

BT Institutional Enhanced Global Fixed Interest Fund

Fact Sheet
June 2011

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 six 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.

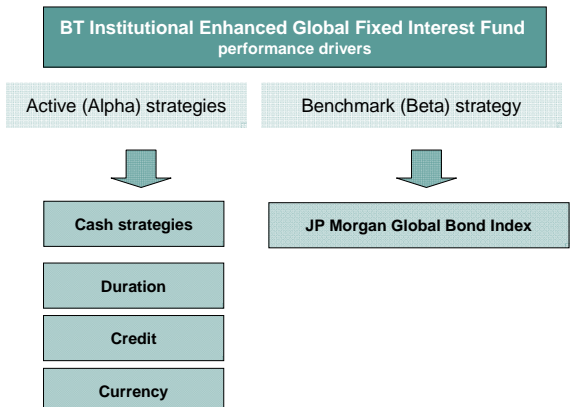
¹Change in investment strategy

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)	
1 month	0.37	0.40	0.33
3 months	3.28	3.37	2.96
FYDT	7.61	7.97	5.77
6 months	3.80	3.97	3.45
1 year (pa)	7.61	7.97	5.77
2 years (pa)	11.08	11.44	7.84
3 years (pa)	9.43	9.79	9.03
5 years (pa)	7.83	8.18	8.25

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 30 Jun 2011)	\$965 million
Date of inception	July 1992
Minimum investment	\$25,000
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

Despite the higher than expected CPI print earlier in the quarter, the Australian economy has showed signs of slowing. The Reserve Bank left the interest rate unchanged over the quarter. The Reserve Bank noted that the economy continued strong proposed investment growth in the mining sector which was offset by weaker conditions in most non-mining sectors. Households remained cautious on spending and borrowing, reflected in the elevated savings ratio, weak retail sales and soft housing market. The three-year bond yield fell by 28bp over the quarter from 5.04% to 4.76%. The ten-year bond yield fell by 26bp from 5.49% to 5.21%. The Australian dollar had a strong run from 1.0329 to 1.0722 over the quarter.

International market performance in June has been driven by the European sovereign crisis and further slowdown of the global economy. US ten-year yield closed 31bp lower for the quarter. European, UK and Japanese yields fell by 33bp, 31bp and 12bp respectively. Australia market was in line with US as the ten-year yield spread closed slightly higher at 2.05%. The Australian currency outperformed over the period with the trade-weighted index appreciating 1.97%. Risk assets (equities and commodities) suffered weakness over the quarter as expectation of slowing economy continued driving bond yields lower. Toward the end of June, however, the bond yields rose and the risk assets recovered as the European crisis saw a temporary relief on the imminent Greek default. Global economic growth forecast are now being revised down and it is likely that they have further to fall.

Credit Review

Credit markets were a little weaker over the quarter on the back of mixed global economic data, continued speculation of a nearer term Greek debt restructure and soft equity markets. The month of April saw credit markets firmer on better than expected Q1 2011 company earnings reports and strong economic data, however the markets softened in May and June on generally weaker than expected economic data and responding to Greek default uncertainty. Markets did recover late in the month of June after the passing of the Greek austerity measures.

Market Outlook

The bias is to continue to position portfolios from the long-side in bonds especially as the short-base in the market still exists. While the market volatility has been high, the global economy has clearly slowed over the past few months and this slowing has yet to be fully reflected in bond prices. The US fiscal situation and concerns over European peripheral debt continue to be significant risk events going forward.

Australian economic data has continued its slowing trend and the market has largely now priced out further hikes by the RBA this year. With inflation having most likely troughed though any indication that inflation pressures are emerging faster than the Reserve Bank had forecast will see the market move to pricing in some chance of policy tightening. The Reserve Bank does however appear comfortable with the current monetary policy setting.

From a fundamental perspective, we are positive on credit markets in the medium to long term. However, we continue to be concerned about the European peripheral sovereign crisis and the impact on credit spreads. We expect to see significant fiscal austerity measures enacted in many Euroland economies which will weigh on economic growth in the region. Increased global M&A activity is potentially a headwind for credit investors as cheap debt funding makes these deals look more attractive from an equity perspective.



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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