

# BT Institutional Enhanced Global Fixed Interest Fund

Fact Sheet  
December 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 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 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.

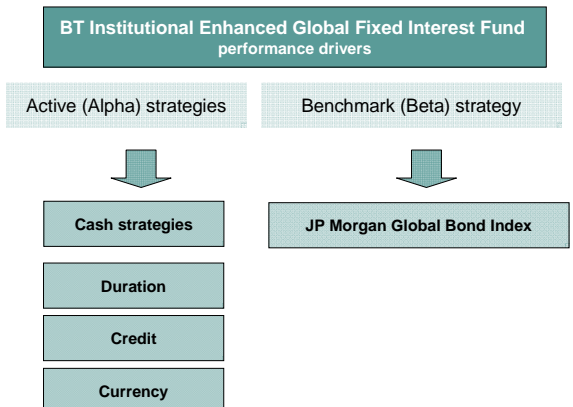
## <sup>1</sup>Change in investment strategy

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)	
1 month	1.91	1.94	2.08
3 months	1.70	1.78	2.01
FYDT	6.42	6.60	7.46
6 months	6.42	6.60	7.46
1 year (pa)	10.47	10.84	11.17
2 years (pa)	10.97	11.33	9.98
3 years (pa)	10.11	10.47	7.82
5 years (pa)	8.24	8.59	8.86

*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 2011)	\$916 million
Date of inception	July 1992
Minimum investment	\$25,000
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*
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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

Australian bond yields continued their rally in the fourth quarter. The three-year bond yield fell from 3.62% to 3.13%; the ten-year yield from 4.22% to 3.67%; and the 3-10s yield curve flattened to 54bp. The Reserve Bank cut interest rate by 50bp over the quarter with inflation lower than expected. The bank noted considerable turbulence and difficult financing conditions in financial markets, especially in Europe. Domestically the labour market continued to be soft as there was little net employment growth in the past few months, although the unemployment rate had stabilised. CPI started to decline as the production of key crops recovered. Investment in resources sector maintained better than average conditions, while the other sectors continued to lag. Although the lending rates are at long term average and short rates expected to decline further, credit growth remains subdued.

International market performance in the fourth quarter was driven by some progress in attempting to resolve the European crisis, and the strength of the US recovery. Investor sentiment improved and market calmed down toward the year end as the European governments explored a number of possible solutions to the crisis. Central banks also acted on deteriorating financial and economic conditions. ECB cut interest rate by 50bp over the quarter, conducted a three-year LTRO transaction and halved the reserve requirement. The six major central banks lowered the USD liquidity swap facility by 50bp. In the US, the economic data was generally stronger than expected, with more signs of a sustaining recovery. Apart from the upbeat leading indicators, recent data saw continued improvements in labour and housing markets. Over the month, the US, UK and Japan ten-year yields rallied 4bp, 46bp and 4bp, respectively. Australia outperformed the US with the ten-year yield spread closing lower at 1.79%. The Australian currency rebounded into the end of the month and the trade-weighted index appreciated 4.28%. Risk assets (equities and commodities) stabilized with US equity and oil outperforming other markets.

Cash credit markets were wider by quarter end, with continued concerns over European downgrades and global growth slowdown. Primary issuance has been muted due to market volatility. Synthetic credit spreads were tighter over the quarter. The Australian iTraxx, US CDX, and Euro Main finished 30bp and 24bp and 28bp tighter, respectively. Nearly all attention has continued to be on events unfolding overseas and not on the domestic front.

## Market outlook

Progress in Europe has been slow and uncertainty will remain in foreseeable future. Fiscal austerity, among other policies, is necessary to bring back market confidence. European banks will probably reduce international lending to repair their balance sheets and thus Asian economies will face increasing currency volatility due to international capital repatriation. Although disparity of recovery is evident between the US and Europe, the sustainability of the US recovery is questionable with a slowing Europe.

Further monetary policy decisions will be heavily influenced by offshore factors rather than domestic economic conditions. We expect financial markets to remain volatile in the coming months with confidence continuing to wane in European political leaders' ability to provide a credible solution. It is highly likely that Europe enters into recession in 2012 and global economic growth moderates in 2012 despite the recent improvement in economic data out of the United States. We view further monetary policy easing by the Reserve Bank of Australia as likely in the first quarter of 2012.

Over the past month indicators have not deteriorated but remained at similar low levels. Headwinds for credit continue to be the impact of unfolding events in Europe and the tepid US recovery. Whilst corporate balance sheets are strong with a solid earnings season, cautious management outlooks due to expectations of weak top-line growth is a concern. Energy cost increases domestically could also continue to pressure margins. Increasingly, prospective weaker global growth will subdue any potential substantive outperformance from credit. We remain neutral on current credit levels and will continue avoid European issuers and most kangaroo financial issuers.



### For more information

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

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Performance figures are calculated in accordance with the Financial Services Council (FSC) 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.

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