

# BT Institutional Enhanced Global Fixed Interest Fund

Fact Sheet  
June 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 arrangement<sup>1</sup>.

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

## <sup>1</sup>Change 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

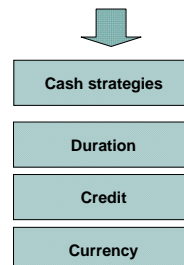
(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	4.22	4.30	4.16
FYDT	14.66	15.03	9.95
6 months	7.53	7.70	6.41
1 year (pa)	14.66	15.03	9.95
2 years (pa)	10.35	10.71	10.70
3 years (pa)	8.87	9.22	10.11
5 years (pa)	6.50	6.85	7.27

*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.*

## BT Institutional Enhanced Global Fixed Interest Fund performance drivers

Active (Alpha) strategies

Benchmark (Beta) strategy



## Other information

Fund size (as at 30 Jun 2010)	\$934 million
Date of inception	July 1992
Minimum investment	\$50,000
Buy-sell spread	0.12% <sup>1</sup>
Distribution frequency	Annual
APIR code	WFS0005AU

<sup>1</sup>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	0.33% pa*
----------------	-----------

\* You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

## Market review

The economic data in the US for the quarter was broadly positive with non-farm payrolls and retail sales showing some positive surprises. On the negative side the housing market continued to look shaky as housing starts continued to come in well below expectations and consumer credit shrank hugely as US consumers reined in their spending. Core inflation continued to be a non-issue while expectations of a tightening by the Fed were moved further out. However all the economic data was something of a sideshow as events in the US, Europe and Asia dominated investors' thoughts. The S&P had one of its worst Q2 performances for some time and the plunge wiped out any YTD gains. For Q2 Treasury yields fell over 80bps to a year low of 2.9% and the US\$ rose nearly 6% against the major currencies as investors clamoured for safe assets.

The economic picture in Europe continued to be something of a mixed bag in Q2 with a smattering of good news amongst a lot of mediocre data. In contrast to the US consumer Europeans cut back on spending and retail sales in the quarter. With unemployment now at 10% and European governments unveiling austerity packages to tackle their debt problems it became unclear how quickly European growth would resume in earnest. Most European indices mirrored their US cousins and fell approx. 10% for the quarter with the PIIGS begin the hardest hit. Bunds were a safe haven for investors and they fell to a year low of 2.6% by end-June. The EUR was caught up in talk of Greek default and economic uncertainty and fell over 9% for the quarter.

A mixed economic picture prevailed in Japan against a background of persistent deflation. Machinery orders fell and industrial production spluttered as companies cut spending on plant and equipment and the jobless rate moved back to 5%. The consumer didn't help either with retail sales showing large drops through the quarter as shoppers cut back on spending. The Japanese equity market mirrored the US and fell over 12% for the quarter while the yen – in its role as a 'safe' currency – rallied over 5% vs US\$.

The RBA raised interest rates a further 25bps in April to bring the base rate to 4.25%. 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. In May the RBA added another 25bps bringing the base rate to 4.50%. Against a background of persistent economic uncertainty and the real possibility of the world sliding into a second recession the RBA declined to raise interest rates in June. Many pundits now believe that the RBA may be on hold in July and perhaps for the rest of the year.

Increased risk aversion resulted in government bonds rallying over the quarter. Australian 3 and 10 year bond yields ended the quarter 85 and 69 basis points lower in yield at 4.43% and 5.09%. US bonds were also lower in yield with 5 year bonds at 1.78% and 10 year bonds yielding 2.93%.



### For more information

Please call 1800 813 886, contact your business development representative or visit [www.btim.com.au](http://www.btim.com.au)

BT Investment Management (RE) Limited ABN 17 126 390 627, AFSL 316 455, is the responsible entity and issuer of units in the BT Institutional Enhanced Global Fixed Interest Fund. A Product Disclosure Statement (PDS) is available for the Fund and can be obtained by contacting your business development representative on 1800 813 886 or visiting [www.btim.com.au](http://www.btim.com.au). You should obtain and consider the PDS before deciding whether to acquire, continue to hold or dispose of units in the Fund. This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs. An investment in the Fund is not a deposit with or any other liability of the Westpac Banking Corporation (ABN 33 007 457 141) or any other Company in the Westpac Group of companies.

Performance figures are calculated in accordance with the Investment & Financial Services Association (IFSA) standards. Total returns (post-fee) are calculated: to the last day of each month using exit prices; taking into account management costs of the fund; assuming reinvestment of distributions (which may include net realised capital gains from the sale of assets of the fund). No reduction is made to the unit price (or performance) to allow for tax you may pay as an investor, other than withholding tax on foreign income (if any). Certain other fees such as Contribution fees or Withdrawal fees (if any) are not taken into account. Total returns (pre-fee) are calculated by adding back management costs to the (post-fee) returns. Past performance is not a reliable indicator of future performance.

If market movements, cash flows or changes in the nature of an investment (eg a change in credit rating) cause the Fund to exceed any of the investment ranges or limits in this document, this will be rectified by BTIM (RE) as soon as reasonably practicable after becoming aware of it. If BTIM (RE) does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified in this document are accurate as at the date of its issue, and BTIM (RE) reserves the right to vary these from time to time.

BT Investment Management (RE) Limited is a member of the Westpac Group. Neither BT Investment Management (RE) Limited, nor any other company in the Westpac Group, guarantees the repayment of capital or the performance of the product or any particular rate of return.

BT® is a registered trade mark of BT Financial Group Pty Ltd and is used under licence.