

# BT Institutional Money Market Fund

Fact Sheet  
November 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	0.38	0.40	0.39
3 months	1.17	1.23	1.20
FYDT	2.00	2.09	2.06
6 months	2.40	2.51	2.47
1 year (pa)	4.83	5.06	5.02
2 years (pa)	4.58	4.81	4.79
3 years (pa)	4.24	4.47	4.39
5 years (pa)	5.31	5.55	5.51

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

### Sector exposures (as at 30 November 2011)

11am	30%
Bank securities	42%
Promissory notes	28%

### Security credit ratings (as at 30 November 2011)

A1+	78%
A1	22%

### Other information

Fund size (as at 30 Nov 2011)	\$36 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 eased monetary policy at its November meeting, cutting the cash rate by 25 basis points to 4.50%. The benign inflation data released in late October provided the scope for the Reserve Bank to ease policy. The Reserve Bank meeting minutes noted that inflation forecasts had been lowered with the Reserve Bank expecting underlying inflation (excluding the effects from the carbon tax) to be around 2½ per cent in 2012, and to pick up slightly in 2013, but still be consistent with the inflation target. The more subdued inflationary outlook is consistent with softer growth in the non-mining sector and liaison with many firms that felt that they had limited pricing power.

Labour market conditions have also softened with little employment growth over the past six months resulting in the unemployment rate having increased by 0.4% to 5.2% in September. Reserve Bank minutes indicate that liaison with firms suggests that they are waiting to see evidence of stronger demand before hiring additional workers. This has been supported by other labour market data, such as the ANZ job ads which have also shown a moderation in recent months.

The Reserve Bank's outlook for the resources sector is very strong, with mining investment expected to increase to around 7 per cent of GDP by 2013/14. In contrast, growth in the non-mining economy was expected to be below trend. The household saving rate was forecast to remain around its current level and growth in public demand was expected to be subdued. Business credit growth and the housing market also continue to remain subdued.

Reserve Bank forecasts for domestic growth have been revised lower reflecting the weaker global outlook, the decline in confidence and asset prices since August, and a downward revision to the outlook for coal production. Overall GDP growth was expected to be around 3–3½ per cent in 2012 and a little stronger in 2013. Correspondingly, the unemployment rate was expected to increase a little, before drifting lower again.

The sovereign debt problems in the euro area posed the most significant risk to the Reserve Bank's forecasts. The Reserve Bank views it as likely that economic condition in Europe will weaken further over the period ahead and that the risks to the global economy lie predominantly on the downside.

The European debt crisis was a bigger driver of the Australian market in November than domestic events. The point of biggest concern was the rise in Italian bond yields throughout the month. Confidence was further affected by S&P downgrading Belgium's credit rating, a weak German bond auction and Government denials about a bigger role for the European Central Bank to support countries in distress. Australian three and ten year bonds rallied strongly, rallying 76 and 58 basis points respectively to close at 3.12% and 3.93%. Three month bank bills ended the month 11 basis points lower at 4.60%.

## Portfolio activity

The fund ended the month with a weighted average maturity of 26 days. Commercial paper exposure remains predominately concentrated in short dated maturities and continues to offer an attractive margin relative to bank bills. We view the Reserve Bank as likely to ease monetary policy further in the near term as European concerns continue to weigh heavily on the global growth outlook. The inverted shape of the bank bill yield means however that extending the weighted average maturity of the portfolio into lower yielding securities further out the curve does not represent relative value at current levels, with market having largely already priced further easing in.

## Outlook

The European sovereign debt and banking crisis continues to remain unresolved with confidence diminishing in European political leaders' ability to reach a credible solution. European recession is all but assured next year. It is likely that economic growth in Asia also starts to suffer as a result of reduced trade with flows with Europe and slowing credit growth from financial institutions. The risks remain that global growth is likely to slow in 2012 and 2013 by more than what the Reserve Bank currently expects. The Australian economy has performed relatively well, however with a more subdued growth outlook and the non-mining sector of the economy already struggling we view it as likely that the Reserve Bank will ease monetary policy at its December meeting. We do not see the European crisis being resolved quickly and expect financial market volatility to remain high and business, consumer and investor confidence to diminish further.



## 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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