

BT Institutional Money Market Fund

Fact Sheet
December 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	0.40
3 months	1.17	1.22	1.22
FYDT	2.39	2.50	2.47
6 months	2.39	2.50	2.47
1 year (pa)	4.81	5.04	5.00
2 years (pa)	4.62	4.85	4.83
3 years (pa)	4.21	4.44	4.38
5 years (pa)	5.29	5.52	5.48

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

Sector exposures (as at 31 December 2011)

11am	5%
Bank securities	59%
Promissory notes	18%

Security credit ratings (as at 31 December 2011)

A1+	88%
A1	12%

Other information

Fund size (as at 31 Dec 2011)	\$27 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 for the second consecutive month, cutting the cash rate by 25 basis points to 4.25% at its December meeting. European sovereign and banking issues are increasingly affecting other economies with the Reserve Bank noting that a slowing in economic activity in Europe is now starting to affect trade in Asia. The Reserve Bank views the likelihood of a material slowing in global growth as having increased due to ongoing European concerns and more precautionary behaviour by firms and households.

The Reserve Bank also noted that commodity prices have declined recently due to the more subdued outlook for economic growth, which is in turn alleviating inflationary pressures and providing scope for some easing of monetary policy in a number of countries. Domestic labour conditions have also softened recently and eased wage cost inflationary pressures which were beginning to build. With the easing in labour market conditions and falling commodity prices the Reserve Bank now sees inflation in 2012 and 2013 as being consistent with the 2-3% target excluding the effects from the carbon tax.

The terms of trade have declined from their historically high levels recently although investment in the resources sector remains significant, with associated industries also benefitting. The high level of the exchange rate is having a dampening effect on some parts of the economy whilst the household sector continues to remain cautious, credit growth remains subdued and asset prices having declined in recent months.

Domestic economic data over the month was mixed again. Third quarter gross domestic product data was stronger than expected at 1.0%, taking the annual rate to 2.5%. The data highlighted the divergent state performance with year-on-year final demand increasing by 16.4% in Western Australia and 9.3% for Queensland, compared to 1.2% for New South Wales and 1.8% for Victoria.

Data released in the month also confirmed a further softening in the labour market, with employment falling by 6,300 jobs in October and full time employment recording a significant decline of 39,900 jobs. The unemployment rate increased slightly to 5.3%. Consumer confidence and building approvals data was also weak.

The short end of the Australian yield curve rallied following the Reserve Bank easing monetary policy and resulted in 90 day bank bills ending the month 12 basis points lower at 4.48%. Australian three year government bond yields ended the month marginally higher in yield at 3.13%, whilst Australian ten year bond yields reflected moves in offshore bond markets, ending the month 26 basis points lower in yield at 3.67%.

Portfolio performance and activity

The Fund ended the month with a weighted average maturity of 51 days. We continue to view the Reserve Bank as likely to ease monetary policy in the first half of 2012, however the inverted shape of the curve means that we will only extend further out the yield curve when the returns are appropriate. During the month we continued to focus on the three month part of the curve, which offered the best relative value (the six month part of the curve ended the month higher in yield despite the Reserve Bank easing monetary policy). Commercial paper exposure remains predominately concentrated in short dated maturities and continues to offer an attractive margin relative to bank bills. The fund is well positioned to outperform its index in the coming months.

Outlook

Further monetary policy decisions will be heavily influenced by offshore factors rather than domestic economic conditions, with the Australian economy having performed well recently and providing little impetus for further monetary policy easing. We expect financial markets to remain volatile in the coming months with confidence continuing to wane in European political leaders' ability to provide a credible solution to European sovereign and banking issues. It is highly likely that Europe enters into recession in 2012 and global economic growth moderates in 2012 despite the recent improvement in economic data out of the United States. We view further monetary policy easing by the Reserve Bank of Australia as likely in the first quarter of 2012.



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 Financial Services Council (FSC) 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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