bank's meeting, with the exception of the inflation data, was generally stronger than expected. Labour market data was better than expected with the unemployment rate falling from 5.3% to 5.2% as employment grew by 20,400 jobs in September. The unemployment rate had been trending higher from its low of 4.9%. Retail sales, trade balance data, building approvals and credit growth numbers were all better than expected.

Improved risk sentiment resulted in government bond yields moving higher during October, with Australian three and ten year bond yields ending the month 26 and 29 basis points higher in yield at 3.88% and 4.51%. The short end of the yield curve rallied following the benign inflation data that resulted in the market factoring in the Reserve Bank easing monetary policy at its meeting in November. Three month bank bills ended the month 21 basis points lower at 4.71%.

Performance and activity

The portfolio ended the month with a weighted average maturity of 43 days. Commercial paper holdings predominately mature within one month and continue to offer an attractive margin over bank bills. The portfolio remains of strong quality and continues to have no exposure to any European banks.

Outlook

With the Reserve Bank more comfortable with the inflation outlook they elected to ease monetary policy at their November meeting, taking policy setting from mildly restrictive to a neutral stance. In the absence of any shock from Europe, monetary policy can be expected to remain unchanged in the near to medium term as the Reserve Bank waits for evidence of the effect that Europe and the United States is having on the rest of the world.

Volatility in financial market can however be expected to continue as European leaders continue to try and resolve the European debt crisis and concerns about European bank capitalisation levels remain. In this environment we favour holding longer dated bank bills given that downside risks to the global economy still exist and the relative value offered.



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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