

BT Active Balanced PST

Fact Sheet March 2009

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About the Fund

The BT Active Balanced PST provides investors with a diversified portfolio of Australian and international shares, Australian and international property securities, Australian and international fixed interest, cash and alternative investments. The Fund has a higher weighting towards growth assets than defensive assets.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the Fund's benchmark over the medium to long term. The suggested investment timeframe is five years or more.

Benchmark

The benchmark for the Fund is created from a blend of indices based on the Fund's exposure to different asset classes. The benchmark is calculated by using the weighted average asset allocation neutral position and the index returns for each asset class. Details of the particular market indices used for the Fund's benchmark can be found in the product disclosure statement (PDS).

Investment philosophy

BTIM's investment philosophy is based on active management and operates on two levels:

- All BTIM's underlying managers and products have an active management approach which seeks to deliver consistent risk-adjusted outperformance by exploiting investment opportunities that arise due to the inefficient market pricing of securities
- BTIM places significant importance on determining the optimal long term Strategic Asset Allocation and disciplined rebalancing. Tactical Asset Allocation is used to supplement the value added from SAA.

Investment process

BTIM's investment process for the BT Active Balanced PST applies an active management approach across all asset classes.

The underlying investments in the BT Active Balanced PST are managed by BTIM together with a number of external partners. BTIM manages investments in the asset classes of Australian shares, Australian fixed interest and cash, Australian property securities and alternative investments. These investments are augmented by our arrangements with leading global investment managers who have a competitive advantage in the management of global asset classes. These include: AQR Capital Management LLC for international shares, Grosvenor Capital Management LP for global fund of hedge funds and AEW Capital Management LP for global property securities.

Investment team

The Fund is managed by BTIM's Multi-Strategies team headed up by Robert Swift who has more than 25 years industry experience. The team has a diverse skill set, combining a range of global and domestic market experience and drawing on the resources of BTIM's other specialist teams: Macro Strategies, Income Strategies and Equity Strategies.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	-4.87	-4.60	-4.68
FYDT	-18.75	-17.87	-15.58
6 months	-16.46	-15.60	-14.05
1 year (pa)	-20.38	-19.58	-17.86
2 years (pa)	-13.61	-13.34	-11.61
3 years (pa)	-6.27	-5.38	-4.19
5 years (pa)	2.79	4.27	4.08

Total Returns are post fee - post tax and pre fee - pre tax.

Asset allocation

Australian Listed Shares:	32.4%
Overseas Listed Shares:	22.2%
Australian Fixed Interest:	15.9%
Overseas Fixed Int (inc Mortgages):	6.0%
Property Trusts	4.5%
Global Listed Property	2.6%
Alternative Assets	11.8%
Australian Liquidity (< 180 days):	4.6%

Investment guidelines

Asset allocation ranges (%)	Neutral Position	Ranges Min Max	
	Australian shares	38	28
International shares	20	12	32
Australian fixed interest	17	5	32
International fixed interest	7	0	20
Australian property	5	0	10
Global property	3	0	10
Alternative investments	8	0	20
Cash	2	0	10

Other information

Fund size (as at 31 Mar 2009)	\$70 million
Date of inception	July 1978
Minimum investment	\$50,000
Minimum balance	\$50,000
Buy-sell spread	0.39%
APIR code	RFA0823AU

Fees

Management fee	0.95% 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

For international markets, the March quarter saw a degree of re-emergence of confidence and risk appetite with Governments continuing to respond to the weakening environment by deploying fiscal and monetary measures. The release of more detail on US Public Private Investment Program, the Fed's increased purchase of mortgage debt securities and quantitative easing policies helped buoy investor sentiment.

There were also encouraging signs that China may be recovering from the dramatic slowdown it had at the end of 2008.

For Australian equities in the March quarter it appeared investors were moving away from defensive sectors. Traditionally defensive sectors such as Consumer Staples, Healthcare, Utilities and Telecoms underperformed the broader market while banks, energy and resources sectors outperformed the broader market.

Having avoided the worst of the downturn in 2008 the Australian economy began to feel the tug of the global recession at the start of 2009. Retail sales and building approvals were weak and unemployment increased. After a series of aggressive rate cuts in 2008 the RBA paused in its rate cutting briefly but in February cut by a further 100bps to bring the base rate down to 3.25%.

Fund Performance

The significant drop in growth assets over the March quarter weighed heavily on fund returns. Property markets in particular registered falls in excess of 20%, whilst fixed interest and alternative assets offered little respite ending marginally lower over the period. It was a very volatile quarter with fund returns particularly weak in January and February and up strongly over the month of March.

The portfolio marginally outperformed its benchmark over the quarter. Strong outperformance was generated in the Australian equities portfolio due to an overweight exposure to Rio which recovered on news of the Chinalco proposal. The property and international equity portfolios also outperformed over the period. By contrast, the credit selection strategies in our domestic and international bond portfolios underperformed their respective benchmarks. Negative relative performance came from an overweight to Diversified Financials, insurance, structured and wrapped products. The allocation to alternative assets also underperformed cash over the quarter as the negative performance of the international fund of hedge fund outweighed the positive returns of our domestic fund of hedge fund.

In terms of asset class positioning, our overweight allocation to credit and international equities detracted from performance, but this was counterbalanced by an underweight exposure to the domestic property market and higher weighting to alternatives (which fell less than the broader market).

Strategy & Outlook

Our credit positioning in the portfolio remains overweight. Whilst in hindsight we had implemented this trade too early, we remain of the view that credit spreads will ultimately need to contract for there to be a recovery in equity markets. Our outlook for equity risk premiums even with very conservative earnings and growth estimates continues to be positive and for this reason we are constructive towards equities but hold an underweight exposure to property trusts believing that the necessary leverage reduction will be painful for equity holders.

Whilst there is a heavy discount being priced into equities, we are not ruling out continued volatility and based on recent experience, another steep fall in the market is possible. Ultimately, we believe that large scale policy action will gain traction, but picking the turning point is near impossible and for this reason the size of our overweight is moderate.



For more information

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

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