

BT Institutional Enhanced Global Fixed Interest Fund

Fact Sheet
September 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 and Fixed Interest 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. The Fund is managed by Vimal Gor, Head of Income Strategies who has more than 17 years industry experience.

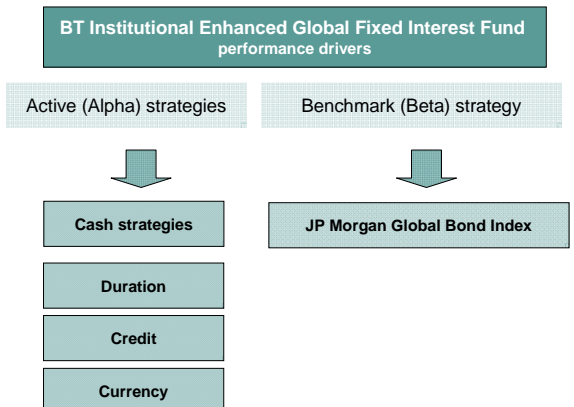
¹Change in investment strategy

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 | 1.44 | 1.46 | 1.62 |
| 3 months | 4.65 | 4.74 | 5.35 |
| FYDT | 4.65 | 4.74 | 5.35 |
| 6 months | 8.08 | 8.26 | 8.47 |
| 1 year (pa) | 7.81 | 8.17 | 7.72 |
| 2 years (pa) | 10.87 | 11.23 | 9.22 |
| 3 years (pa) | 10.61 | 10.97 | 9.53 |
| 5 years (pa) | 8.06 | 8.41 | 8.62 |

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 Sep 2011) | \$861 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* |
|----------------|-----------|

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

Market Review

Australian bond yields accelerated their downward trend and became much more volatile in the second half of the quarter. The three-year bond yield fell from 4.76% to 3.62%; the ten-year yield from 5.21% to 4.22%; and the 3-10s yield curve steepened to 63bp. The Reserve Bank of Australia left the cash rate unchanged at 4.75% at its meetings despite aggressive rate cuts priced in by the market. Instead, the Reserve Bank noted that the market expectation of large cuts were due to a range of technical factors. The Australian economy continued in its two-speed mode. While the resources sector remained strong with solid employment demand and increased wage pressures, economic activity and business confidence in the other sectors were weak. Consumer sentiment was impacted by falling equity market and the household sector remained cautious on borrowing and spending. The Australian banking system is in a relatively strong condition. However, demand for credit was weak due to cautious household sector and self-sustained resources sector.

International markets continued to be driven by the European sovereign crisis and weaker economic data. The debate on US debt ceiling and the following S&P downgrade triggered a flight to safety. Later in the quarter the Fed announced "operation twist" to extend the duration of its bond holdings. It also announced a plan to reinvest in MBS to push down mortgage rates. Leading indicators released during the quarter in the developed economies were weak over the quarter. While consensus GDP forecasts were revised down, the economic surprises were still on the downside. As a result global bond yields fell sharply over the quarter. US ten-year yields fell by 124bp. European, UK and Japanese yields fell by 114bp, 95bp and 13bp, respectively. Australia underperformed the US with the ten-year yield spread closing 15bp wider to 2.30%. The Australian currency reached a three-month high but fell heavily afterwards, with the trade-weighted index depreciating 6.94% over the quarter. Risk assets (equities and commodities) topped in July and fell over the quarter.

Cash credit markets were wider by quarter end, after enduring a near US default and then a one notch downgrade of the United States by S&P to AA+. This, combined with EU's disarray in responding to Sovereign debt issues, has contributed to a savaging of global financials. Synthetic credit spreads were wider over the month. The Australian iTraxx, US CDX finished 91bps and 34bp wider, respectively. European Main ended 83bps wider.

During the quarter, nearly all attention has continued to be on events unfolding overseas and not on the domestic front.

Outlook

Political uncertainty in Europe is expected to remain high as the leaders are working out the resolution plan. Market movements will be dominated by sentiment and remain volatile as variants of solutions are speculated. Bond yields have further room to fall as leading indicators in the developed economies are slowing and unemployment remains high at a recessionary level. It will take longer than most people expect for the economy to recover.

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. 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.

Fundamentally, we continue to be negative in the near to mid-term on credit markets as global growth appears to have markedly slowed. Whilst corporate balance sheets are markedly more robust than a few years ago, we believe that the market will continue to experience ongoing gyrations, typically with credit either widening or the market losing liquidity, until headline risk dissipates.

At present there is no clear resolution to the European sovereign and bank crisis. Recently there have been comments indicating that an effort needs to be made to support the capital levels of European banks in order to allow a possible sovereign default without risking further market contagion. We view this approach as sensible and hope a plan to support the banks eventuates. Given the action, or lack of action, to date, any European resolution is likely to be messy and not without potential collateral damage.



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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