BT Institutional Money Market Fund

Fact Sheet
January 2012

BT Investment Management

Income and Yield Investments

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
	(post-fee)	(pre-fee)	Return
1 month	0.36	0.38	0.39
3 months	1.13	1.18	1.19
FYDT	2.76	2.89	2.87
6 months	2.34	2.46	2.44
1 year (pa)	4.76	5.00	4.96
2 years (pa)	4.64	4.87	4.85
3 years (pa)	4.19	4.42	4.37
5 years (pa)	5.25	5.48	5.45

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

Sector exposures (as at 31 January 2012)

11am	6%
Bank securities	59%
Promissory notes	17%
Term deposit	18%

Security credit ratings (as at 31 January 2012)

A1+	89%
A1	11%

Other information

Fund size (as at 31 Jan 2012)	$13 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

With no Reserve Bank meeting held in January, financial markets focussed on international developments and domestic economic data to determine what the Reserve Bank will do at its next meeting in February.

Domestic economic data released during the month was mixed. Labour data was much weaker than expected with employment declining by 29,300 jobs in December due to a significant fall in part time jobs (-53,700 jobs). The unemployment rate, due to the fall in the participation rate, was unchanged at 5.2%. ANZ job advertisement data and job vacancy data released also reflected a weakening labour market.

Inflation data released late in the month was slightly weaker at the headline level than what was expected (0% against market expectation of 0.2%) although the trimmed mean was slightly higher at 0.6% (against expectation of 0.5%) with the prior quarter also revised up by 0.1%.

The first covered bond issuance in the Australian market by Australian banks occurred in January with both the Commonwealth Bank and Westpac issuing 5 year covered bonds. The levels that these bonds were issued at reflects the increasing cost of funding pressures that the banks face and will also have an impact on the effectiveness of monetary policy, with further monetary policy easing unlikely to be fully passed on by financial institutions.

Standard & Poor's downgraded four European countries by two notches (including Italy and Spain) and five countries by one notch (including France). Only four countries remain on AAA in Europe; Germany, Finland, the Netherlands and Luxembourg. Standard & Poor's key reason for the downgrades was the lack of decisiveness and effectiveness in the European policy response.

In Standard & Poor's view, the European Central Bank (ECB) has eased pressure on European financial institutions by engaging in unprecedented repurchase operations for financial institutions, greatly relieving the near term funding pressure for banks. They also highlighted the ECB's easing of collateral requirements, an ever expanding collateral pool and lowering of interest rates.

In the United States, the FOMC stated that Fed officials now believe that the Fed funds rate will remain at near-zero until at least late 2014, whereas previously officials had only said they didn't anticipate any rate increase until at least mid-2013, resulting in a sharp rally in US Treasury bonds late in the month.

Australian 90 day bank bill yields ended the month 14 basis points lower at 4.34%, whilst Australian three and ten year bond yields ended slightly higher at 3.17% and 3.72%.

Performance and activity

The fund ended the month with a weighted average maturity of 52 days. 6 month exposure was added early in the month, with this part of the curve offering the best relative value in an easing monetary policy environment. Commercial paper exposure matures predominately within one month and continues to offer attractive margins relative to bank bills. 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.

Outlook

Europe will enter into recession and sovereign and banking concerns will remain, despite some relief being provided to financial institutions via the ECB's Long Term Refinancing Operations (LTRO). Economic data out of the United States has been better than expected more recently although growth does remain sluggish, the unemployment rate remains at elevated levels and the housing market continues to be mired by an oversupply of housing stock.

We expect further monetary policy easing from the Reserve Bank of Australia to occur in the first half of 2012. The non-mining sector of the Australian economy is likely to slow further and labour market conditions will continue to deteriorate. Inflationary pressures are also benign and likely to ease further with the slowing in economic growth. The Reserve Bank may have to ease policy more aggressively with financial institutions unlikely to pass on the full amount of monetary policy easing due to cost of funding pressures.

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For more information

Please call 1800 813 886, contact your business development representative or visit www.btim.com.au