

BT Wholesale Enhanced Credit Fund

**Fact Sheet
November 2011**

ARSN: 089 937 815



About the Fund

The Fund is an actively managed portfolio of corporate debt securities.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds UBS Non-Government Bond Index over the medium term.

The suggested investment timeframe is three years or more.

Investment strategy

The Fund is actively managed and aims to take advantage of investment opportunities within the Australian non-Government fixed interest market. The Fund invests predominantly in AUD non-Government fixed interest securities, including securities of investment grade issued by leading corporations listed on the Australian Stock Exchange. The Fund may also invest in a limited amount of investment grade hybrid securities, non-investment grade securities, unrated securities and, where appropriate, derivatives.

Investment philosophy

Our philosophy is based on our belief that credit markets are inefficient due to market shocks, changes in the underlying economy, and the continually evolving nature of the credit market itself. Consequently, we believe that credit investments are often mispriced as participants may incorrectly measure the underlying risks and returns of the investment. This mispricing of investments provides numerous excess return opportunities for the credit fund manager with the appropriate analytical skill set, portfolio management skills, and execution capabilities.

Investment process

BTIM's Credit team uses a disciplined and transparent process. The team's research effort focuses on identifying and capturing what we consider mispricings in credit market securities and utilises both qualitative assessment of companies and quantitative modelling which aim to identify opportunities and avoid problematic issuers. In addition to BTIM's internal research resources, BTIM sources research from an independent research company, CreditSights, focused on global companies.

Key benefits of the Fund

Investing in the Fund:

- provides investors with the potential for enhanced performance and higher long-term capital growth
- delivers significant diversification benefits for investors via accessing a broad range of companies, industries and countries.

Currency management

The Fund may have assets denominated in foreign currencies. This means that changes in the value of the Australian dollar relative to foreign currencies may affect the value of the assets of the Fund. Currency markets can be extremely volatile and are subject to a range of unpredictable forces.

The Fund's foreign currency exposure may be hedged from time to time, in whole or part.

Investment team

BTIM's Income Strategies team includes six dedicated investment professionals. The team also draws on a wide range of knowledge resources including BTIM's other specialist investment teams: Equity Strategies and Macro Strategies.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	1.02	1.06	0.32
3 months	1.78	1.89	0.77
FYDT	4.94	5.14	3.78
6 months	5.52	5.75	4.35
1 year (pa)	9.68	10.17	8.59
2 years (pa)	7.97	8.45	7.41
3 years (pa)	7.65	8.13	6.55
5 years (pa)	6.28	6.76	6.83

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.

Investment guidelines

Asset allocation ranges (%)	Ranges		Benchmark
	Min	Max	
Investment grade corporate bonds	70	100	UBS Non-Government Bond Index
Commonwealth bonds and semi-government bonds	0	20	
Convertible notes	0	10	
Convertible preference shares	0	10	
Capital notes	0	10	

Other information

Fund size (as at 30 Nov 2011)	\$411 million
Date of inception	November 2008
Minimum investment	\$25,000
Buy-sell spread	0.12% [#]
Distribution frequency	Semi-annual
APIR code	RFA0100AU

[#] 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	0.45% pa*
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* You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

Market review

Credit markets were markedly wider over the month. This has primarily been driven by the focus on Europe, and the increasing concerns over a global slowdown. Increasingly the market is becoming concerned over China growth and weaker commodity pricing. Throughout the month CDS credit indexes continued to trade wider, and remained wider, even after a 10bp tightening at month end. from early month wides. This was only partially reflected in the physical credit market where spreads widened during the month with just under a 2bp tightening at month end.

Overall, credit spreads on the UBS Non-Government Index widened 44 basis points over the month as concerns over global growth and heightened event risk resulted in credit markets selling off. With discussions over the possible dissolution of the European Union, attention started to focus on European supra-nationals. Over the latter half of the month, the supra-national sector experienced 45bps of credit spread widening with the largest movers being EIB, ICO, KFW, Rentenbank and Eurofima. The significance of the moves cannot be overstated as the Supra-national sector represents 66% of the Index on a duration basis. EIB, which represents 18% of the sector saw its credit spreads widen an average of 138bps. EIB's rating is dependent upon, among other things, its "narrow risk-bearing capacity", which is sized by how much of EIB's callable capital is backed by AAA rated sovereigns. With increasing concern over additional European sovereigns being downgraded, EIB's AAA rating stability has been placed under question. That said, even at AA rating levels, EIB's widened spreads appeared overdone

Credit spread movements

Credit spreads were wider over November, with the physical markets moving out in concert with CDS. The Australian iTraxx finished 54bps wider, the US and European synthetic investment grade indices were 26 and 23 bps wider, respectively. Australian physical spreads moved out 44 bps on average across the curve.

Performance and activity

The Fund outperformed the benchmark in November. Positive performance came from an underweight in Supra-nationals, and an overweight in industrials. The underweight on financials was a drag on performance during the month.

Activity over the month mainly involved tactical re-positioning in Supra-nationals.

Outlook

We continue to remain cautious on credit. Our fundamental models, both on an economic and market bias basis are recommending being short credit. Going into December we have experienced a volatile November for credit. A significant sector within credit, Supra-nationals, that was previously regarded as forming the core of stability within the index, has been shown to not be immune to wider European credit concerns, with European associated supra-nationals significantly widening during the month. Whilst European financials have had their liquidity funding recently augmented through the ECB providing longer tenor funding, we continue to remain wary regarding their near term outlook. Many European financials are in need of capital, as detailed in the EBA's stress tests, and are largely operating in a market where underlying system growth is less than tepid. On the other hand, the US is showing signs of weak but positive growth. Our outlook for the North American credit market is tempered by the major US kangaroo issuers being financial companies. Many of them continue to deal with mortgage asset quality issues and litigation.

Domestically we favour large well capitalised industrial names over financials and strong operations and cashflows of regulated utilities and infrastructure. We remain neutral to underweight on the major Australian banks given the weak system growth and the need to adopt a more cost conscious focus in order to maintain margins.

During the current heightened economic uncertainty we rate the risk of increased global M&A activity as moderate to low. With uncertain top-line growth companies are ensuring they have adequate liquidity and an appropriate cost structure to endure a period of slower growth.



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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