

BT Institutional Enhanced Global Fixed Interest Fund

Fact Sheet
December 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 Vimal Gor, Head of Income Strategies who has more than 15 years industry experience.

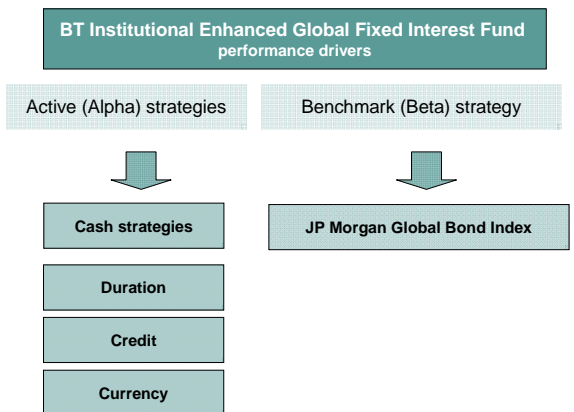
¹Change in investment strategy

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	-0.75	-0.67	-1.15
FYDT	3.67	3.84	2.25
6 months	3.67	3.84	2.25
1 year (pa)	11.47	11.84	8.81
2 years (pa)	9.94	10.29	6.18
3 years (pa)	8.42	8.77	8.60
5 years (pa)	6.93	7.28	7.42

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 Dec 2010)	\$981 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 overview

Markets in the fourth quarter were largely driven by policy and political headlines, and by better data helping to calm fears of a potential double-dip recession. Despite a stubbornly high unemployment rate, mixed housing data, and continued sovereign risk concerns, US markets were encouraged by positive consumer and manufacturing data. As anticipated, the Federal Open Market Committee (FOMC) announced additional quantitative easing (QE2). Specifically, the FOMC stated its intent "to promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate." The FOMC voted to purchase \$600 billion of Treasury securities by the end of Q2 2011, about \$75 billion per month (together with reinvested mortgage paydowns, total purchases will amount to \$900 billion, or \$110 billion per month). Sentiment is mixed about the efficacy of this measure, with the Fed's policy particularly coming into question as several key economic indicators seemed to improve, which caused interest rates to adjust higher, not lower as initially anticipated. We think that this monetary policy move and fiscal policy support are necessary to sustain the recovery, but political risks exist following the Republican majority victory in the U.S. House of Representatives. Rates rose significantly across the yield curve during the quarter, with most of the rise occurring after the Fed's QE2 announcement. The 5-year Treasury rose 74 basis points, the 10-year Treasury rose 78 basis points, and the 30-year Treasury rose 65 basis points on the quarter to 2.00%, 3.29%, and 4.33%, respectively. As intended, the Fed's Treasury purchases also supported risk assets during the quarter, with the Barclays High Yield Index gaining 3.2% and the S&P 500 rising 10.8%, while year-over-year inflation (represented by the Core Consumer Price Index) remained muted between 0.6% and 0.8%. Weakness in US labor markets remained a headwind to the recovery, and we suspect that in the absence of further policy intervention, the jobs picture will remain weak for some time. Several factors continue to hamper the labor market recovery including tight bank lending, increased corporate efficiency, and increased technology spending. While recessions have been historically favorable periods for new business formation, the reduced availability of credit to small businesses and start-ups (key sources of new job creation) may hamper that avenue of job creation in this cycle. Additionally, firms that cut employees during the recession are now operating more efficiently than in the pre-crisis period, and thus are not expected to hire back as many employees as the recovery unfolds. Furthermore, more corporations appear to be shifting toward hiring workers on a temporary basis, or have been using technology as a substitute for human capital (as evidenced by higher technology and software spending).

Sovereign risk dominated European fixed income markets this quarter, as headlines continued to surround Greece, Spain, Portugal, and Ireland, which joined Greece in accepting a bailout package aimed at stabilizing its troubled banking sector. Several European sovereigns were downgraded during the quarter, although the direct impact of these downgrades was fairly muted as these events were already priced into markets. Investors Stability Mechanism (ESM) as a permanent conditional rescue

fund for the Eurozone. It will replace the European Financial Stability Facility (EFSF) when it expires in mid-2013, with future packages conditional on economic and fiscal reforms. Unfortunately the details have yet to be finalized –especially those of private investor participation - and so uncertainty continued to weigh on investor sentiment. In addition, the ECB stepped up its purchases of European government bonds under the SMO program to provide liquidity to the market, but the pressure spilled over to other peripheral markets, notably Portugal and Spain, but also to Belgium. During the quarter, Spanish and Portuguese 10-year yields moved higher from already elevated levels, with Spanish 10-year yields up +132 basis points to 5.3% and Portuguese 10-year yields up +30 basis points to 6.6%. Overall, largely positive US economic data, driven by the consumer and manufacturing sectors, as well as by QE2, tempered high unemployment and sovereign credit concerns, calming fears of a double-dip recession in 2011.

Credit

Credit performed well in the December quarter on the back of further liquidity support from the US Federal Reserve, an extension of tax cuts in the US, the ECB supporting peripheral European sovereign bonds and generally stronger than expected economic data out of the US, China and Australia. However, markets have been dealing with the US mortgage put-back issue, surprise monetary policy tightening in China and continued concerns with European peripheral sovereigns.



For more information

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

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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.

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