

## → Information Memorandum

### BT Total Return Fund

ARSN 092 178 704

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Issued 3 June 2015

#### **About BT Investment Management**

BT Investment Management (Fund Services) Limited (**BTIMFS**) is the responsible entity for the BT Total Return Fund. As responsible entity, BTIMFS is responsible for overseeing the operations of the Fund. BTIMFS has appointed BT Investment Management (Institutional) Limited (**BTIMI**) as the investment manager of the Fund. Under the terms of its appointment, BTIMI selects and manages the assets of the Fund and may appoint other managers to manage some or all of the Fund's assets. BTIMFS and BTIMI are wholly owned subsidiaries within the BT Investment Management group of companies. References to BTIM are to BTIMFS as responsible entity, including where other BT Investment Management group companies provide services to the Fund on behalf of the responsible entity.

BTIM offers investors a range of investment choices including Australian shares and listed property, fixed income and cash, absolute return investments, international shares and property. To complement its in-house expertise, BTIM also partners with leading global and domestic investment managers.

#### **Investment return objective**

The Fund aims to provide a return the equivalent of cash +3% to 5% per annum (pa) net of fees over rolling three year periods. Returns are expected to have a low correlation to traditional asset classes.

#### **Investment strategy**

The Fund aims to achieve its objective by investing into a range of alternative investment strategies using a core-satellite approach. The Fund's core strategy focuses on risk diversification and uncorrelated returns via a single manager, multi-strategy solution whilst the Fund's satellite strategies focus on return enhancement via uncorrelated, single manager, single strategy solutions.

In aggregate, the Fund's core strategy can be viewed as a 'diversified alternatives portfolio' that seeks to exploit a wide variety of factor exposures such as hedge fund beta, non-traditional strategies applied to traditional assets and macro-driven outcomes. The Fund's satellite strategies target return enhancement by focusing on unique opportunities within the alternatives sector.

As at the date of this IM, the Fund's core portfolio provides exposure to a number of different investment strategies including event driven, convertible arbitrage, managed futures, global macro, long/short equity and equity market neutral strategies. The Fund's satellite portfolios provide exposure to strategies such as fixed interest alpha, Australian equity buy-write and risk parity, as described below.

The fixed interest alpha strategy aims to generate positive returns across a range of market conditions by investing in fixed interest, credit and foreign exchange markets by predicting macroeconomic trends.

The buy-write strategy invests primarily in an actively managed portfolio of shares in the S&P/ASX 200 Index and uses options and other derivatives to stabilise returns, increase income and reduce market risk.

The risk parity strategy allocates across a portfolio of equity market indices, fixed interest and alternatives, targeting an equal risk contribution from each. Weights are regularly adjusted to maintain the risk balance. The strategy aims to achieve higher and more consistent returns for the risk taken compared to more the traditional asset allocation approach based on capital weighting.

Other strategies or portfolios may be used and the Fund's underlying investment strategies may therefore change from time to time.

#### Asset classes and asset allocation ranges

Asset class	Asset allocation ranges*		Benchmark
	Minimum %	Maximum %	
Alternative investments	90	100	Bloomberg Ausbond Bank Bill Index
Cash	0	10	<i>Bloomberg Finance L.P. and its affiliates (collectively, 'Bloomberg') do not approve or endorse this material and disclaim all liability for any loss or damage of any kind arising of the use of all or any part of this material.</i>

\*The Fund's assets will generally fall within these ranges but may deviate from these for short periods in connection with the management of the Fund's assets or cash positions.

#### Fund information summary

Date of inception	Minimum investment	Buy-sell spread	Income distribution frequency	APIR code
September 2000	\$500,000	0.30%	Quarterly	RFA0108AU

#### Structure of the Fund

The Fund has been established as an Australian registered managed investment scheme. The Fund will generally not be liable for income tax as the Fund's net income will be distributed at the end of each financial year.

#### Risks of investing in the BT Total Return Fund

Investing in the Fund exposes investors to the following specific risks:

Type of risk	Explained
<b>Market risk</b>	The risk that the market price of an asset will fluctuate as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events and environmental and technological issues. Market risk may have different impacts on each type of asset, investment style and investor.
<b>Interest rate risk</b>	The risk that the investment value or future returns of an asset may be adversely impacted by changes in interest rates. Interest rates may directly or indirectly affect a company's cost of borrowings as well as the value of fixed interest securities.
<b>Liquidity risk</b>	The risk that an investment may not be easily converted into cash with little or no loss of capital and minimum delay as a consequence of restrictions on withdrawal from the underlying funds. If this occurs, the Fund may be limited in its ability to meet withdrawal requests and withdrawals may be suspended for the protection of all investors even if other assets can be readily sold.
<b>Hedge fund risk</b>	Certain market conditions can be unfavourable for many investment strategies, including hedge funds. Examples have included periods of large falls, high volatility, or reduced liquidity in markets. Successful investment strategies may become less effective or even fail. For example, losses may arise if the Fund carries significant exposure to one or more investment strategies which cease to generate positive returns.
<b>Derivative risk</b>	The value of a derivative is derived from the value of an underlying asset and can be highly volatile. A derivative's value can change in response to a range of unpredictable factors such as changes in a specified interest rate, foreign exchange rate, asset price or credit rating. Derivatives may also involve a higher level of risk than buying an asset directly. This is because derivatives can be used to lever exposure, requiring very little investment to gain exposure to markets. As a result, derivatives magnify both potential investment gains and losses. Losses from derivative transactions can be substantial and can exceed the original amount invested in this instance.

## **Investing in the Fund**

### **How to apply**

Investors should complete the online application by clicking on 'Apply now' at [www.btim.com.au](http://www.btim.com.au). A copy of the Application Form is also available for download on the website or by calling 1800 813 886. Payment details and methods are available with the Application Form.

You can add to your investment at any time by sending us your written instructions with your payment.

### **How to withdraw**

You can redeem some or all of your investment by either mailing or faxing us a completed withdrawal form or providing a written notice of withdrawal.

The proceeds of redemption requests will generally be available by the end of the month following that in which the request is received, if you are having the funds directly credited to your Bank Account. Alternatively, you may choose to receive a cheque, which will usually be sent within 14 Business Days after the end of the month following that in which the request is received.

Please note these times are a guide only and as specified in the Fund's constitution we may take up to 12 months to process your withdrawal request.

### **Restrictions on withdrawals**

There may be circumstances where your ability to withdraw from the Fund is restricted and you may have to wait a period of time before you can redeem your investment.

We may delay or suspend a withdrawal request where we are unable to realise sufficient assets due to circumstances outside our control (such as restricted or suspended trading in the market for an asset) or where the Fund becomes illiquid.

The constitution of the Fund also contains specific provisions that provide us with powers in relation to withdrawals.

### **Monthly unit pricing**

Unit prices are calculated once each month as at the last Business Day of the month and are generally available 5 business days after the end of the month.

We have adopted a unit pricing discretion policy setting out the principles that apply when we exercise discretions under the constitution. You can request a copy of the policy free of charge by calling us or by downloading a copy at [www.btim.com.au/UnitPriceDiscretionPolicy](http://www.btim.com.au/UnitPriceDiscretionPolicy).

## **Processing**

### **Processing times**

Application monies and withdrawal requests must generally be received by 3.30pm (Sydney time) on the last business day of the month in order to be processed at the end of month valuation.

Applications will be processed with an effective date of the first day of the month following the month in which the application was received. This price will not reflect any market moves from the close of the previous month. This price will be net of any distributions paid at the end of the previous month.

Investors should note they would not be entitled to any distribution at the end of the month on units applied for in that month.

Application monies will be banked into an application account upon receipt.

BTIM will generally make the proceeds of redemption requests available by the 10th business day after the day on which the request was processed (ie after the relevant month end). Redemptions may be suspended in some cases in accordance with the constitution.

### **Invalid transaction requests**

Application, withdrawal and other transaction requests may be invalid for various reasons (eg not signing the appropriate form or not including all required information on the form). In such cases the transaction will not be processed until valid documentation is received and will be processed using the unit price applying at the end of the month that we receive the correct documentation. The usual rules about cut-off times apply. In cases where documentation is invalid, we will aim to contact you, generally within seven Business Days.

### Distributions and reinvestment of income

Income and gains/losses are reflected in the unit price. Distributions to investors include assessable income and realised capital gains. The income entitlement (when available) is calculated monthly and normally distributed quarterly. Where an investor chooses to reinvest the Fund's income distributions, they will be reinvested effective the first day following the end of the distribution period. The price used for distribution reinvestments will normally be calculated by dividing the net value of the Fund last determined on the last business day of the relevant distribution period, less all distribution amounts, by the total number of units on issue in the Fund.

### Management costs

Management costs <sup>1</sup>	Amount
The fee for managing the assets and overseeing the operations of the Fund.	Management costs consist of the following component:  <b>Issuer fee</b> 1.40% pa

Management costs are met from a single fee, being the issuer fee which is paid from the assets of the Fund and reflected in the unit price of your investment. The issuer fee is calculated on the net asset value of the Fund and generally accrued on a daily basis and deducted from the Fund monthly.

We are also entitled to be reimbursed for expenses we incur in the proper performance of our duties and in connection with the day-to-day operations of the Fund. At the date of this IM, we do not deduct these recoverable expenses out of the Fund. However, in the future if we decide to deduct these expenses, we will give investors 30 days written notice.

### Buy-sell spread

The buy-sell spread is generally incurred whenever you invest in the Fund. The buy-sell spread is retained by the Fund (it is not paid to us) and represents a contribution to the transaction costs incurred by the Fund such as brokerage and stamp duty, when the Fund is purchasing and selling assets. There is no buy-sell spread on distributions that are reinvested.

At the time of this Information Memorandum, the buy-sell spread is 0.30%.

We may vary the buy-sell spread from time to time and prior notice will not ordinarily be provided. For current buy-sell spread information, visit [www.btim.com.au](http://www.btim.com.au), click on 'Products' and select the Fund.

### Taxation information

The following is a brief summary of some of the Australian income tax consequences of investing in the Fund.

BTIM does not provide tax advice and the information contained in this section is of a general nature only. Potential investors should not rely on this summary and should seek their own taxation advice in relation to the tax consequences of investing in the Fund prior to making any investment decision. The tax consequences may differ, depending on your own particular circumstances.

### Australian investors

#### Tax on distributions

As investors in the Fund should be presently entitled to the distributable income of the Fund for each financial year, the Fund should not be liable to Australian income tax under present income tax legislation. An investor's share of the net income of the Fund becomes part of that investor's assessable income for that income year. This is the case regardless of whether the income is paid to the investor or reinvested, or if the income is received by the investor in the next income year.

Some distributions may not need to be included in an investor's tax return but will generally reduce the cost base of their investments for capital gains tax purposes.

<sup>1</sup> Management costs are quoted inclusive of GST and net of Reduced Input Tax Credits.

### **Tax on withdrawals**

Partial or full withdrawals from the Fund will be treated as disposal of investments for tax purposes and investors may be subject to Capital Gains Tax (CGT).

Individual investors that hold their investment on capital account, and have held the investments for more than 12 months, may be entitled to a CGT concession that can reduce their CGT liability by 50%. Other taxpayers (for example, complying superannuation funds) may be entitled to a 33.33% CGT concession provided the investments are held for more than 12 months.

### **Taxation of Financial Arrangements (TOFA)**

Broadly, the TOFA rules may affect the time at which gains and losses from financial arrangements are recognised for income tax purposes, including whether the gains and losses are recognised on an accruals rather than realisation basis or whether the gains and losses are on revenue account. The Fund should be subject to the TOFA rules and depending on the types of financial arrangements it holds, it may be required to recognise gains and losses from these financial arrangements on an accruals basis.

Individuals should not be directly subject to TOFA in respect of their investment, unless they have elected for the TOFA rules to apply.

Other investors may be directly subject to the TOFA rules in respect of their investment. Prospective investors should seek their own advice in relation to the potential applicability of TOFA in respect of their particular circumstances.

### **Tax reporting**

After the end of the tax year, we will send tax statements and CGT statements (if applicable) to investors.

### **TFN/ABN Withholding**

Investors are not obliged to provide us with their Tax File Number or Australian Business Number (if applicable), but if an investor does not provide either, and does not claim a valid exemption, we are required to deduct tax from that investor's distributions at the highest marginal tax rate, plus the Medicare levy and other applicable levies, to meet Australian Taxation Office requirements.

Australian companies and other entities that invest in the course or furtherance of their registered business can supply their ABN instead of their TFN to us.

### **Goods and Services Tax (GST)**

GST will not be imposed on the application for, or withdrawal of, units in the Fund. However, it will be charged on:

- the price of most purchases made by the Fund in carrying out its investment activities; and
- fees payable to us, and reimbursable expenses (if applicable).

The Fund may be entitled to claim a refund (Reduced Input Tax Credit) for part of the GST included in the price of most purchases.

### **Non-residents of Australia**

For non-resident investors wishing to invest in Australia, we recommend that they seek independent professional tax advice. Tax at the prescribed rates will be withheld from distributions to non-residents to the extent that the distributions comprise Australian sourced income or certain capital gains.

### **Foreign Account Tax Compliance Act**

We are required to identify certain US persons in order to meet account information reporting requirements under local and international laws.

If you or (where you are an entity) any office bearer<sup>2</sup> of the entity and/or any individual who holds an interest in the entity of more than 25% (a **Controlling Person**) are a US citizen or US tax resident, you must telephone 1300 725 863 (or +61 2 8861 6538 if you are calling from overseas) at the time of accepting the terms and conditions in this IM. When you contact us you will be asked to provide additional information about your US tax status and/or the US tax status of any Controlling Person which will constitute certification of US tax status for the purposes of the application to which the terms and conditions in this IM relate.

Unless you notify us that you and/or any Controlling Person are a US citizen or US tax resident as specified above, accepting these terms and conditions constitutes certification that you and/or any Controlling Person are not a US citizen or US tax resident.

<sup>2</sup> Director of a company, partner in a partnership, trustee of a trust, chairman, secretary or treasurer of an association or co-operative.

## **Other important information**

### **Related party transactions and conflicts of interest**

The Fund may, without limit, invest in other funds of which we, or a related entity, are trustee, responsible entity or manager (related funds).

We may appoint any of our related entities (including Westpac Banking Corporation) to provide services (including banking services) or perform functions in relation to the Fund, including acting as our delegate. We may also enter into financial or other transactions with related entities in relation to the assets of the Fund and may sell assets or purchase assets from, a related entity. A related entity is entitled to earn fees, commissions or other benefits in relation to any such appointment or transaction and to retain them for its own account. Such arrangements will be based on arm's length commercial terms.

In the course of managing the Fund, we may face conflicts in respect of our duties in relation to the Fund, related funds and our own interests. We have policies and procedures in place to manage these appropriately. We will resolve such conflict fairly and reasonably and in accordance with the law, ASIC policy and our policies.

### **Types of allowable investments**

The reference to the Fund investing in an asset class includes all types of investments which give exposure to that asset, directly or indirectly, including through derivatives and investment in other funds which invest primarily in that asset class, and through any type of investment which would ordinarily be understood in financial markets to be included in that asset class. It does not preclude investment in other types of assets where we consider it appropriate to do so in the interests of investors.

### **Terms used in this IM**

In this IM:

**'Bank Account'** means an account with an Australian Authorised Approved Deposit Taking Institution (which includes a building society and credit union);

**'Business Day'** means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney;

**'Fund'** means the BT Total Return Fund ARSN 092 178 704;

**'IM'** means this Information Memorandum dated 3 June 2015;

**'responsible entity'** means BT Investment Management (Fund Services) Limited ABN 13 161 249 332, AFSL 431426;

**'we', 'our', 'us' or 'BTIM'** means the Responsible Entity of the Fund.

Asset values of the Fund for the purposes described in this IM are determined in accordance with the Fund's constitution.

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## Contact details



→ Client Services enquiries:  
Phone 1800 813 886  
(BT Customer Relations)  
Monday to Friday 8.00am  
to 5.30pm (Sydney time)  
Fax 02 9274 5786  
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This Information Memorandum (IM) has been prepared by BT Investment Management (Fund Services) Limited ABN 13 161 249 332, AFSL 431 426 (BTIMFS). BTIMFS is the responsible entity and issuer of units in the BT Total Return Fund (Fund).

The information in this IM is general information only and is not intended to constitute professional advice. It does not take into account any recipient's particular investment objectives or financial situation. This information is given in good faith and has been derived from sources believed to be accurate. The information is general information only and should not be considered as comprehensive statement on any matter and should not be relied upon as such. Neither BTIMFS nor any company in the Westpac Group accepts any responsibility for the accuracy or completeness of this information or otherwise endorses or accepts any responsibility for this information. Except where contrary to law, BTIMFS intends by this notice to exclude all liability for this material.

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 set out in this IM, this will be rectified by BTIMFS as soon as reasonably practicable after becoming aware of it. If BTIM does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified in this IM are accurate as at the date of its issue, and BTIMFS reserves the right to vary these from time to time. If an investor is classed as a wholesale investor under the Corporations Act, fees may be individually negotiated.

BTIMFS is a member of the Westpac Group. An investment in the Fund is not an investment in, deposit with or any other liability of Westpac Banking Corporation ABN 33 007 457 141 (the Bank) or any other company in the Westpac Group. It is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested. The Bank is not the issuer of the Fund. Neither the Bank nor any other company in the Westpac Group stands behind or otherwise guarantees the capital value or investment performance of the Fund.

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