



Fund Manager Commentary

July 2015

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Australian Shares

Market review

The Australian share market enjoyed strong gains over the month with the S&P/ASX 300 Accumulation Index returning 4.31%. The Health Care (+9.4%) and Consumer Staples (+7.5%) sectors outperformed as investors rotated into more defensive plays. Additionally, the slide in the Australian dollar (-5% versus the US dollar) lifted those companies with offshore earnings.

The weakest sector was Materials (-1.4%), dragged lower by a sharp downturn for most major commodities. Brent crude oil (-21%) and iron ore (-10%) were particularly hard hit. The former suffered on speculation that a lifting of sanctions on Iranian oil exports would add to global supply. Meanwhile, the downturn in base metals was tied to enduring concerns surrounding Chinese economic growth as the country's stock market crash dominated news headlines.

In addition to the dramatic unravelling of the Chinese A-Shares market, Greece's debt woes captured investors' attention. The beleaguered nation capitulated on a deal with Eurozone policy chiefs to implement austerity measures in exchange for an €86 billion rescue package. While there is still some uncertainty regarding whether the suite of proposed policies will be implemented, the agreement helped assuage investor nerves and saw European bourses finish the month higher.

Elsewhere, the US Federal Reserve reaffirmed that an eventual lift off for the Federal Funds Rate is likely before year's end. Meanwhile its local counterpart, the Reserve Bank of Australia, left the cash rate steady at a record low 2%, having eased in the prior month. The Board noted that further declines in the exchange rate were necessary and also expressed concerns over risks in the local housing market.

Portfolio performance

The BT Wholesale Core Australian Share Fund returned 5.71% (post-fee, pre-tax) in July 2015, outperforming its benchmark by 1.40%.

The strongest contributions came from rail and ports operator Asciano (AIO) and from Qantas (QAN). It is notable that we are seeing strength in some industrial cyclical names following several years in which high yield defensives have largely driven market returns. Elsewhere, exposure to offshore earnings via Fox (FOX) and ResMed (RMD), among others, also helped drive the portfolio's outperformance. An underweight in resources also helped as commodity prices weakened further.

Contributors

Asciano

A takeover offer from the Canada-based Brookfield Infrastructure Group saw shares in Asciano (+22.3%) jump at the start of the month. The indicative price was at a roughly 36% premium, which we believe provides an endorsement of AIO's strong position following its capex program. The ports and rail freight operator recently upgraded its rail maintenance facilities as well as the automation of its Port Botany operations. Having recently inspected the Port Botany site we believe the improvements have significant scope to reduce staff costs and boost productivity. The key question is how much of a formal takeover offer – which is dependent on the completion of due diligence – will be in cash and how much in scrip.

Qantas

Shares in airliner, Qantas (+18.7%), resumed their gains in July, erasing the loss of the previous month. The sharp downturn in crude oil prices proved beneficial for its performance via its potential flow-on effect for cheaper fuel costs. We maintain a positive outlook on QAN with expectations that its Transformation Program will continue to benefit the bottom-line through cost-outs. Additionally, we expect revenues to benefit from the cessation of the destructive capacity wars with rival Virgin. Finally, despite its recent strong performance, current valuations suggest there is further upside potential for the stock.

21st Century Fox

Media giant, Twenty First Century Fox (+9.06%), posted a strong performance over the month with part of the contribution to returns stemming from the fall in the Australian dollar. We have held an overweight allocation to the stock based on several supporting factors. This includes expectations for its robust double digit earnings growth to continue driven partly by a new phase of content monetisation via library sales in film. Additionally, we expect the company's healthy balance sheet to support ongoing share buybacks.

Newcrest

A plunge in the gold price by roughly 7% during the month saw shares in Newcrest (-13.4%) suffer, overshadowing the company's strong June quarter result. It reported a modest rise in production of the yellow metal by 1%, while copper production rose by a healthier 12% over the previous corresponding year. Looking ahead, without a recovery in the gold price we see the risks skewed to the downside for the miner. Of chief concern is NCM's debt level, which we believe is unsustainable at current gold prices and may require the company to recapitalise in the near-term. This in turn has supported our decision to underweight its stock.

BHP Billiton

Mining heavyweight BHP (-2.2%) underperformed alongside the slide in iron ore prices over July. During the period the company released its production report for the year ending June 2015, which revealed a record production number for iron ore and petroleum, as well as continued cost outs. Looking ahead, we remain negative on the miner despite the pickup in volumes, as weaker commodity prices are likely to remain a significant headwind. We also believe the company's debt levels are a concern and that in the absence of a commodity price recovery the sustainability of its current dividend policy is questionable.

Detractors

Macquarie Group

Diversified financials group, Macquarie (+0.9%) lost some of its recent upward momentum and underperformed over the month. The company's recent Annual General Meeting suggested that the business continues to perform strongly across most of its business units. A standout area has been the asset management division, where performance fees have lifted revenues. Additional positives have been the pickup in transactional activity as well as cost discipline and the company's leverage to the weaker Australian dollar. We expect a combination of these factors to support robust earnings growth and in turn remain content with an overweight allocation to MQG.

Incitec Pivot

Shares in fertiliser producer, Incitec Pivot (-6.0%), suffered on the back of a profit warning. Management flagged that its 2015 financial year profit could be reduced by up to 2% as a result of constricted gas supply to its Moranbah ammonium nitrate plant in Queensland. Looking outside of Australia, we have a positive view on the company's US operations. We believe as these ramp up they should provide a significant lift to earnings, which the market is currently underappreciating.

AMP

AMP (+9.8%) reclaimed some ground lost in prior months and was the best performer among the insurers. We have held the stock underweight based on the headwinds of lower margins in its superannuation business and a cyclical downturn for insurance.

Sydney Airport

Shares in Sydney Airport continued their ascent in the wake of the company's June pricing deal with international carriers. The agreement included a five year strategy plan that aimed at providing its international passengers with a better experience as well as raising the airport's capacity. While we note valuations are relatively expensive, we are not overly negative on the stock and our underweight position is partly attributable to a need to diversify given our large position in Qantas.

Wesfarmers

Consumer Staples stock, Wesfarmers (+8.8%), managed a decent recovery over the month with no particular catalyst. Looking ahead, we prefer to remain underweight WES. This is tied to our view that its supermarket business will continue to suffer as competitive pressures intensify. More specifically, we believe Coles will be forced to reduce prices in a bid to retain its market share as discounter ALDI steps up its Australian operations, this in turn will lead to margin compression for Wesfarmers.

Strategy and outlook

Looking forward, we continue to see large swathes of the Australian market facing headwinds over the near-to-medium term. At a headline level, the market's roughly 16x price-to-earnings ratio is not excessive given extraordinarily low interest rates, however it is well above its long-term average, rendering it harder for the market to maintain its strong gains of recent years. At the same time earnings momentum remains weak, with the aggregate market expected to see an almost 5% decline in earnings per share for FY15, due to continued weakness in the resources sector.

The "big four" banks may see earnings growth decelerate in coming years as a result of the need to maintain higher capital provisions, crimping their ability to grow dividends – which have been the driver of share price growth in recent years. A recent field trip to China has confirmed our negative mid-term outlook for resources. While property demand is recovering in Beijing and Shanghai, it remains moribund in Tier 3 and 4 cities and funding issues have bedevilled the expected surge in fixed asset investment. There are some specific opportunities within the commodity complex, however we remain wary of the sector in aggregate.

This environment highlights the importance of active management. There are attractive opportunities in the market, but it involves looking beyond most of the large-cap, defensive-yield names which have driven the market in recent years. We currently like companies offering strong and/or improving cash flow and predictability of earnings – these are the kind of companies that have been rewarded amid the volatility and uncertainty of recent months. We also have an exposure to companies with a significant offshore component, which are likely to benefit from a depreciating Australian dollar.

Smaller Companies

Market review

The ASX/S&P Small Ordinaries index clawed back some of the losses from the previous month, gaining 1.6% as macro-driven concerns around the Chinese A-share market and the Greek debt issue subsided somewhat. The small cap sector underperformed the S&P/ASX 300's 4.3% return, with the Materials (-6.5%) and Energy (-9.1%) sectors acting as drags.

This, in turn, was driven by substantial falls in for most major commodities. Brent crude oil (-21%) and iron ore (-10%) were particularly hard hit. The former suffered on speculation that a lifting of sanctions on Iranian oil exports would add to global supply. Meanwhile, the downturn in base metals was tied to enduring concerns surrounding Chinese economic growth as the country's stock market crash dominated news headlines.

Consumer Staples (8.2%) led the index higher, with strong gains for food producers such as Select Harvest (SHV) and the Australian Agricultural Company (AAC) suggesting that investors remain in a defensive frame of mind. Health Care (7.4%) also did well with the market particularly rewarding companies with offshore earnings as the Australian dollar depreciated 5% versus the US dollar.

Elsewhere, the US Federal Reserve reaffirmed that an eventual lift off for the Federal Funds Rate is likely before year's end. Meanwhile its local counterpart, the Reserve Bank of Australia, left the cash rate steady at a record low 2%, having eased in the prior month. The Board noted that further declines in the exchange rate were necessary and also expressed concerns over risks in the local housing market.

Portfolio performance

The BT Wholesale Smaller Companies Fund returned 4.04% (post-fee, pre-tax) in July, outperforming its benchmark the S&P/ASX Small Ordinaries Accumulation Index by 2.48%.

The portfolio posted strong outperformance in July. There were strong contributions from across the board, with positions in health care, software, financials and hotels/leisure helping drive alpha. The underweight in the energy and mining complex also helped.

Contributors

Mayne Pharma Group

Mayne Pharma Group enjoyed a strong July. The stock had taken a breather following a strong run, fuelled by its recent acquisition of the marketing rights to its Doryx acne treatment in the US and the withdrawal of a legal challenge to its generic heart medication. However it resumed its gains on the news in late June that it had refinanced its debt, reducing the cost of funding and introducing increased flexibility in its ability to fund growth.

Liquefied Natural Gas

Liquefied Natural Gas (underweight) has surged in recent months following the confirmation of a twenty-year contract to liquefy natural gas for Meridian LNG at its Magnolia project in the United States. However it gave back some of these gains in July, dragged down by the significant drop in the price of oil.

Detractors

Asaleo

The share price of Asaleo (-10.0%) endured a steady decline during July with no clear catalyst driving the move. The personal care and hygiene product manufacturer distributes under well-known brands including Sorbent across the Australia, NZ and the Pacific Islands. Recent investment and improvements in manufacturing process across its stable of brands should deliver earnings and cash flow improvement sooner than many in the market anticipate.

Isentia

Media intelligence group Isentia gave back some of its gains in recent months, but still remains well ahead for the year to date. The company remains in a strong position, as the dominant provider of media monitoring and information in the Asia Pacific region with a marked competitive advantage in terms of its services and a broad and diverse client base.

Strategy and outlook

Looking forward, we believe that the small cap sector continues to offer relatively attractive opportunities given the headwinds facing large swathes of the Australian market over the near-to-medium term.

At a headline level, the ASX 300's roughly 16x price-to-earnings ratio is not excessive given extraordinarily low interest rates, however it is well above its long-term average, rendering it harder for the market to maintain its strong gains of recent years. At the same time earnings momentum remains weak, with the aggregate market expected to see an almost 5% decline in earnings per share for FY15, due to continued weakness in the resources sector.

The "big four" banks may see earnings growth decelerate in coming years as a result of the need to maintain higher capital provisions, crimping their ability to grow dividends – which have been the driver of share price growth in recent years. A recent field trip to China has confirmed our negative mid-term outlook for resources. While property demand is recovering in Beijing and Shanghai, it remains moribund in Tier 3 and 4 cities and funding issues have bedevilled the expected surge in fixed asset investment. There are some specific opportunities within the commodity complex, however we remain wary of the sector in aggregate.

As a result, it is necessary to go down the market cap spectrum in order to find opportunities with higher-than-average growth potential. However active management remains crucial – the small cap resources sector remains challenged, for example. We currently like companies offering strong and/or improving cash flow and predictability of earnings – these are the kind of companies that have been rewarded amid the volatility and uncertainty of recent months. We have recently been adding companies in the food and agriculture space. We also have an exposure to companies with a significant offshore component, which are likely to benefit from a depreciating Australian dollar.

International Shares

Market review

Global equities rebounded strongly in July as both the resolution of the Greece concerns coupled with the fall in the Australian dollar saw the MSCI ex Australia in AUD return 6.6%. The majority of returns were driven out of US and European markets as Asia and emerging markets underperformed, particularly China.

In Europe the Greek Government finally gave in to the ECB's demands and agreed to economic reforms in order to access a new bailout and stay in the Eurozone. Although this did not fully resolve the multitude of issues, markets were happy it was heading in the right direction. The French market returned 6.1%, German DAX 3.3% and the Italian MIB 30 4.8%.

US markets were up as well with the S&P500 rising 2% for the month. The continued strong economic data coming out of the US saw markets increasingly pricing in a rate hike this year, most likely in September.

Asian markets were negative driven by large falls in the Chinese markets, with the Shanghai Composite index returning -14.3%, the Hong Kong market -6.1% and the Korean market down -2.1%. The only country to buck this trend was the Japanese market with the Nikkei returning a positive 1.7%.

The Australian dollar was weaker across most currencies, falling 5.2% against the US, -4.6% against the UK pound and -3.8% against the Euro.

Portfolio performance

The BT Wholesale Core Global Share Fund returned 6.79% in July, outperforming its benchmark by 0.19%.

The Fund outperformed due to the outperformance of European & North American stock positioning, while developed Asian holdings performed in line with their regional benchmarks over the month.

Thematically, the outperformance in Europe was driven by the strong performance of direct and indirect momentum signals, outweighing weakness of relative-value signals. Momentum signals also performed well in the US and Canada, offset somewhat by weakness in investor sentiment themes over the month. Momentum also performed well in Japan, though offset by negative returns in our relative value and earnings quality factors.

Active sector positioning drove outperformance over the month, with stock positioning within sectors detracting slightly. Sector positioning gains were predominantly sourced from the underweight to Energy and Materials and overweight to Health Care. Stock positioning within sector groups was strongest within Industrials and Energy, but outweighed by underperformance within Health Care, Consumer Staples and Information Technology sectors.

At a stock level, strongest positive contributions came from overweight positions in Amgen, a US headquartered multinational biopharmaceutical company; CVS Health, an American retail pharmacy and health care company; and Southwest Airlines, a major US low-cost air carrier. Largest detractors were an underweight position in Amazon.com, a US headquartered global e-commerce retailer; an overweight position in Biogen, a US headquartered global biotechnology company; and an underweight position in Visa Inc, a US headquartered multinational financial services corporation.

Strategy and outlook

Entering August, the largest active sector positions are overweights to Health Care and Consumer Discretionary and underweights to Materials and Energy. Thematically, we remain mildly tilted towards higher quality companies with positive momentum and away from cheaper industry peers in all regions.

Australian Fixed Income

Market review

During the month Australian three-year bond yields fell by 16 basis points to 1.86% from 2.02% and ten-year yields declined by 24 basis points from 3.04% to 2.80%, with the 3-10s yield curve flattening to 94 basis points.

The Reserve Bank of Australia left the cash rate unchanged at 2% at its July meeting. In its accompanying statement the Reserve Bank noted that the Australian dollar had declined noticeably against the US dollar and that further depreciation seemed both likely and necessary. The Reserve Bank sees the economy operating with a fair amount of spare capacity and little pressure coming from wages growth.

The key domestic data released during the month was second quarter inflation. The trimmed mean rose by 0.6% in the quarter and 2.2% for the year, comfortably at the bottom end of the Reserve Bank's target band and close to market expectations. Employment data was also close to expectations with employment growing by 7,300 jobs in June and the unemployment rate rising slightly to 6.0% (from a downwardly revised 5.9%). NAB business conditions increased strongly, although Westpac consumer confidence continued to fall.

Portfolio performance

The BT Wholesale Fixed Interest Fund returned 1.66% in July 2015 (post-fees, pre-tax), outperforming its benchmark by 0.36%.

In the alpha overlay, gains were mainly from cross-market and duration strategies. The Government bond component outperformed its benchmark with gains from duration, yield curve and cross-market strategies. The Credit component outperformed its benchmark while contributions from credit positions were derived from accrual with the addition of a positive performance from swap curve positioning.

Strategy and outlook

A stronger US dollar does increase risks for some non-US corporates and sovereigns with US dollar denominated debt, particularly those with slowing domestic economies. Greece's issues remain despite the agreement reached; the ongoing malaise will continue to manifest until either debt relief or Grexit occurs. Debt/GDP ratios will only worsen and their economic prospects have gone from weak to very poor.

China may have sought to limit the damage to social stability from the sharp equity market falls via supporting its domestic equity market, however capital flight is likely to occur from China following their recent action and economic growth is likely to slow further. The Reserve Bank is most likely on hold for the remainder of the year, but further policy easing in the first half of 2016 cannot be ruled out. Any policy tightening is a distant event.

International Fixed Income

Market review

International markets were initially dominated by the ongoing Greek saga and then by sharp declines in Chinese equity markets. The Greek government agreed to conditions imposed by the EU for additional funding. Later in the month the Greek parliament ratified the first set of actions and the ECB extended its liquidity support facility to Greek banks. The Shanghai stock market continued its decline, falling by just under 30% to the end of July since the peak in June. The extreme volatility has prompted the government to launch various policy measures to support the market.

In the United States Fed Chair Janet Yellen commented that the FOMC expects to raise rates at some point this year, however the timing and the speed at which tightening occurs remains data dependent. The US labour market remained strong with a falling unemployment rate and rising non-farm payrolls in June. However, retail sales were weak and inflation remains benign as the core CPI rose 1.8% over a year. Over the month, US and UK bond yields decline by 17 and 14 basis points, respectively. Japanese bond yields fell by 5 basis points. Australian bond yields outperformed the US yields by 8 basis points. The Australian dollar depreciated and the trade weighted index decreased by 3.76% over the month.

Portfolio performance

The BT Wholesale Global Fixed Interest Fund returned 1.78% in July 2015 (post-fees, pre-tax), outperforming its benchmark by 0.25%.

The physical portfolio performed in line with the benchmark. The PAFI overlay outperformed with the main contributors being the Duration and Cross-Market strategies. Relative Value detracted due to the tightening of swap spreads in the US. The FX strategy detracted as the USD rally entered consolidation from mid-month onwards.

Strategy and outlook

Greece's situation is far from being resolved - its debt levels are too high and the inevitable ongoing uncertainty about its exit from the euro does nothing to assist its economic growth prospects. Capital controls remain in place and if removed would all but certainly result in a bank run. The can has been kicked a bit further down the road, although we question how long until the end of the road is reached.

China may have sought to limit the damage to social stability from the sharp equity market falls via supporting its domestic equity market, however capital flight is likely to occur from China following their recent action and economic growth is likely to slow further. The government intervention has also cost it credibility, acting as an impediment against RMB internationalisation and its acceptance in the SDR basket.

Credit

Market review

Cash credit market spreads were marginally tighter in July. Spreads widened during the first ten days after Greece failed to make a payment to the IMF, fuelling fears of a Grexit and its unknown consequences. However, market fear significantly abated mid-month with the third bailout offer.

Commodity prices continued a roller coaster ride although the dips were larger than the peaks, with markets roiled by the dramatic drops in the Chinese Shanghai equity market. Iron ore continued its descent, dropping from \$US59 per tonne to \$US56 per tonne after testing levels around \$US50 mid-month.

In the US nearly 80% of companies had reported earnings for the 2nd quarter by month-end with approximately 50% beating topline estimates and 50% missing. While this result was neutral the positive was that 74% reported higher earnings than anticipated. The theme of “cost-out” continues to remain the major strategy of corporates as GDP growth continues to be mild. From a credit perspective these results are good news and continue to support the view that on a fundamental micro view, corporate profiles continue to remain largely stable with the exception of resources.

During the month, as one would expect, Australian companies in the resources sector were some of the worst performers. This included bonds from Adani, Anglo American, Glencore, and Alumina. The one company that featured as an underperformer on its own merits was Woolworths which saw its bonds out an average of 10bp on a spread to swap basis.

The Australian iTraxx tightened 0.5bp, while the US CDX was unchanged and Euro Main tightened 14 basis points.

Portfolio performance

The BT Wholesale Enhanced Credit fund returned 0.96% in July 2015 (post-fees, pre-tax), in line with its benchmark.

Performance from credit positions was derived from accrual with the addition of positive performance from swap curve positioning. Positive performance from credit came from an overweight in senior domestic banks whilst negative performance came from an underweight in supra-nationals and offshore bank bonds.

Activity over the month consisted of adjusting exposure on domestic banks through participating in Westpac's five year bond while increasing exposure to infrastructure that is more robust in a slow grow environment.

Strategy and outlook

Our macro credit view is neutral. Greek headline risk has largely subsided although there continues to be the small but highly unlikely possibility negotiations will collapse. The major near term risks centre around China growth and commodity price impact. Near term volatility has been and will continue to be impacted by the market view on the timing of the US Federal Reserve raising the cash rate. Fed Chairperson Janet Yellen has stated any rate change is highly data dependant. This has resulted in investors assessing the impact of any new economic data and its potential impact on the Fed's actions.

Whilst we maintain a more sanguine medium to longer-term view we believe recent volatility is likely to persist and possibly increase in the near term and be injurious to credit performance. Risk markets will continue to battle headwinds in certain sectors due to commodity price weakness, and shifting expectations on the US Fed raising rates should lead to an increased amount of volatility. Offsetting this, however, continued accommodative monetary policy from the ECB and the BoJ will see credit markets well supported, especially the AUD denominated market.

Whilst the global growth pulse is waning we continue to be constructive on global growth underpinning corporate creditworthiness as companies continue to drive margins with soft top line growth. Further, even though the credit rating agencies have recently downgraded global banks, this has been well communicated and ultimately overcome by the fact that increased regulation and slower credit growth has decreased credit risk in bank credit, while simultaneously reducing supply. We remain positive longer-term here.

A concern in credit markets has been issuers improving their return on equity through re-leveraging and other equity friendly actions. Domestically we have not seen re-leveraging. Such actions have been driven by weak top-line growth and bond issuers have responded to this dynamic by paying greater attention to the bottom line. This has and will continue to involve cost out programs and prudent capital management. Whilst this is a potential concern to underlying credit fundamentals it remains a relatively small domestic phenomenon at present, but we are maintaining a watching brief should domestic issuers look to “purchase” growth in such a manner.

Accordingly whilst near-term market tone is weaker we remain cautious, albeit positive, in our longer outlook. Domestically we see growth stagnating and we continue to recommend a defensive approach that is flat with overweights in operationally resilient sectors such as utilities and infrastructure that provide a higher yield to index returns as we don't foresee continued strong compression of spread to swap as experienced in the prior years.

Cash

Market review

The Reserve Bank of Australia left the cash rate unchanged at 2% at its July meeting. In its accompanying statement the Reserve Bank noted that the Australian dollar had declined noticeably against the US dollar although less so against a basket of currencies and that further depreciation seemed both likely and necessary given the large declines in key commodity prices. Despite the falling currency the Reserve Bank forecast for inflation remains consistent with the target band over the next one to two years. The Reserve Bank sees the economy operating with a fair amount of spare capacity and little pressure coming from wages growth. Dwelling prices continue to rise strongly in Sydney and the Bank continues to work with other regulators to assess and contain risks that may arise from the housing market.

External events dominated during the month, initially by the ongoing Greek saga and then by sharp declines in Chinese equity markets. The Greek Government agreed to conditions imposed by the EU for additional funding. However, Greece's situation is far from being resolved - its debt levels are too high and the inevitable ongoing uncertainty about its exit from the euro does nothing to assist its economic growth prospects, which are certain to deteriorate. Capital controls remain in place and if removed would all but certainly result in a bank run. The can has been kicked a bit further down the road, although we question how long until the end of the road is reached.

Chinese equity markets continued their decline during the month, including the second largest decline in the Shanghai Composite Index's history on 27 July (down 8.5%). The Shanghai stock market peaked at 5166 in June and has now fell by just under 30% to the end of July. The decline would have been larger but for the intervention of the government which ordered measures such as a moratorium on initial public offerings and the instructing of State Owned Enterprises (SOE's) not to sell shares. Some shares were also suspended from trading during the month. The state owned China Securities Finance Corp (CSF), initially set up in 2011 to provide margin loans to state owned brokerage firms, was reported to have received funding of between 2.5 and 3 trillion yuan and purchased more than one trillion yuan worth of shares (around \$A220bn) to support the market. The move may provide some short term support however it has raised questions about the lack of regulation and dented international investor confidence in China.

In the United States Fed Chair Janet Yellen commented that the FOMC (Federal Open Market Committee) expects to raise rates at some point this year, however the speed and the extent of the tightening is more important than the date of the first move. The timing and the speed at which tightening occurs remains data dependent.

The Bank of Canada and Reserve Bank of New Zealand both eased monetary policy by 25 points during the month. Further monetary policy easing is all but certain from the RBNZ by the end of the year.

The key domestic data released during the month was second quarter inflation. The trimmed mean rose by 0.6% in the quarter and 2.2% for the year, comfortably at the bottom end of the Reserve Bank's target band and close to market expectations. Employment data was also close to expectations with employment growing by 7,300 jobs in June and the unemployment rate rising slightly to 6.0% (from a downwardly revised 5.9%). The NAB business conditions index increased strongly, although the Westpac consumer confidence survey continued to fall and was down by 10% over June/ July.

Australian bond yields ended the month lower, with three and ten year bond yields rallying by 16 and 24 basis points respectively to 1.86% and 2.80%. The Australian dollar fell sharply against the USD, ending the month 5% lower at 0.7313 and the TWI fell by just under 4%. Oil and iron ore fell sharply, recording declines of 20.8% and 10.1% respectively.

Portfolio performance

Managed Cash

The BT Wholesale Managed Cash Fund returned 0.18% in July 2015 (post fee, pre-tax), in line with the benchmark.

The fund ended the month with a weighted average maturity of 69 days (maximum limit of 70 days). Themes and credit exposure remained consistent with prior months, with excess spread from A-1 rated issuers likely to be the main driver of outperformance. With the Reserve Bank likely to remain on hold portfolio activity in the coming months will revolve around taking advantage of relative value opportunities.

Enhanced Cash

The BT Wholesale Enhanced Cash Fund returned 0.22% in July 2015 (post fee, pre-tax), outperforming its benchmark by 0.04%.

Positive performance came from the Financials and Infrastructure sectors. Activity during the month included increasing exposure to Financials and Industrials whilst reducing some Resources and Infrastructure exposure.

As at the end of the month, the portfolio had a credit spread of 80 basis points over bank bills, interest rate duration of 0.10 years and credit spread duration of 1.77 years.

Strategy and outlook

The Reserve Bank left the cash rate unchanged at 2% at its meeting in August. The key change in their statement related to the currency. Previously the Bank had stated that a decline in the currency was both likely and necessary. In its August statement the Reserve Bank removed its reference to the direction of the Australian dollar and replaced it with the observation that the Australian dollar is adjusting to the significant declines in key commodity prices; the market interpreted this as the Bank seeing the currency as being closer to fair value now. The Reserve Bank will also be encouraged by the increasing probability that the Federal Reserve is close to tightening monetary policy (albeit monetary policy remains very accommodative) and may see the Australian dollar decline further.

A stronger US dollar does increase risks for some non-US corporates and sovereigns with US dollar denominated debt, particularly those with slowing domestic economies. Greece's issue remain despite the agreement reached: the ongoing malaise will continue to manifest until either debt relief or exit occur. Debt/GDP ratios will only worsen and their economic prospects have gone from weak to very poor. China may have sought to limit the damage to social stability from the sharp equity market falls via supporting its domestic equity market, however capital flight is likely to occur from China following their recent action and economic growth is likely to slow further.

The Reserve Bank is most likely on hold for the remainder of the year, but further policy easing in the first half of 2016 cannot be ruled out. Any policy tightening is a distant event.

Australian Property

Market review

The S&P/ASX 300 REIT index was up 5.67% in July, outperforming the broader share market (S&P/ASX300 up 4.31%). The REIT sector has returned 21.04% over the past 12 months, outperforming the broader market (S&P/ASX300 up 5.5%). It is also worthwhile noting that the sector has produced a healthy compound annual return of 15% over the past five years.

Major news over the month included: the sale of the Investa office assets for \$2.45bn to the Chinese sovereign fund, CIC, at a mouthwatering 5.1% cap rate, some 25% above book value! In a similar vein, Investa Office sold an office asset, 383 La Trobe Street Melbourne, at a 30% premium to asset prices. We expect firm asset prices to underpin the asset rich AREIT sector for the balance of this year.

In management news, Scentre Group announced the welcome news that Chairman Frank Lowy is expected to make a full recovery following a fall at the A League Soccer Grand Final in May. In other news, GPT replaced its outgoing CEO, Michael Cameron, with the veteran property operator and former Australand boss, Bob Johnstone.

During the month the Australian 10 year bond rate fell by 25bp to 2.75%, whilst in the US the 10 year bond was fell by 17bp to 2.18%. Lower bond yields, which reflect lower growth and inflationary expectations, usually augur well for valuations in the AREIT sector.

In economic news, the US non-farm payrolls rose 233,000 in June 2015 and the unemployment rate ticked down to 5.3%. The FOMC statement for June indicated the Fed would like to see a better labour market before tightening rates. The pause before rate hikes is positive for asset values. In Australia the RBA left rates unchanged at 2.00% and indicated that a lower currency was both likely and necessary.

Portfolio performance

The BT Wholesale Property Securities Fund returned 5.49% in July 2015 (post-fee, pre-tax), underperforming its benchmark by 0.18%.

The portfolio was slightly behind the index over the month with positive attribution coming from our overweight positions in AA Co, and underweights to Shopping Centres Australia and Charter Hall Retail. Negative attribution came from cash drag (AREITs were up 5.6% in a month) plus positions in Centuria Metro (o/wt) and Bunnings Warehouse (u/wt).

Attribution

Trust	Positive	Trust	Negative
Aust Ag Co	0.12%	Cash holdings	-0.10%
Shopping Cent Austl Prop	0.08%	Centuria Metro REIT	-0.08%
Charter Hall Retail REIT	0.05%	BWP Trust	-0.06%
Westfield Corporation	0.03%	Cromwell Property Group	-0.04%
National Storage REIT	0.03%	GPT Group	-0.04%

Portfolio changes

During the past month July we increased our positions in Scentre, Westfield, Dexs and Charter Hall. This was all funded by selling in Federation, Goodman and Stockland.

Top ten active positions

Overweight	Underweight
Australian Agricultural Company Limited	GPT Group
Westfield Corporation	BWP Trust
Centuria Metropolitan Reit	Shopping Cent Austl Prop
Stockland Trust Group	Federation Centres
Charter Hall Group	Cromwell Property Group

Strategy and outlook

The sector is priced on a FY16 dividend yield of 5.4% and a FY16 PE ratio of 15.9 times. Earnings and balance sheets are stable with sector gearing currently standing at 32%. We expect supportive funding costs, positive spread investing and cost cutting to drive earnings and the performance of the sector in the medium term. Given AREITs do not have the lowest cost of capital (a mantle held by

both pension and sovereign funds) we would expect only limited equity capital issuance for some time.

International Property

Market review

The global property securities market (on an ex-Australia basis) as measured by the FTSE EPRA/NAREIT Developed ex-Australia Index returned 4.47% in July.

Portfolio performance

The BT Wholesale Global Property Securities Fund returned 4.55%, outperforming the benchmark by 0.07%.

BT's North America portfolio's performance relative to the benchmark was driven by positive stock selection results and, to a lesser extent, positive sector allocation results. Regarding stock selection, results were strongest in the diversified, regional mall and hotel sectors and were weakest in the industrial, shopping centre, and triple net lease sectors. Among the portfolio's holdings, top individual contributors to relative performance in US dollar terms included a lack of exposure to the underperforming Digital Realty Trust (DLR) and overweight positions in the outperforming CubeSmart (CUBE) and Public Storage (PSA). Detractors most notably included overweight positions in the underperforming Alexander & Baldwin (ALEX), Hilton Worldwide Holdings (HLT), and Boston Properties (BXP). In terms of sector allocation, modest positive results were attributable to the portfolio's overweight to the outperforming storage sector and underweight to the underperforming hotel sector.

BT's European portfolio's performance relative to the benchmark was driven by positive stock selection results, which were offset by the portfolio's small cash position, which was a detractor in light of the REIT sector's positive absolute performance. In terms of stock selection, results were strongest in the United Kingdom, Germany, and Finland and were weakest in Sweden, France, and Spain. Among the portfolio's holdings, top contributors to relative performance in US dollar terms included an overweight position in the outperforming Deutsche Wohnen AG (Germany) and a lack of exposure to the underperforming TAG Immobilien AG (Germany) and LondonMetric Property Plc. (U.K.). Detractors most notably included overweight positions in the underperforming Castellum AB (Sweden) and Fabege AB (Sweden), and a lack of exposure to the outperforming Quintain Estates & Development Plc. (U.K.). Modest positive country allocation results were attributable to the portfolio's lack of exposure to the underperforming Austria, Belgium, and Norway.

BT's Asia portfolio's performance relative to the benchmark was driven by negative country allocation results, partially offset by positive stock selection results. Regarding country allocation, slightly negative results were attributable to the portfolio's lack of exposure to the outperforming New Zealand. In terms of stock selection, results were strongest in Singapore and Japan and weakest in Hong Kong. Among the portfolio's holdings, top contributors to relative performance in US dollar terms included an overweight position in the outperforming Hulic Co. Ltd. (Japan) and a lack of exposure to the underperforming Sino Land Co. Ltd. (Hong Kong) and Advance Residence Investment Corp. (Japan). Detractors most notably included overweight positions in the underperforming Kenedix Residential Investment Corp. (Japan) and New World Development Co. Ltd. (Hong Kong), and a lack of exposure to the outperforming Nippon Prologis REIT (Japan).

Strategy and outlook

North America – The US stock market posted flat returns in the second quarter, after mostly gaining

ground over the three months of the quarter and then plunging on 29 June in the wake of the most recent financial crisis in Greece. Overall, for the quarter, the S&P 500 Index and Dow Jones Industrial Average returned 0.28% and -0.29%, respectively. The technology sector outperformed with the NASDAQ Composite Index posting a total return of 2.05%. Meanwhile, REITs declined by roughly 10% during the second quarter, as the anticipation of interest rate hikes by the Federal Reserve later this year weighed on the sector. Since REIT prices fell during the second quarter, by many metrics the REIT sector is more attractive than it has been in some time. At quarter-end, REITs were trading at an 8% discount to net asset value, the biggest discount since September 2011. US REIT dividends were just below 4% at quarter-end, and they continued to trade at wider-than-average spreads to Treasuries. REITs continue to look most expensive versus other equities. While the market is likely to continue to react nervously to upward moves in interest rates in the short term, earnings growth should support dividend growth and help offset the negative effects of rising rates in the medium to long term. Going forward, we expect REIT performance to be driven more by these improving earnings fundamentals than by additional multiple expansion.

Europe – Increasing bond yields and uncertainty about Greece had a negative effect on the share prices of European property equities. The fairly strong outward movement of bond yields, namely 55 basis points for German 10-Year bonds to 0.75% and 100 basis points for Spanish bonds to 2.3%, was mainly the result of improving economies in Europe. Germany is now on a growth path of around 1% and Spain is growing by more than 2% per annum. These bond yields are still exceptionally low and the impact of this rise on the property market is limited as the gap between bond yields and property yields continues to be high. Sentiment of equity investors, however, has partly drifted away from safe yielding asset classes like real estate equities to more cyclical sectors. Overall, highly geared property companies, like many of the Swedish stocks, were amongst the underperformers in the second quarter, while the outperforming companies were based in the United Kingdom. Although interest rates are moving up from their low point, the still relatively low interest rate environment together with a recovering economy in Europe is positive for real estate equities. The recovering economic growth will result in attractive rental growth in the coming years as well. One market which is already benefitting from this is the London office market where rents are growing by 10% per annum. Overall, European REITs are trading at a 7% premium to net asset values. European REITs offer an attractive, relatively low risk and growing earnings yield of 4.7%, and the dividend yield is 3.5%.

Asia – Hong Kong/ China was the best performing market, fuelled by a liquidity-driven rally in China that spilled into the Hong Kong market and by improving property fundamentals. In Australia, the general theme has been that the smaller REITs have been buying assets in order to achieve earnings accretion, whilst the larger REITs have been net sellers of non-core assets in efforts to improve their portfolio quality. Capital markets continue to be incredibly strong, across all sectors and asset classes and have provided a strong environment for companies to sell into. Operationally, trends are still challenging (particularly in the mining states of Queensland and Western Australia), but momentum is clearly building in the key Sydney and Melbourne markets. In Japan, the second quarter annual results announcement generally brought no surprises with the exception of Mitsubishi Estate (announced weak guidance) and Nomura Real Estate Holdings (revised earnings upwards). Another significant announcement was the merger of three Nomura-related REITs – Nomura Master Fund, Nomura Office Fund, and Nomura Residential Fund – to form the fourth largest REIT by market cap in October 2015. In Singapore, the first quarter results were marginally disappointing for S-REITs with most companies reporting slightly more challenging operating trends, and almost all of the S-REIT management teams seemed to err on the side of caution in terms of guidance. We believe SREITs are entering an equity-raising phase, as a number of companies announced acquisitions in the second quarter, and we believe that the magnitude of primary and secondary equity offerings could

put some downward pressure on the sector, especially in the face of a potential lift-off in interest rates in the US. At quarter-end, we viewed valuations in Asia Pacific as inexpensive, with the exception of Japanese REITs, which continued to trade at the largest premiums to net asset values in the region. Whilst we are positive of the property fundamentals in Japan, we feel that a fair bit of good news from “Abenomics” is priced in. Nonetheless, we acknowledge that demand driven by the Bank of Japan and local investors looking for yield could continue to provide support to the REIT market in Japan. Property fundamentals across the region are expected to be mixed, with some areas seeing improving property trends (e.g. the office sector in Hong Kong and Japan) but with some pockets of weakness as well (e.g. the retail sector in Hong Kong and Singapore). The portfolio continues to seek the best relative value in the sub-property markets where we expect to see improving property fundamentals.

Active Balanced

Market review

The Australian share market enjoyed strong gains over the month with the S&P/ASX 300 Accumulation Index returning 4.3%. The Health Care (+9.4%) and Consumer Staples (+7.5%) sectors outperformed as investors rotated into more defensive plays. Additionally, the slide in the Australian dollar (-5% versus the US dollar) lifted those with offshore earnings.

The weakest sector was Materials (-1.4%), which was dragged lower by a sharp downturn for most major commodities. Brent crude oil (-21%) and iron ore (-10%) were particularly hard hit. The former suffered on speculation that a lifting of sanctions on Iranian oil exports would add to global supply. Meanwhile, the downturn in base metals was tied to enduring concerns surrounding Chinese economic growth as the country's stock market crash stole news headlines.

Global equities rebounded strongly in July as both the resolution of the Greek concerns coupled with the fall in the Australian dollar saw the MSCI ex Australia in AUD return 6.6%. The majority of returns were driven out of US and European markets as Asia and emerging markets underperformed - especially China.

In Europe the Greek Government finally gave in to the ECB's demands and agreed to economic reforms in order to access a new bailout and stay in the Eurozone. Although this did not fully resolve the multitude of issues, markets were happy it was heading in the right direction. The French market returned 6.1%, German DAX 3.3% and the Italian MIB 30 4.8%.

US markets were up as well with the S&P500 rising 2% for the month. The continued strong economic data coming out of the US saw markets increasingly pricing in a rate hike this year, most likely in September.

Asian markets were negative driven by large falls in the Chinese markets, with the Shanghai Composite index returning -14.3%, the Hong Kong market -6.1% and the Korean market down -2.1%. The only country to buck this trend was the Japanese market with the Nikkei returning a positive 1.7%.

The Australian dollar was weaker across most currencies, falling 5.2% against the US, -4.6% against the UK pound and -3.8% against the Euro.

Bond markets were volatile again during July as concerns over Greece heightened then dissipated as a resolution was announced. However this was soon taken over by a correction in Chinese equity markets and concerns of what this may mean for the Chinese economy. The net result was a rally in bonds as the flight to safety saw bond prices rise.

The Australian bond market recovered in July after a difficult prior month. During the month Australian three-year bond yields fell by 16 basis points to 1.86% from 2.02% and ten-year yields declined by 24 basis points from 3.04% to 2.80%, with the 3-10s yield curve flattening to 94 basis points. The Reserve Bank of Australia left the cash rate unchanged at 2% at its July meeting. In its accompanying statement the Reserve Bank noted that the Australian dollar had declined noticeably against the US dollar and that further depreciation seemed both likely and necessary. The Reserve Bank sees the economy operating with a fair amount of spare capacity and little pressure coming from wages growth.

Portfolio performance

The BT Wholesale Active Balanced Fund returned 3.91% in July, outperforming its benchmark by 0.72%.

The key driver of the positive returns for the month was equities, with both Australian and international equities markets rising.

Our active Australian equity strategies outperformed its index by 1.50%. The strongest contributions came from rail and ports operator Asciano (AIO) and from Qantas (QAN). It is notable that we are seeing strength in some industrial cyclical names following several years in which high yield defensives have largely driven market returns. Elsewhere, exposure to offshore earnings via Fox (FOX) and ResMed (RMD), among others, also helped drive the portfolio's outperformance. An underweight in resources also helped as commodity prices weakened further.

Our Global active equity strategies outperformed its benchmark over July 2015 by 0.20% due to the outperformance of European & North American stock positioning, while developed Asian holdings performed in line with their regional benchmarks over the month.

Our active bond strategies outperformed as our long duration exposures benefited from falling bond yields both globally and in Australia. We also had long US dollar exposures vs both NZ and AUD which benefitted from drops in those currencies due to falls in commodity prices.

Our alternatives strategy also rebounded strongly in July and added to the outperformance.

Strategy and outlook

Markets will remain volatile with the ongoing Greek crisis and the China stock market fluctuations. Greece's situation is far from being resolved. Its debt levels are too high and the inevitable ongoing uncertainty about its exit from the euro does nothing to assist its deteriorating economic growth prospects. Capital controls remain in place and if removed would all but certainly result in a bank run. The can has been kicked a bit further down the road, although we question how long until the end of the road is reached.

China may have succeeded in stabilising the market and thus maintaining social stability, however the pressure of capital outflow has increased over the past months. Government intervention has cost it credibility and is a setback to RMB internationalisation.

These factors combined with the potential rate rise in the US are causing bouts of volatility in bond and equity markets. We continue to see the benefits of diversification in this environment and whilst we may see months like June appear again, we are confident that our medium-term forecasts have set the portfolio in a position to achieve its objectives.

As always we do move the portfolio from its medium-term Strategic Asset Allocation by a small amount to take into account some of these shorter-term moves. We are currently looking at being slightly underweight Equities and Commodities in this environment which is benefitting the portfolio and lowering the overall risk in the funds.

We also continue to slightly increase our alternatives exposures to help diversify both the risk but also the return drivers away from equities and bonds.

Performance as at 31 July 2015

(%)	1Month	3 Months	6 Months	FYTD	1year (pa)	2 Years (pa)	3 Years (pa)	5 Years (pa)	Since Incp. (pa)
Australian Shares - All Cap									
BT Wholesale Core Australian Share Fund									
								APIR - RFA0818AU	
Total Return (post-fee, pre-tax)	5.71	120	7.28	5.71	10.52	13.02	17.41	10.34	10.44
Total Return (pre-fee, pre-tax)	5.78	140	7.70	5.78	11.39	13.92	18.34	11.22	11.47
Benchmark	4.31	-0.81	4.26	4.31	5.51	10.76	14.75	9.42	10.31
BT Wholesale Imputation Fund									
								APIR - RFA0103AU	
Total Return (post-fee, pre-tax)	5.16	0.05	5.01	5.16	8.10	10.88	14.64	9.23	10.30
Total Return (pre-fee, pre-tax)	5.24	0.28	5.48	5.24	9.07	11.88	15.67	10.22	11.33
Benchmark	4.31	-0.81	4.26	4.31	5.51	10.76	14.75	9.42	9.00
BT Wholesale Focus Australian Share Fund									
								APIR - RFA0059AU	
Total Return (post-fee, pre-tax)	6.02	115	8.17	6.02	12.61	15.43	18.96	10.55	9.63
Total Return (pre-fee, pre-tax)	6.37	167	9.18	6.37	14.08	16.62	20.06	11.50	10.76
Benchmark	4.31	-0.81	4.26	4.31	5.51	10.76	14.75	9.42	7.63
BT Wholesale Ethical Share Fund									
								APIR - RFA0025AU	
Total Return (post-fee, pre-tax)	6.05	169	7.61	6.05	12.68	13.84	17.24	9.88	9.05
Total Return (pre-fee, pre-tax)	6.14	193	8.12	6.14	13.76	14.93	18.36	10.93	10.12
Benchmark	4.31	-0.81	4.26	4.31	5.51	10.76	14.75	9.42	8.28
Australian Shares - Mid Cap									
BT Wholesale MidCap Fund									
								APIR - BTA0313AU	
Total Return (post-fee, pre-tax)	5.15	-12	7.00	5.15	13.20	17.82	19.33	11.98	9.31
Total Return (pre-fee, pre-tax)	5.38	-0.58	8.10	5.38	15.23	19.89	21.64	14.09	11.94
Benchmark	4.44	-2.08	4.54	4.44	8.78	14.04	14.41	7.63	2.80
Australian Shares - Small Cap									
BT Wholesale Smaller Companies Fund									
								APIR - RFA0819AU	
Total Return (post-fee, pre-tax)	4.04	0.69	10.60	4.04	6.66	9.68	14.36	11.66	13.39
Total Return (pre-fee, pre-tax)	4.16	100	11.29	4.16	7.99	11.05	15.79	13.01	14.67
Benchmark	156	-4.13	3.63	156	-2.77	2.50	3.05	0.63	7.14
Australian Shares - Micro Cap									
BT Wholesale MicroCap Opportunities Fund									
								APIR - RFA0061AU	
Total Return (post-fee, pre-tax)	2.89	-0.82	15.20	2.89	17.79	23.34	23.27	19.93	16.76
Total Return (pre-fee, pre-tax)	3.19	0.40	18.82	3.19	24.79	30.16	30.23	26.62	24.80
Benchmark	156	-4.13	3.63	156	-2.77	2.50	3.05	0.63	0.34
International Shares									
BT Wholesale Core Global Share Fund									
								APIR - RFA0821AU	
Total Return (post-fee, pre-tax)	6.79	8.53	12.54	6.79	34.37	22.42	30.09	17.44	5.84
Total Return (pre-fee, pre-tax)	6.88	8.78	13.08	6.88	35.67	23.60	31.35	18.56	7.03
Benchmark	6.60	7.39	13.08	6.60	33.77	22.28	29.52	16.75	7.35
Property									
BT Wholesale Property Securities Fund									
								APIR - BTA0061AU	
Total Return (post-fee, pre-tax)	5.49	3.39	3.88	5.49	20.43	18.57	17.43	15.08	7.50
Total Return (pre-fee, pre-tax)	5.55	3.54	4.19	5.55	21.21	19.34	18.17	15.80	8.33
Benchmark	5.67	4.24	4.91	5.67	21.02	19.20	18.34	15.24	7.35
BT Wholesale Global Property Securities Fund									
								APIR - RFA0051AU	
Total Return (post-fee, pre-tax)	4.55	-0.45	-3.26	4.55	14.13	14.49	13.91	14.91	10.35
Total Return (pre-fee, pre-tax)	4.63	-0.23	-2.82	4.63	15.20	15.56	14.98	15.99	11.35
Benchmark	4.47	-0.62	-3.76	4.47	14.16	14.64	14.20	15.60	9.94
Fixed Interest									
BT Wholesale Fixed Interest Fund									
								APIR - RFA0813AU	
Total Return (post-fee, pre-tax)	166	0.10	-0.57	166	7.48	6.42	5.07	6.68	6.93
Total Return (pre-fee, pre-tax)	171	0.23	-0.32	171	8.02	6.96	5.59	7.18	7.49
Benchmark	130	0.40	0.32	130	6.69	6.09	5.14	6.66	7.07
BT Wholesale Global Fixed Interest Fund									
								APIR - RFA0032AU	
Total Return (post-fee, pre-tax)	178	-0.32	-149	178	8.19	7.29	5.53	6.34	6.80
Total Return (pre-fee, pre-tax)	182	-0.19	-124	182	8.76	7.86	6.08	6.89	7.39
Benchmark	153	-0.09	-0.48	153	7.24	7.24	5.83	7.11	7.65
BT Wholesale Enhanced Credit Fund									
								APIR - RFA0100AU	
Total Return (post-fee, pre-tax)	0.96	0.52	0.94	0.96	5.75	5.90	5.85	7.03	6.13
Total Return (pre-fee, pre-tax)	100	0.64	116	100	6.23	6.37	6.33	7.52	6.67
Benchmark	0.96	0.46	0.92	0.96	5.88	5.83	5.68	6.81	6.25
Cash & Income									
BT Wholesale Enhanced Cash Fund									
								APIR - WF S0377AU	
Total Return (post-fee, pre-tax)	0.22	0.58	124	0.22	2.80	3.18	3.75	4.67	5.23
Total Return (pre-fee, pre-tax)	0.24	0.64	137	0.24	3.06	3.44	4.01	4.93	5.58
Benchmark	0.18	0.56	116	0.18	2.55	2.61	2.82	3.60	5.26
BT Wholesale Managed Cash Fund									
								APIR - WF S0245AU	
Total Return (post-fee, pre-tax)	0.18	0.55	116	0.18	2.48	2.55	2.77	3.54	6.88
Total Return (pre-fee, pre-tax)	0.20	0.60	126	0.20	2.70	2.77	2.99	3.77	7.19
Benchmark	0.18	0.56	116	0.18	2.55	2.61	2.82	3.60	6.97
BT Wholesale Monthly Income Plus Fund									
								APIR - BTA0318AU	
Total Return (post-fee, pre-tax)	142	0.55	116	142	5.41	6.00	6.22	5.99	6.28
Total Return (pre-fee, pre-tax)	148	0.72	148	148	6.10	6.69	6.92	6.66	6.94
Benchmark	0.17	0.51	106	0.17	2.35	2.44	2.67	3.42	3.49
Diversified									
BT Wholesale Active Balanced Fund									
								APIR - RFA0815AU	
Total Return (post-fee, pre-tax)	3.91	101	3.77	3.91	13.62	12.08	14.03	9.72	7.93
Total Return (pre-fee, pre-tax)	4.00	125	4.26	4.00	14.70	13.15	15.12	10.77	9.01
Benchmark	3.19	108	4.14	3.19	10.57	10.78	12.77	9.44	7.65

All returns calculated by BT Investment Management (Fund Services) Limited, ABN 13 161 249 332, AFSL 431426 (BTIM). No part of this Fund Manager Commentary (Commentary) is to be circulated without this page attached.

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