

BT Wholesale Multi-manager Fixed Interest Fund

Monthly report – 28 February 2021

Fund overview

Inception date	26 April 2006
APIR code	BTA0260AU
Fund size (AUD millions)	\$42.37
Investment objective	To provide consistent income and relatively stable returns with low potential for capital loss in the short term.
Recommended investment timeframe	3 years
Minimum initial investment	\$500,000
Distribution frequency	Quarterly
Management costs (%) pa¹	0.50
Buy/sell spread (%)	0.23 / 0.00

Performance review²

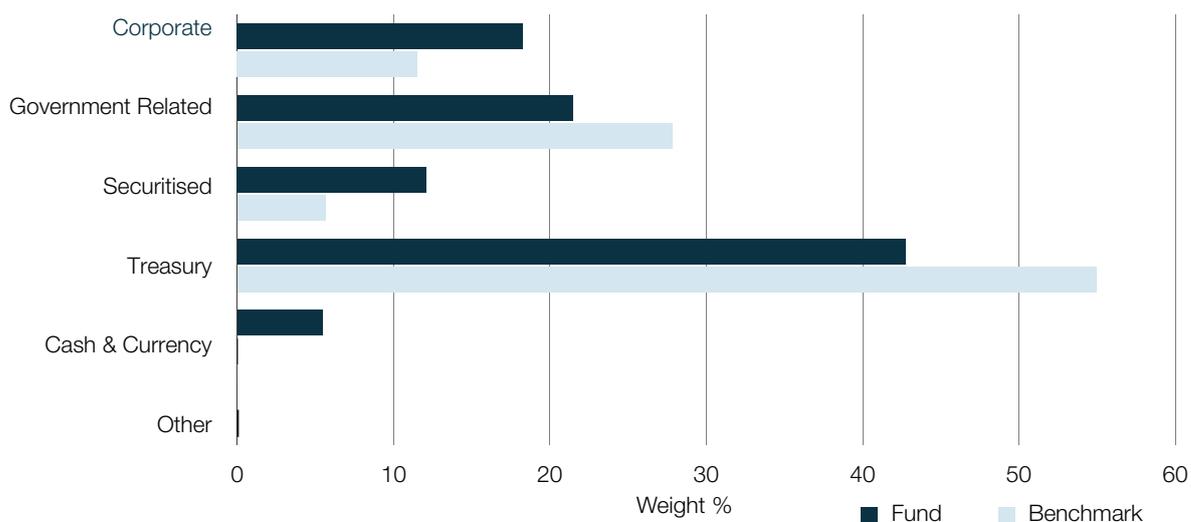
Period ending 28 February 2021	1 month	3 months	1 year	3 years	5 years	Since inception
	%	%	%	%pa	%pa	%pa
Total Net return	(2.93)	(3.28)	(0.77)	3.96	3.38	5.12
Growth return	(2.93)	(4.06)	(5.70)	(0.02)	(0.75)	(0.14)
Distribution return	0.00	0.78	4.93	3.98	4.13	5.26
Benchmark [~]	(2.77)	(3.30)	(1.74)	4.09	3.38	5.93

[~] Composite of Bloomberg AusBond Composite 0+ Yr IndexSM and Barclays Global Aggregate Bond

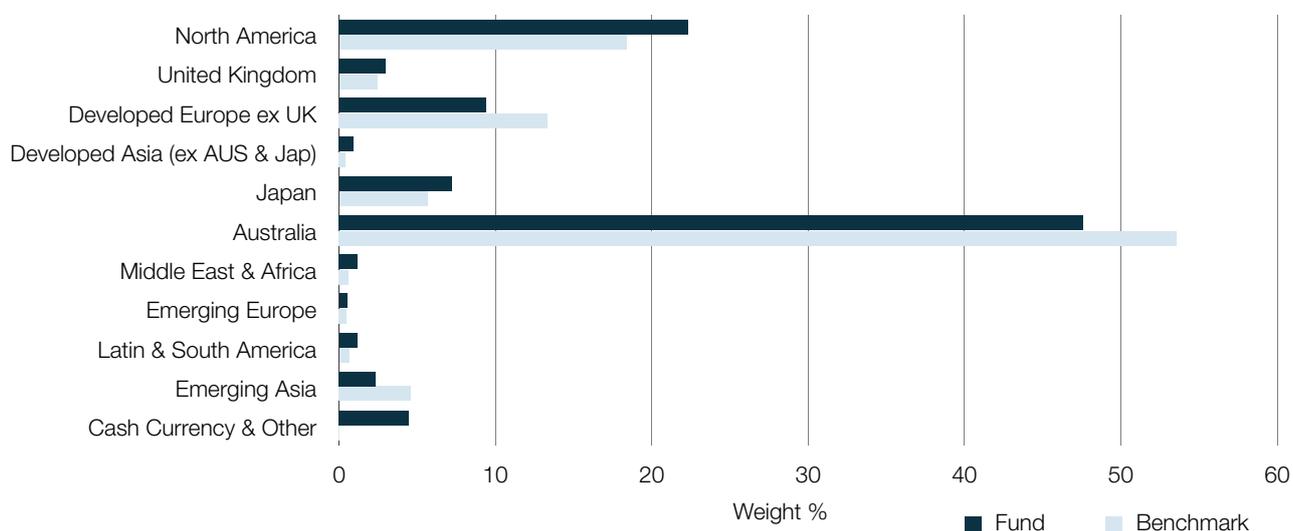
Top 5 Issuers

	Fund %	Benchmark %
Government of Australia	12.20	34.14
Government of the United States of America	5.22	5.53
New South Wales Treasury Corp.	4.99	3.79
Government of Japan	4.34	5.11
Treasury Corporation of Victoria	3.20	3.33

Sector allocations^{3,4}



Regional allocations^{3,4}



Credit quality^{3,4,5}

	Fund %	Benchmark %
AAA	34.45	53.44
AA	18.55	22.73
A	20.71	14.23
BBB	21.88	9.41
Sub Investment Grade	2.48	0.19
Not Rated	(3.53)	0.00
Cash & Derivatives	5.45	0.00

Characteristics⁶

	Fund	Benchmark
Effective Duration (Contribution)	6.19	6.45
Years to Maturity (Years)	10.53	8.33
Effective Yield (%)	1.47	1.11

Fund update

The BT Multi-manager Fixed Interest Fund underperformed the benchmark over February. Within the International Fixed Interest sectors, managers performance was mixed. Wellington was the only manager that outperformed. Their macro driven duration and currency strategies contributed, while country and yield curve strategies were neutral. Wellington held underweight positions in major sovereign markets which benefitted amid the bond selloff.

PIMCO was broadly flat versus the benchmark as a number of its country trades (e.g. underweight German Bunds) benefited from the moves across the yield curve, whilst others detracted (e.g. overweight Australian Bonds). At the same time, the strategy benefited from the continued contraction in credit spreads.

WAM had a modestly negative month as its country allocation strategies detracted alongside its currency positions. Standish benefited from its rates positions but minor underperformance from its securitised sectors saw the fund deliver a flat outcome for the month of February.

Within the Australian Fixed Interest sectors, manager performance was mostly negative with AMP and Janus Henderson both detracted whilst Pandal generated returns that were in line with the index.

Broadly speaking, the manager's active duration component had a negative month in February. The Australian Fixed Interest portfolio was adversely impacted in absolute terms by sharply rising bond yields and a dramatic steepening in the yield curve. However, the physical holdings in credit instruments and non-government bonds continue to outperform with our managers benefiting from an overweight towards those sectors.

Interestingly, these managers have begun to take an increased position in government bonds – with the view that markets have overpriced the outlook on rates and inflation.

Globally, Optimism over the global growth outlook continued to rise in February as COVID-19 infections, hospitalizations and deaths slowed, shifting the focus to progress on vaccination programs. Growing expectations for fiscal stimulus in the US also put additional upward pressure on developed market government bond yields. As a result, many fixed income sectors generated negative total returns as global sovereign yields rose substantially.

US Treasury nominal yields moved higher, led by real yields. Fed Chair Powell acknowledged the move as a sign of confidence in the US economic recovery. UK gilt yields and breakevens soared supported by hawkish remarks from the Bank of England. At the same time, most major central banks maintained their asset purchase programs. Fed Chair Powell maintained a dovish rhetoric but stated that economic outlook had improved. All other major central banks kept their policy rates unchanged.

Spread sectors tightened on the back of the higher rates, while inflation expectations continued to rise. Global credit bonds outperformed duration-equivalent government bonds. Within the securitized sectors, commercial mortgage-backed securities and asset-backed securities outperformed, while agency mortgage-backed securities underperformed.

The risk-off tone saw the US dollar strengthen versus most currencies. The Bloomberg Barclays Global Aggregate Bond Index returned a negative -1.56% over the month, bringing the one year performance to -0.18%.

Locally, the Reserve Bank of Australia (RBA) also surprised the market at its February meeting when announcing that Quantitative Easing (QE) would be extended once the initial \$100bn program has been used up by mid April. The RBA will buy a further \$100bn at a rate of \$5bn per week, taking QE through until early September. They also released their Statement on Monetary Policy (SoMP), with underlying inflation not forecast to reach the bottom end of their target band over the forecast horizon. The cash rate was left unchanged at its meeting in early March and it was reiterated that they will not raise the cash rate until actual inflation is sustainably within the 2 to 3% target band. The RBA does not expect this to occur until 2024 at the earliest.

In light of the above, Australian 10 year bond yields traded in an 82 basis points (bps) range, selling off aggressively late in the month on inflation concerns globally and position liquidation. Australian 10 year bonds ended the month 76bps higher at 1.87%. 3 month implied rates for 2024 and 2025 peaked at 1.36% and 2.04% (from 0.66% and 1.02% in January), implying a cash rate that is closer to 1% and 1.75%. US 10 year bonds traded in a 48bps range, ending the month 33bps higher at 1.40%.

Credit spreads performed well in February. Risk markets continued to rally on positive sentiment on Covid-19 vaccine rollouts, fall in new global cases and hospitalisations, expectation of an increased size of US stimulus, and central banks remaining determined not to suggest any tightening of monetary policy in the near term. However, bond markets felt the pinch with yields increasing during the month on positive growth and inflation outlooks, as well as commodity prices rising. This saw some weakness in equity markets and credit spreads late in the month due to the pace of the increase in yields driving market uncertainty.

The Australian iTraxx index (Series 34 contract) traded in a 7bp range finishing the month unchanged at +63bps, whereas physical credit spreads outperformed - tightening 3bp on average. The best performing sectors were infrastructure, real estate and resources tightening 17, 12 & 7bps respectively. The worst performing sectors were domestic banks that widened 2bps and supranationals that were unchanged. Semi government bonds underperformed, widening 2bps relative to commonwealth government bonds.

The Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, was down -3.58% over the month. Over the past year, the Australian bond market has returned -2.80%.

Footnotes

1. The Management Costs included in this fact sheet are inclusive of the Management Fee and any Performance Fees and includes the effect of GST (net of RITC). They do not include other indirect costs. Refer to the Product Disclosure Statement and online disclosures for further information.
2. Past performance is not a reliable indicator of future performance. Performance returns are calculated net of management fees and costs. Growth and Distribution returns may not equal the Total Net return due to rounding.
3. Allocations may not equal 100% due to rounding.
4. The credit quality has been determined based on the Standard & Poor's credit rating tiers. Where a negative number is shown, this may indicate the use of derivatives and physical securities to create short positions in the portfolio. Allocations may not equal 100% due to rounding.
5. Calculated using weighted average.

For more information

bt.com.au | 1800 819 935 | investorservices@btfinancialgroup.com
GPO Box 2675, Sydney, NSW 2001



The information in this document has been prepared by BT Funds Management Limited ABN 63 002 916 458 AFSL 233724 ('BTFM').

The information shown in this document is general information only. It does not constitute any recommendation or advice. It has been prepared without taking into account your personal objectives, financial situation or needs and so you should consider its appropriateness having regard to these factors before acting on it. You should consider obtaining independent advice from a professional financial adviser before making any financial decisions in relation to the matters disclosed hereto.

BTFM is the responsible entity of the BT Wholesale Multi-manager Conservative Fund, ARSN 098 405 479 ('Fund'). A Product Disclosure Statement ('PDS') is available for the Fund and can be obtained by calling the Contact Centre on 132 135, or visiting www.bt.com.au. The Financial Services Guide ('FSG') for BTFM can also be obtained via the Product Disclosure Statement page on www.bt.com.au. Any retail client should obtain and consider the PDS for the Fund and the FSG before deciding whether to acquire, continue to hold or dispose of units in the Fund.

BTFM is a subsidiary of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 (Westpac). An investment in the Fund is not an investment in, deposit with, or other liability of Westpac or any other company in the Westpac Group. An investment in the Fund is subject to investment risk, including possible delays in the payment of withdrawals and loss of income and principal invested. No member of the Westpac Group (including BTFM) stands behind or otherwise guarantees the capital value or investment performance of the Fund.

To the maximum extent permitted by law, BTFM, and its affiliates and related bodies corporate, and their respective officers, directors, employees, professional advisers and agents do not accept any responsibility or liability in relation to the accuracy or completeness of this information or for any loss arising from its use. Past performance is not an indicator of future performance. No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any forecasts or returns contained in the information set out in this document. Any projections are predictive in character. Whilst we have used every effort to ensure that the assumptions on which the projections are based are reasonable, the projections may be affected by inaccurate assumptions or may not take into account known or unknown risks and uncertainties. The actual results actually achieved may differ materially from these projections.

© BT Funds Management Limited – A part of Westpac Banking Corporation