

BT Institutional Enhanced Global Fixed Interest Fund

Fact Sheet
March 2010

ARSN: 088 841 972



About the Fund

The BT Institutional Enhanced Global Fixed Interest Fund is a diversified portfolio of investments which utilises a combination of active and enhanced strategies including: cash strategies, duration, credit investments, a currency strategy and a benchmark swap arrangement¹.

Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the JP Morgan GBI Global Traded Index, hedged in Australian dollars, over the medium term. The recommended investment timeframe is three years or more.

Investment process

Investment returns for the BT Institutional Enhanced Global Fixed Interest Fund may be generated from a number of sources:

- **Cash strategies:** an actively managed portfolio of debt securities which aims to add value from sector and security selection and portfolio construction
- **Duration:** a combination of fundamental and quantitative analysis is employed to create an optimal global duration portfolio. Positioning reflects the risk adjusted allocation of duration to the markets of: US, Australia, Europe, Japan and Canada.
- **Credit:** exposure to global corporate markets with dynamic allocation between sectors determined by return expectations and break even spread analysis.
- **Currency:** a quantitative valuation tool is used to assess relative value and create an optimal currency portfolio.
- **Benchmark:** the return of the global government bond market is delivered via a Total Return Index Swap.

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 Fund is managed by Scott Osborne, Head of Income Strategies who has more than 20 years industry experience.

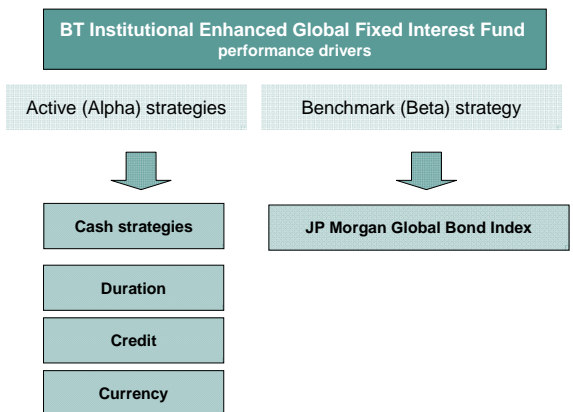
¹Change in investment strategy

From its inception, the main investment strategy employed in the Fund was an enhanced index strategy using an alpha transfer technique combined with a benchmark swap. From May 2007, the Fund added three active alpha strategies to its investment universe: duration, credit and currency. The new sources of excess return were introduced to provide greater diversification and increase the potential for outperformance.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	3.18	3.26	2.17
FYDT	10.02	10.29	5.56
6 months	4.74	4.90	2.78
1 year (pa)	13.74	14.11	5.60
2 years (pa)	7.69	8.04	7.82
3 years (pa)	7.13	7.47	8.43
5 years (pa)	6.42	6.76	7.22

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.



Other information

Fund size (as at 31 Mar 2010)	\$998 million
Date of inception	July 1992
Minimum investment	\$50,000
Buy-sell spread	0.12% ¹
Distribution frequency	Annual
APIR code	WFS0005AU

¹The 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	0.33% 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

During the first quarter, investors endured a recurrence of threats that have plagued risk assets in the past, including deteriorating public finances in Greece, California, and the US Treasury. However, the combination of continued accommodative monetary policy from the Federal Reserve and improved economic fundamentals has kept market volatility low and demand for higher yielding assets robust.

While conservative management of corporate finances has positioned many companies to weather the economic downturn, poor management of public finances has resulted in deterioration of fiscal imbalances, and in some cases, heightened risk of default. Greece dominated headlines during the first quarter as it negotiated a financial aid package with other European Union governments and the International Monetary Fund. Greek 5-year bond yield spreads widened 170 basis points in January, and there was talk of dissolving the European Monetary Union.

In the US, California's fundamental credit problems seemed to be largely forgotten in the wake of a successful \$3.4 billion taxable bond issue. Interestingly, given the context of elevated sovereign credit risk around the world, 30% of investors in this deal were foreign buyers. Overall, the taxable municipal bond sector returned 3.7% for the quarter, outperforming investment grade corporate indices.

While California may be building a foreign investor base, a number of poorly executed auctions during the quarter called into question the ability of the US Treasury to attract buyers. Notwithstanding the deficit-friendly scoring by the Congressional Budget Office, the successful passage of healthcare reform raises the spectre of further long-term pressure on federal finances from entitlement programs. While 10-year Treasury yields were little changed on the quarter at 3.83%, investor caution manifested itself in a steeper yield curve: the 2-year to 30-year spread increased from 3.5% to 3.7%.

The FOMC's zero interest rate policy continues to be a powerful inducement for investors to reach for yield, particularly given the Committee's message that rates will be "exceptionally low" for "an extended period". The consistency of this message has helped to drive volatility lower and with it the perception of risk. The shrinking mortgage portfolios of FNMA and FHLMC have also contributed to the decline in volatility. The Fed, through its Mortgage Purchase Program, has removed a significant portion of the recent supply of mortgages from the market, therefore reducing the demand for hedging prepayment and convexity risk. This program expired at the end of the first quarter, but this stock of mortgages remains out of the market. Long-term structural issues, including over-leveraged commercial and residential real estate and sovereign and municipal fiscal imbalances, remain.

Outlook

The current stage of the business and credit cycles remains constructive for asset markets. Liquidity conditions in the form of ultra-low short rates and continued private sector de-leveraging provide additional, albeit temporary, support across asset classes especially credit.

Overall economic conditions appear to be favourable for most asset classes, with the mild exception of government bonds. On an aggregate global basis, economic growth is above trend and set to stay that way through 2011. Inflation remains below trend in most countries, reflecting the economic slack generated during the financial crisis.

An economic environment characterised by above trend growth and below-trend inflation is historically associated with strong returns from financial assets.



For more information

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

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