

BT Institutional Enhanced Fixed Interest Fund

Fact Sheet
September 2011

ARSN: 088 828 719



About the Fund

The BT Institutional Enhanced Fixed Interest Fund is managed in an enhanced index style. Using an innovative approach and a highly rated investment strategy the fund aims to deliver to investors consistent returns above the Australian fixed interest market.

The Fund invests in long term securities with a credit rating of BBB- or higher and short term securities with a credit rating of A-3 or higher by Standard and Poor's.

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 recommended investment time frame is three years or more.

Investment strategy

An alpha transfer based investment strategy is employed which aims to deliver returns above the benchmark. Alpha transfer refers to the technique of transferring excess returns from one benchmark to another. In this fund excess returns are transferred from the BT Wholesale Enhanced Cash fund.

The main contributors to the Fund's performance are expected to be sector and security selection, credit management and portfolio construction, rather than active duration positioning. The fund typically holds a well diversified portfolio of individual issues with a preference towards the structured finance sector.

BTIM has successfully employed alpha transfer investment strategies since 1996 in the management of both international and domestic fixed interest portfolios.

Investment team

BTIM's Income Strategies team includes seven dedicated investment professionals. The team also draws on a wide range of knowledge resources including BTIM's other specialist investment teams: Equity Strategies and Macro Strategies.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	4.53	4.59	4.63
FYDT	4.53	4.59	4.63
6 months	7.08	7.19	7.07
1 year (pa)	9.66	9.87	9.04
2 years (pa)	9.42	9.62	8.19
3 years (pa)	8.73	8.93	7.82
5 years (pa)	6.77	6.97	7.04

Portfolio characteristics

Modified Duration: Benchmark duration +/- 0.5 year
Minimum credit rating quality Investment grade

Other information

Fund size (as at 30 Sep 2011)	\$570 million
Date of inception	September 1992
Minimum investment	\$25,000
Buy-sell spread	0.06% ¹
Distribution frequency	Quarterly
APIR code	WFS0006AU

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	0.19% 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

The Reserve Bank of Australia left the cash rate unchanged again at 4.75% during the third quarter of the year. Themes remained consistent in each of the accompanying statements with the Reserve Bank noting the unsettled nature of the financial markets due to sovereign debt and banking concerns in Europe and the prospect of slower economic growth in the United States. The Reserve Bank noted also that there has been little evidence to gauge the effects of the issues in European and the United States on other regions and that the prices for Australian commodities have remained elevated. Investment in the resources sector remains strong, supported by the historically high terms of trade levels whilst the household sector continues to behave cautiously with the household savings rate remaining at elevated levels.

The Reserve Bank's statement on monetary policy released in August showed that the Reserve Bank had increased its forecast for inflation (headline and underlying) and also for the growth outlook in 2012/2013. Underlying inflation, currently at 2.7% over the past 12 months, is expected to increase to the upper end of the Reserve Bank's inflation band to 3%. The Reserve Bank's forecast for growth in 2011 has been revised down, due predominately to the resumption of coal production taking longer than first expected following the Queensland floods.

Revisions to the second quarter RBA trimmed mean and weighted median inflation figures occurred in September. The trimmed mean was revised down by 0.2% for the second quarter to 0.7% and resulted in the annual rate falling from 2.7% to 2.5%. With inflation trending higher and moving towards the 3% upper end of the Reserve Bank's target inflation band, the downward revision provides the Reserve Bank with some breathing space as it tries to gauge the effect that Europe and the United States has, and particularly on the outlook for South East Asian economic growth prospects.

Economic data over the quarter was mixed. Key data included second quarter Gross Domestic Product (GDP) data released early in September that was stronger than expected at +1.2% (against expectation of +1.0%). First quarter GDP was also revised upwardly from -1.2% to -0.9%. The labour market is showing signs of weakness, with the unemployment rate increasing from 5% to 5.3%.

Flight to quality resulted in interest rate markets rallied strongly over the quarter as equity markets recorded significant falls on European sovereign and banking concerns in particular. Economists have also revised down their economic growth forecasts for the United States. Three and ten year bond yields ended the quarter 114 and 99 basis points lower at 3.62% and 4.22% respectively. Three month bank bills also rallied, ending the quarter 11 basis points lower at 4.92%.

Credit market spreads were wider over the quarter, responding to ongoing concerns with unresolved European sovereign debt issues, concerns over the US debt ceiling, Standard & Poor's downgrading the US sovereign credit rating to AA+ from AAA, weak US economic data and generally a slower global growth outlook.

Outlook

Global growth forecasts continue to be revised down due to the knock-on effects of ongoing banking and sovereign concerns in Europe and anaemic data out of the United States. Whilst the Reserve Bank has yet been able to gauge the extent that slowing growth in Europe and the US will have on emerging market economies, it would be naïve to suggest that they will come through unscathed and it is likely that China's export-led economy will start to moderate as export volumes decline. Declining commodity prices may also provide an indication of slowing emerging markets and may also result in a paring back of mining investment intentions in Australia, although the investment pipeline remains large. Australian households have remained cautious, behaviour that is only likely to be exacerbated by a weakening labour market and a high level of financial market volatility.

Key upcoming economic data releases for the month will be employment figures and third quarter inflation data. Any confirmation from the inflation data that inflationary pressures are moderating will provide scope for the Reserve Bank to ease monetary, particularly if the employment data released shows a further deterioration in labour market conditions. We continue to view the Reserve Bank as likely to ease monetary policy prior to the end of the year.

Whilst short to medium term issues with European and US sovereigns remain, from a fundamental perspective, we are positive on high grade credit markets in the medium to long term. Even with the softer than expected US economic data and mixed leading indicators, balance sheets are strong, earnings are stable, defaults are low and valuations are appealing on a historical basis.



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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