

BT Wholesale Fixed Interest Fund

**Fact Sheet
March 2010**

ARSN: 089 939 542



About the Fund

The BT Wholesale Fixed Interest Fund is managed in an active investment style and is focused on exploiting multiple sources of value. The fund invests in a combination of corporate, semi-government and government debt and short-term money market securities.

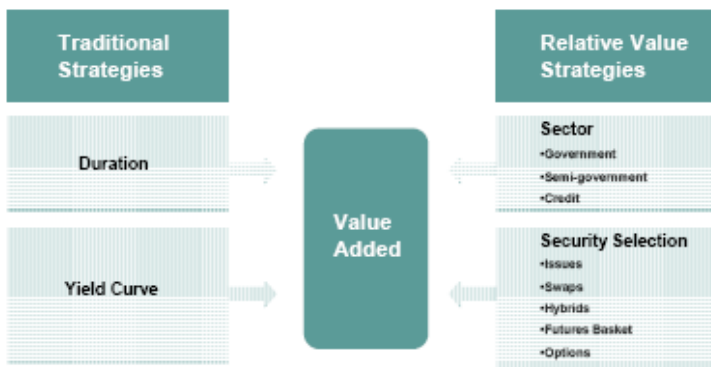
Fund objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the UBS Composite Bond Index over the medium term. The return is expected to be comprised primarily of income. The suggested investment timeframe is three years or more.

Investment approach

BTIM is an active, valuation driven manager of Australian fixed interest. Through a disciplined, transparent process comprising research and security valuation, portfolio construction and stock selection, implementation and monitoring; we are focused on exploiting multiple sources of value add including:

- Duration and yield curve positioning relative to benchmark (via a combination of strategic and tactical positions)
- Sector allocation relative to benchmark
- Security selection



Strategic duration positions : are determined from the output of the domestic fixed interest duration model which calculates and identifies that part of the yield curve (ie cash, 3 year bonds or 10 year bonds) to take active risk.

Tactical decisions: have a time horizon of up to 3 months and can offset or support strategic positions. Tactical decisions focus on the market's reaction to short term events such as trading flows in the capital markets, surveys of investor positioning, market sentiment, politics and data releases.

Investment team

The Fund combines the skills and resources of BTIM's Macro and Income Strategies teams. Macro Strategies is responsible for duration management and the government securities component of the Fund; Income strategies is responsible for the credit component. The portfolio manager of the Fund is Errol Bome, Head of Duration Strategies who has more than 20 years industry experience.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
3 months	1.59	1.68	1.26
FYDT	5.88	6.19	4.11
6 months	3.01	3.22	2.30
1 year (pa)	6.10	6.52	2.73
2 years (pa)	7.92	8.35	7.63
3 years (pa)	6.21	6.63	6.51
5 years (pa)	5.63	6.06	5.99

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.

Portfolio characteristics

Investable universe	Government securities, Semi-government securities, corporate securities and where permitted high yielding securities, index linked securities, mortgage-backed securities and cash.
Duration	Benchmark -2.0 years to Benchmark + 2.0 years modified duration
Number of stocks	10 to 20 government securities 40 to 60 non-government securities
Non-government securities	Maximum 20% plus the corporate weighting in the benchmark index.
Non-Investment Grade Securities	Maximum 15% of credit allocation of Fund

Other information

Fund size (as at 31 Mar 2010)	\$28 million
Date of inception	August 1992
Minimum investment	\$50,000
Buy-sell spread	0.12% [#]
Distribution frequency	Semi-annual
APIR code	RFA0813AU

[#] The 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	0.40% 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

International

After a chaotic 2009 that saw markets reach a low point in early March only to bounce back strongly investors could be forgiven for wanting a quieter 2010. January indicated that they would not get their wish. Despite better economic news, worries about China and proposed changes to US bank regulations drove equity markets down approximately -4%, investors snapped up government debt and the US\$ continued to appreciate against most major currencies. February was also tough going, the economic news was broadly negative as most of the developed world economies struggled to keep the recovery momentum going.

Worries about the difficult fiscal situation in Greece, soon followed by similar concerns about Portugal and Spain, led to much wider credit spreads in both bond and CDS markets for these sovereign borrowers.

The economic news out of the US continued to be something of a mixed bag but with some signs of a recovery. The unemployment rate remained stubbornly high for the quarter at approx 9.7% and existing home sales were tepid. On the positive side the annualised Q4 GDP estimate came in 5.6% while house prices were fairly steady. The FOMC continued to stress that rates were on hold for the foreseeable future but demand at the US bond auctions waxed and waned. Most companies reported better-than-expected earnings at the start of the quarter but the markets also took a huge hit as US President Obama unveiled plans to limit risk taking by US. March saw fresh risk taking as the markets shrugged off the bad news and the S&P500 finished up over 5% for the quarter. The US\$ continued to appreciate through Q1 rising over +4% against the major currencies while Treasuries were largely unchanged.

After officially coming out of recession in Q3 Europe's recovery was thrown into some doubt as Q4 GDP came in at 0.1% QoQ – much less than the 0.3% expected. The chief culprits were a lacklustre Germany - whose economy stalled in the fourth quarter – and Italy whose 4Q GDP fell -0.2% QoQ. Beyond the dismal economic picture Greece dominated investors thinking as the EU appeared to dither over whether to bail-out Greece or not and what form the bail out would take. In the ensuing confusion the Euro was hammered as investors shunned the currency causing it to fall approx -6% over the first three month of 2010. Most European equity markets fell through the quarter with Spain, Greece and Italy bearing the brunt of investor fears. The ECB left interest rates unchanged at 1% and Bunds were a source of safety in all the turmoil with yields ending down -30bps for the quarter.

Japan continued to struggle as the economy limped into 2010 without showing many signs of life. Machine orders began to recover bolstering the idea that capital spending in Japan was back on track. Retail sales also increased MoM in Q1 indicating that the Japanese consumer may finally be beginning to spend again. However Japanese inflation was negative through the quarter fanning deflation worries. As usual the BoJ left rates on hold at 0.1% and the equity market followed the US up posting over +8% gain for the quarter. The Japanese bond market sold off a little with 10Yr yields rising approx. +10bps for the quarter.

The recovery in the UK gathered pace in Q1 and the 4Q GDP was revised upwards to 0.3% QoQ from a previous 0.1%. However the

UK also posted its first budget deficit for January since the survey began in 1993 – this was an unpleasant surprise since traditionally January is the biggest tax collection month of the year and may imply that the UK's spending needs to be trimmed back. The BoE left rates unchanged for the quarter and declined to extend the QE program. Unlike most of Europe the UK equity market followed the US upwards rising +5.8% for the quarter while 10Yr Gilt yields fell by just over -7bps.

Australia

With no RBA meeting in January 2010 market expectations were for a +25bps rise in the base rate in February. The following month the RBA surprised the market by deciding not to raise the base rate from 3.75%. The central bank cited both global financial uncertainty regarding some sovereigns and also the actions of local banks in passing on larger rate rises to consumers as the main reasons why it paused. By the end of the quarter the RBA went back to its rate-raising ways and increased the base rate by 25bps to 4.0% in early March. Citing surging Asian growth and an overheating housing market the RBA also appeared to signal that more rate rises were on the way in the coming months.

Australia continued to deserve its reputation as the lucky country with economic data in the first quarter underlining the strength of the economy. Building approvals and retail sales mostly beat expectations while the unemployment rate actually declined to only 5.3% - far lower than in Europe or the US.

On the back of the increase in the base rate and a brightening economic climate the Australian dollar continued its good run and stayed comfortably above 0.85 for the quarter. By the end of March it was heading north again and closed the quarter just a touch below 0.92.

Fund performance

The portfolio outperformed its benchmark for the March quarter. Both the macro strategies and credit strategies components contributed to returns.

Strategy & outlook

The Bank remains very optimistic about the domestic and global growth outlook and more than likely will continue to tighten policy at the April meeting. Bond yields have risen substantially and offer better value at current levels relative to cash rates. However, we continue to believe that the RBA will continue to tighten monetary policy throughout 2010 and 3 and 10-year bond yields at 5.28% and 5.78% respectively do not offer great value.

Bond issues with an explicit government guarantee continued to outperform its respective commonwealth government bonds. In the macro portfolio, we remain aggressively overweight this sector and we expect this sector to continue performing well as the government has withdrawn its guarantee to the banks and states. The lack of supply should cause spreads to continue to narrow relative to commonwealth government bonds.

In credit, we remain overweight in corporate bonds and underweight in supra-nationals. We maintain our overweight in bank subordinated debt over bank senior debt. Finally, we maintain our overweight in credit duration over the benchmark.



For more information

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

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