

BT Wholesale Enhanced Credit Fund

Product Disclosure Statement (PDS)

Issued 22 June 2011

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Read this

This PDS provides a summary of the key information relating to the BT Wholesale Enhanced Credit Fund (ARSN 089 937 815) (**Fund**). It also includes references to additional information which forms part of this PDS and marked with a '■'. **This is important information you should read together with the PDS before making a decision to invest into the Fund.** You can access the 'Additional Information to the Product Disclosure Statement' on our website, download a copy or request a copy free of charge by calling us. The information in this PDS is general information only and does not take into account your personal financial situation or needs. You may wish to consult a licensed financial adviser to obtain financial advice that is tailored to suit your personal circumstances.

Updated information

Information in this PDS is subject to change from time to time. Information that is not materially adverse information can be updated by us. Updated information can be obtained by contacting your master trust or wrap account operator (for indirect investors), your financial adviser, going to our website, or calling us on 1800 813 886. You may request a paper copy of any updated information at any time, free of charge.

BT Investment Management (RE) Limited ABN 17 126 390 627, AFSL 316455 is the responsible entity of, and issuer of units in, the Fund offered in this PDS and has prepared this PDS. This PDS is prepared in accordance with Subdivision 4.2C of Division 4 of Part 7.9 of the *Corporations Regulations 2001*. BT® is a registered trade mark of BT Financial Group Pty Ltd and is used under licence.

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RFA0100AU

1. About BT Investment Management (RE) Limited



Investment
Management

A\$36.1bn funds under
management (as at March 2011)

BT Investment Management (RE) Limited (**BTIM**) is the responsible entity for the BT Wholesale Enhanced Credit Fund. As responsible entity, BTIM is responsible for selecting and managing the assets and overseeing the operations of the Fund.

BTIM offers investors a range of investment choices including Australian shares and listed property, fixed income and cash, absolute return investments, international shares and property. To complement its in-house expertise, BTIM also partners with leading global and domestic investment managers.

2. How the BT Wholesale Enhanced Credit Fund works

How the Fund operates

When you invest your money in the BT Wholesale Enhanced Credit Fund, your money is pooled together with other investors' money. We use this pool to buy investments and manage them on behalf of all investors in the Fund. This means that by investing in the Fund you have access to certain investments that you may not otherwise be able to access on your own as well as the knowledge of our skilled investment managers. However, BTIM has day-to-day control over the operation of the Fund.

The total value of the assets in the Fund is divided into 'units' and a 'unit price' is generally calculated for each Business Day. The unit price will generally change daily as the market value of assets in the Fund rises or falls.

When you make an investment in the Fund, we will allocate units to you based on the entry price for the Business Day on which we receive your application and we will keep a record of the number of units you have bought. When you withdraw, we will redeem your units based on the exit price for the Business Day on which we receive your withdrawal request.

Entry prices are usually higher than exit prices due to the 'buy-sell spread'. The buy-sell spread is built into the unit price and represents your contribution to the costs of buying and selling the underlying assets in the Fund.

Entry and exit prices for each Business Day will be posted on www.btim.com.au.

We have also adopted a unit pricing discretion policy setting out the principles that apply when we exercise discretions under the Fund's constitution. You can request a copy of the policy free of charge by calling us or by downloading a copy from www.btim.com.au.

Minimum initial investment

The minimum initial investment is \$25,000. In certain circumstances, we may reject an application or accept only part of an application. Refer to Section 8 on how to apply.

Additional investments

You can add to your investment at any time. There is no need to complete another Application Form, simply send us your written instructions with your payment.

How to withdraw

You can redeem some or all of your investment by either mailing or faxing us a completed withdrawal form or providing a written notice of withdrawal.

Withdrawals will generally be paid to your nominated Bank Account within 5 Business Days or within 14 Business Days if you choose to receive a cheque.

Restrictions on withdrawals

There may be circumstances where your ability to withdraw from the Fund is restricted and you may have to wait a period of time before you can redeem your investment.

We may delay or suspend a withdrawal request where we are unable to realise sufficient assets due to circumstances outside our control (such as restricted or suspended trading in the market for an asset) or where the Fund becomes illiquid.

If the Fund is illiquid (as defined in the Corporations Act) withdrawals from the Fund will only be possible if we make a withdrawal offer in accordance with the Corporations Act. Under the Corporations Act, a fund is illiquid if it has less than 80% liquid assets (generally cash and marketable securities).



You should read the important information about 'Restrictions on withdrawals' before making a decision. Go to section 1 of the 'Additional Information to the Product Disclosure Statement' at www.btim.com.au/BTWholesaleEnhancedCreditFund-PDS. The material relating to 'Restrictions on withdrawals' may change between the time when you read this PDS and the day when you sign the Application Form.

Processing

If we receive an application or withdrawal request by 3:30pm (Sydney time)¹ on a Business Day, we will process the transaction using that day's unit price. Requests received on or after the cut-off time of 3:30pm (Sydney time)¹ on a Business Day, or on a non Business Day, will generally be treated as having been received before the cut-off time on the next Business Day.

If we receive an invalid or incomplete application or withdrawal request, the transaction request will be processed using the unit price applying on the day that we receive the correct documentation. The above rules about cut-off times apply.

¹The 3:30pm cut-off time will apply from 26 July 2011.

For the period 22 June 2011 to 25 July 2011, the cut-off time is 4:00pm.

Distributions

The Fund generally pays distributions on a half-yearly basis, with the final distribution paid at the end of June each year. In some circumstances, we may also pay distributions at other times where we consider it appropriate.

Distributions you receive are generally assessable income and can be made up of both income and realised capital gains. Distributions are generally calculated based on the Fund's net income at the end of the distribution period divided by the number of units on issue. In certain circumstances, some income and/or net realised capital gains may be held back until the final distribution at the end of June to allow for market volatility.

You can choose to have your distributions automatically reinvested into additional units in the Fund or paid directly into your nominated Bank Account. There is no buy-sell spread on distributions that are reinvested. Reinvestment of distributions will normally be effective the first day following the end of the distribution period. Distribution payments to your nominated Bank Account are generally made within 10 Business Days after the end of the distribution period.

Indirect investors

We authorise the use of this PDS as disclosure to persons who wish to access the Fund indirectly through an Investor Directed Portfolio Service (IDPS), IDPS-like scheme or a nominee or custody service (collectively referred to as master trusts or wrap accounts).

Persons who invest in the Fund through a master trust or wrap account may be subject to different conditions from those referred to in this PDS particularly with regard to cut-off times for transacting, timing of distributions, processing and withdrawals as well as Fund reporting and investor notices.



You should read the important information about 'Indirect investors' before making a decision. Go to section 2 of the 'Additional Information to the Product Disclosure Statement' at www.btim.com.au/BTWholesaleEnhancedCreditFund-PDS. The material relating to 'Indirect investors' may change between the time when you read this PDS and the day when you sign the Application Form.

3. Benefits of investing in the BT Wholesale Enhanced Credit Fund

Significant features

The BT Wholesale Enhanced Credit Fund is an actively managed portfolio of primarily Australian corporate bonds.

Significant benefits

Investing in the Fund offers investors a range of benefits:

- access to a professionally managed portfolio of corporate bonds which provides income;
- access to BTIM's investment expertise;
- exposure to a broad range of corporate bonds within the Australian market;
- regular investment statements and an annual tax statement to keep you up-to-date on your investment;
- access to our secure client website at www.btim.com.au to keep track of your investments.

4. Risks of managed investment schemes

All investments carry risk. The likely investment return and the risk of losing money is different for each managed investment scheme as different strategies carry different levels of risk depending on the underlying mix of assets that make up each fund. Those assets with potentially the highest long term return (such as shares) may also have the highest risk of losing money in the shorter term.

The significant risks for the Fund are:

- Market risk: The risk that the market price of an asset will fluctuate as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events and environmental and technological issues. Market risk may have different impacts on each type of asset, investment style and investor.
- Security specific risk: The risk associated with an individual asset. The value of fixed interest securities can be affected by specific events such as changes in the perceived or actual creditworthiness of a particular issuer. The price of shares in a company may be affected by unexpected changes in that company's operations such as changes in management or the loss of a significant customer.
- Interest rate risk: The risk that the investment value or future returns of an asset may be adversely impacted by changes in interest rates. Interest rates may directly or indirectly affect a company's cost of borrowings as well as the value of fixed interest securities.
- Credit risk: The risk of loss arising from the failure of a borrower to repay its debt or meet its financial obligations. It arises primarily from investments in fixed interest securities, mortgage securities and from certain derivatives.
- Liquidity risk: The risk that an investment may not be easily converted into cash with little or no loss of capital and minimum delay. Fixed interest securities may have limited or no liquidity where there has been a default by the issuer, or deterioration in the creditworthiness or credit rating of a particular issuer or market. Liquidity risk may also extend to swap transactions, structured securities or derivative contracts which provide exposure to some types of assets or markets. This means that it may not be possible to sell these investments or to do so in sufficient time to pay withdrawals. If this occurs, withdrawals may be suspended for the protection of all investors even if other assets can be readily sold.

- Valuation risk: Where investments of the Fund are not traded in an active or liquid market these investments may be valued by reference to observable market data, market prices for comparable assets or using other valuation techniques. These prices may not reflect the value at which these investments can be immediately realised, which may be lower than the value reflected in the unit price of the Fund.
- Derivative risk: The value of a derivative is derived from the value of an underlying asset and can be highly volatile. A derivative's value can change in response to a range of unpredictable factors such as changes in a specified interest rate, foreign exchange rate, asset price or credit rating. Derivatives also involve a higher level of risk than buying an asset directly. This is because derivatives require very little or no initial investment to gain exposure to markets. As a result, derivatives magnify both potential investment gains and losses. Losses from derivative transactions can be substantial and can exceed the original amount invested.

- Counterparty risk: The risk of loss arising from the failure of another party to a contract (the counterparty) to meet its obligations. Counterparty risk arises primarily from investments in derivatives and currency transactions. Substantial losses can be incurred if a counterparty fails to deliver on its contractual obligations.

Risk can be managed but it cannot be completely eliminated. It is important to understand that:

- the value of your investment will go up and down;
- investment returns will vary and future returns may be different from past returns;
- returns are not guaranteed and there is always the chance that you may lose money on any investment you make; and
- laws affecting your investment in a managed investment scheme may change over time.

The appropriate level of risk for you will depend on your age, investment time frame, where other parts of your wealth are invested and how comfortable you are with the possibility of losing some of your money in some years.

5. How we invest your money

You should consider the likely investment return, risk and your investment time frame when choosing to invest into the Fund.

BT Wholesale Enhanced Credit Fund	
Investment Return Objective	The Fund aims to provide a return (before fees, costs and taxes) that exceeds the UBS Non-Government Bond Index over the medium term.
Minimum Suggested Time Frame for Holding Investment	3 years
Asset Classes and Asset Allocation Ranges²	<ul style="list-style-type: none"> → Investment grade corporate bonds 70 – 100% → Commonwealth bonds and semi-government bonds 0 – 20% → Convertible notes 0 – 10% → Convertible preference shares 0 – 10% → Capital notes 0 – 10%
Benchmark	UBS Non-Government Bond Index
Description of Fund	<p>This Fund is designed for investors who want income, diversification across a broad range of companies and industries and are prepared to accept some variability of returns. The Fund aims to take advantage of investment opportunities within the Australian non-Government fixed interest market and invests primarily in Australian dollar corporate bonds including investment grade securities issued by leading corporations listed on the Australian Securities Exchange. The Fund may also invest in a limited amount of hybrid securities, non-investment grade securities and unrated securities. The Fund may also hold cash and may use derivatives.</p> <p>BTIM's investment process for corporate bonds aims to add value by identifying opportunities on a sector, issuer and security basis by incorporating top-down and bottom-up research. Top-down research includes analysis of economic and market data, along with macro credit fundamentals such as company earnings, balance sheet health, default rates and equity volatility. The bottom-up research includes analysis of earnings and cashflow volatility, balance sheet, business diversity, industry and valuation.</p>

²The reference to the Fund investing in an asset class includes all types of investments which give exposure to that asset, directly or indirectly, including through derivatives and investment in other funds which invest primarily in that asset class, and through any type of

investment which would ordinarily be understood in financial markets to be included in that asset class. It does not preclude investment in other types of assets where we consider it appropriate to do so in the interests of investors.

	<p>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. The Fund's foreign currency exposure may be hedged from time to time, in whole or part.</p> <p>Derivatives may be used to reduce risk and can act as a hedge against adverse movements in a particular market and/or in the underlying assets. Derivatives can also be used to gain exposure to assets and markets.</p>
Risk Level³	<p>Low to medium</p> <p>Low to medium risk of losing money in any year. Likely to produce moderate returns over the medium to long term.</p>
Fund Performance	<p>For up-to-date information on the performance of the Fund, including performance history, please visit www.btim.com.au and click on 'Fund Information'.</p>
Labour, Environmental, Social and Ethical Considerations	<p>We do not take labour standards or environmental, social or ethical considerations into account when making investment decisions. However, such issues may affect the financial performance of an investment and any such financial effect would influence our investment decisions.</p>
Changes to Fund Details	<p>We have the right to close or terminate the Fund and change the Fund's investment return objective (including benchmark), asset classes and asset allocation ranges and currency strategy (if any), without prior notice in some cases. We will inform investors of any material change to the Fund's details in their next regular communication or as otherwise required by law.</p>

³The risk level is not a complete assessment of all forms of investment risks, for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than the return an investor may require to meet their objectives.

6. Fees and costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

TO FIND OUT MORE

To find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options. The calculator can also be used to calculate the effect of fees and costs on your investment.

This section provides summary information about the main fees and costs that you may be charged for the Fund. The fees and costs charged by the Fund may be deducted from your account, from the returns on your investment or from the Fund assets as a whole.

You should read all of the information about fees and costs because it is important to understand their impact on your investment. You can also use this information to compare the fees and costs with those of other investment funds.

Type of Fee or Costs ⁴	Amount
Fees when your money moves in or out of the Fund	
Establishment fee The fee to open your investment	Nil
Contribution fee The fee on each amount contributed to your investment by you	Nil
Withdrawal fee The fee on each amount you take out of your investment	Nil
Termination fee The fee to close your investment	Nil
Management costs	
The fees and costs for managing your investment ⁵	At the date of this PDS, management costs consist of the following component: Issuer fee 0.45% pa

Example of annual fees and costs for the Fund

This table gives an example of how the fees and costs for the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

Example — Balance of \$50,000 with a contribution of \$5,000 during year⁶

Contribution fees	Nil	For every additional \$5,000 you invest you will not be charged any contribution fee.
Plus Management costs	Issuer fee \$50,000 x 0.45% = \$225	And, for every \$50,000 you have in the Fund, you will be charged \$225 each year.
Equals Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you invest an additional \$5,000 during that year, you would be charged fees of: \$225 ⁷ What it costs you will depend on the fees you negotiate with your Fund or financial adviser.

4_Fees in this PDS can be individually negotiated if you are a wholesale client under the Corporations Act.

5_This fee may include an amount payable to an adviser.

6_This example assumes the \$5,000 contribution occurs at the end of the first year, therefore management costs are calculated using the \$50,000 balance only.

7_Additional fees may apply. Please note that this example does not capture all the fees and costs that may apply to you such as the buy-sell spread.

Additional explanation of fees and costs

Management costs

Management costs are met from a single fee, being the issuer fee. The issuer fee is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. If we increase the issuer fee, we will give you 30 days written notice.

We are also entitled to be reimbursed for expenses we incur in the proper performance of our duties and in connection with the day-to-day operation of the Fund. At the date of this PDS, we pay these recoverable expenses (excluding any GST payable on our fees) out of our issuer fee. However, if we decide to deduct expenses in addition to the issuer fee in the future, we will give you 30 days written notice.

Buy-sell spread

The buy-sell spread is an additional cost to you and is generally incurred whenever you invest in the Fund. The buy-sell spread is retained by the Fund (it is not a fee paid to us) and represents a contribution to the transaction costs incurred by the Fund such as brokerage and stamp duty, when the Fund is purchasing and selling assets. There is no buy-sell spread on distributions that are reinvested.

The current buy-sell spread is 0.12% of the amount that you invest, represented as the difference between the entry and exit price. For example, if you invested \$50,000 in the Fund the cost of your buy-sell spread would be \$60.

We may vary the buy-sell spread from time to time and prior notice will not ordinarily be provided. Updated information on the buy-sell spread will be posted on our website www.btim.com.au.

Other fees and costs

These may include additional fees and costs that apply to investors accessing the Fund through a master trust or wrap account.

Additional fees may also be paid to financial advisers. Details of commission payments and other fees paid to your financial adviser should be set out in the Statement of Advice given to you by your adviser. We may also make payments to master trusts or wrap account operators out of the fees we receive. Government fees, duties and bank charges may also apply to investments and withdrawals.



You should read the important information about 'Additional information about fees and costs' before making a decision. Go to section 3 of the 'Additional Information to the Product Disclosure Statement' at www.btim.com.au/BTWholesaleEnhancedCreditFund-PDS. The material relating to 'Additional information about fees and costs' may change between the time when you read this PDS and the day when you sign the Application Form.

7. How managed investment schemes are taxed

Investing in managed funds is likely to have tax consequences. Managed funds generally distribute all of their income each year so that the fund is not subject to tax. Managed funds do not pay the tax liability on behalf of Australian resident investors. As an investor, you will be assessed for tax on your share of the income and capital gains generated by the Fund. In normal circumstances, you should expect that some income and/or capital gains will be generated each year.

Because the Australian taxation system is complex and different investors have different circumstances, you are strongly advised to seek professional tax advice before investing in the Fund.

8. How to apply

1. Read this PDS together with the 'Additional Information to the Product Disclosure Statement' available from www.btim.com.au.
2. Direct investors should complete the *Application Form* and the relevant *Customer Identification Form* available from www.btim.com.au or by calling 1800 813 886. Payment details and methods are available with the Application Form. The offer made in this PDS is only available to persons receiving this PDS (electronically or otherwise) within Australia. Applications from outside Australia will not be accepted.
3. If you are a retail investor (as defined in the Corporations Act) investing directly in the Fund, you have a 14 day cooling-off period to confirm that the investment meets your needs. If you exercise your cooling-off rights, we will return your money to you and no fees will apply. However, the amount you receive will reflect any movement (either up or down) in the unit price of the Fund which means that there may be tax implications for you. The 14 day cooling-off period commences on the earlier of the end of the fifth day after we issue the units to you or within 14 days from the date you receive confirmation of your transaction.
4. If you have any concerns or complaints, as a first step please contact us and we will do our best to resolve your concern quickly and fairly. Our contact details are on the front cover of this PDS. If you believe that your matter has not been dealt with satisfactorily, you can contact the Financial Ombudsman Service (FOS) by calling 1300 780 808. For more detailed information on how we deal with complaints please visit www.btim.com.au and click on the 'Contact Us' tab.

9. Other information

Additional disclosure information

The Fund is subject to regular reporting and continuous disclosure obligations. Continuous disclosure notices regarding the Fund are available on our website at www.btim.com.au by clicking on the 'Important Updates' tab. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office. You can also call us to obtain copies of the following documents, free of charge:

- the Fund's Annual Report most recently lodged with ASIC;
- any half-year report lodged with ASIC after the lodgement of the Annual Report and before the date of this PDS;
- any continuous disclosure notices given by the Fund after lodgement of the Annual Report and before the date of this PDS.

Related party transactions and conflicts of interests

The Fund may, without limit, invest in other funds of which we, or a related entity, are trustee, responsible entity or manager (related funds).

We may appoint any of our related entities (including Westpac Banking Corporation) to provide services (including banking services) or perform functions in relation to the Fund, including acting as our delegate. We may also enter into financial or other transactions with related entities in relation to the assets of the Fund and may sell assets or purchase assets from, a related entity. A related entity is entitled to earn fees, commissions or other benefits in relation to any such appointment or transaction and to retain them for its own account. Such arrangements will be based on arm's length commercial terms.

In the course of managing the Fund, we may face conflicts in respect of our duties in relation to the Fund, related funds and our own interests. We have policies and procedures in place to manage these appropriately. We will resolve such conflict fairly and reasonably and in accordance with the law, ASIC policy and our policies.

Terms used in this PDS

In this PDS:

'Bank Account' means an account with an Australian Authorised Approved Deposit Taking Institution (which includes a building society and credit union);

'Business Day' means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney;

'Fund' means the BT Wholesale Enhanced Credit Fund ARSN 089 937 815;

'Responsible Entity' means BT Investment Management (RE) Limited;

'we', 'our', 'us' or 'BTIM' means the Responsible Entity of the Fund.

Asset values of the Fund for the purposes described in this PDS are determined in accordance with the Fund's constitution.