

BT Index Growth Fund

Monthly report – 30 April 2021

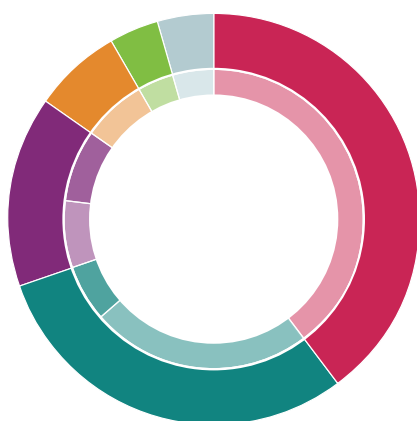
Fund overview

Inception date	1 August 2016
APIR code	WFS0591AU
Fund size (AUD millions)	\$350.10
Investment objective	Seeks to deliver predominantly moderate to high growth and some income returns, which tracks the overall return of a diversified portfolio of underlying investments.
Recommended investment timeframe	6 years
Minimum initial investment	\$500,000
Distribution frequency	Quarterly
Management costs (%) pa ¹	0.33
Buy/sell spread (%)	0.08 / 0.08

Performance review²

Period ending 30 April 2021	1 month	3 months	1 year	2 years	3 years	Since inception
	%	%	%	% pa	% pa	% pa
Total return	3.21	7.41	24.36	8.68	9.48	8.68
Growth return	3.21	6.97	18.15	4.39	5.05	3.69
Distribution return	0.00	0.45	6.21	4.29	4.43	4.98

Actual asset allocation %³



- **Equity – Australian Listed – 39.79%**
 - BT Australian Shares Index Fund – 39.79%
- **Equity – International Listed – 29.99%**
 - BT International Shares Index Fund (Unhedged) – 23.98%
 - Blackrock Index Hedged International Equity Fund – 6.01%
- **Property – International and Australian Listed – 14.97%**
 - BT Property Securities Index Fund – 7.44%
 - Blackrock iShares Global Listed Property Index Fund – 7.53%
- **Fixed Income – Australian – 6.94%**
 - BT Australian Fixed Interest Index Fund – 6.94%
- **Fixed Income – International – 3.96%**
 - BT International Fixed Interest Index Fund – 3.96%
- **Cash – 4.35%**
 - Advance Cash Multi-Blend Fund – 4.35%

Market update

April saw life in Europe, the UK and the United States slowly return to what could be described as the 'new COVID-19 normal'. Unfortunately, the perfect storm unravelled towards the end of the month with India facing record daily COVID-19 case numbers and insufficient medical supplies.

Australia

At the April Reserve Bank of Australia (RBA) meeting, policymakers once again reiterated that the cash rate will remain at 0.10% "for as long as necessary". Many have referred to the RBA as being in 'wait-and-see mode'. The RBA noted that "while annual CPI inflation was expected to rise temporarily to about 3 per cent around the middle of the year as a result of the reversal of some pandemic-related price reductions, in underlying terms inflation was expected to remain below 2 per cent over both 2021 and 2022."

One key metric reported over the month, the NAB Business Survey, asserted Australia's economic recovery is intensifying; the survey showed business conditions measuring hiring, sales and profits hit a record high in March - despite the federal government withdrawal of the JobKeeper wage subsidy. While business confidence eased from eleven year highs, it remained above its long-run average with the data providing a positive signal for higher business investment and hiring.

The job market continued its recovery. More jobs were created in the past six months than any similar period on record. Looking at March alone, the labour market results were significant, except for a drop in full-time positions, partially due to an outsized gain in February. With the withdrawal of JobKeeper, many feel they need to see a few more months of data to reveal the true state of the economy.

In the travel space, April saw the opening of the long awaited two way NZ-AUS travel bubble. While this has offered Australians more freedom, the complete reopening of foreign borders is the aim to fully achieve economic normality. To put things into perspective, over the past six months arrivals to Australia averaged around 30,000 per month while departures were just over 40,000 per month. Before the pandemic, arrivals and departures were closer to 1.8 million per month.

As we headed into Q2, April saw another month of strong returns in the market, consolidating a strong 2021 Q1. The ASX300 Accumulation returned +3.70%, while the ASX Small Ordinaries Accumulation gained +4.98% over the month. The one year returns on these indices is 31.58% and 39.78% respectively. The market was led by strong performance in the Technology (+10.39%) and Materials (+5.87%) sectors, Energy (-6.11%) and Utilities (-2.77%) struggled over the month, ending down. Despite the economy reopening, April saw a reversal of the previous few months of sector rotation back to high P/E growth sectors from beaten up cyclical sectors.

United States

In the US, President Joe Biden's US \$2 trillion infrastructure build dominated April's headlines. Akin to many stimulus plans around the world, the US will use its plan to revitalise the country's ailing and neglected infrastructure to help lift the economy out of its pandemic-induced slowdown. If passed, the American Jobs Plan presents potential opportunities for numerous Australian listed companies and sectors that may supply materials or be hired to undertake work on these tasks.

President Biden aims to increase taxes on higher earners and hike the corporate tax rate to 28% from 21% to pay for the strategy, reversing much of the Trump tax cuts. The plan is due to run over eight years with US\$621B earmarked for the country's infrastructure such as roads, bridges, highways and ports. US\$400 billion will target affordable housing and another US\$300 billion will go towards reviving manufacturing. Biden's plan will also target the electricity grid, nationwide high-speed broadband and the country's clean water supply, with a significant focus on green initiatives.

As for other key announcements over the month, The Federal Reserve (Fed) left the target range for its federal funds rate unchanged at the 0-0.25% range and said it will continue to purchase bonds at a rate of \$120 billion a month, despite acknowledging a rise in inflation and economic improvement. Policymakers noted that indicators of economic activity and employment have strengthened amid progress on vaccinations and strong policy support, but stressed the pandemic continues to weigh on the economy and risks overshadow the positive outlook.

The Manufacturing PMI fell to 60.7 in April from 64.7 in March, below expectations of 65. Still, the latest reading pointed to expansion in the manufacturing sector for the eleventh consecutive month. A slowdown was seen in production (62.5 vs 68.1), new orders (64.3 vs 68) and employment (55.1 vs 59.6) while inventories contracted (46.5 vs 50.8). The Services PMI was revised higher to 64.7 in April 2021, from a preliminary estimate of 63.1, signalling the sharpest pace of expansion in the sector since data collection began in 2009. On the price front, input costs advanced at an unprecedented rate, due to hikes in supplier prices and greater transportation fees; inflation accelerated for the fourth month running and was the steepest since data collection for the series began in October 2009.

The MSCI World ex Australia Unhedged index ended the month up +3.18%. The US saw continued benefits of the stimulus cheques hitting bank accounts and further announcements around infrastructure plans. The S&P ended the month up +5.34%, the NASDAQ +5.43%, the Dow Jones +2.78%. The respective 1 year returns on the three US markets are 45.98%, 58.30% and 42.12%.

Asia

China's economy continues its rebound trajectory after COVID-19 lockdowns plunged the world's second largest economy - and Australia's largest trading partner - into the deepest slump in decades. Data showed China's gross domestic product (GDP) expanded by 0.6% in the March quarter, the slowest quarterly growth rate since the Global Financial Crisis. However, the annual growth rate of 18.3% was the strongest since official quarterly records began in 1992 due to the policy stimulus and the country's success at suppressing the virus.

For 2021, China expects the economy to grow by more than 6%. In 2020, the country's GDP expanded 2.3%, the slowest pace in more than four decades.

Meanwhile in India, as COVID-19 infections accelerate to record levels the sub-continent is now entering another nationwide lockdown in an attempt to curb the virus. Economic data for April remained positive but we do expect this to soften in May as the impact of social distancing slows the recovery. The manufacturing PMI came in at 55.5 in April little-changed from 55.4 in the previous month, beating market consensus of 51.6, indicating a solid improvement in the health of the sector. The services PMI declined to 54.0 in April from 54.6 in the previous month, and below market expectations of 51.1.

The Bank of Japan (BoJ) left its key short-term interest rate unchanged at -0.1% in April. Furthermore, it maintained the target for the 10-year Japanese government bond yield at around 0% as widely expected. In a quarterly outlook report, the BoJ slashed its consumer inflation forecast for the current fiscal year to 0.1% from earlier predictions made in January of 0.5%, amid downward pressure on service spending. Policymakers also warned of lingering risks to the economic outlook as the COVID-19 pandemic continues to hurt consumption. The BoJ reaffirmed it would not hesitate to take additional easing measures if necessary.

Asian Share markets told a slightly weaker story this month. Japan's Nikkei coming off those all-time highs, ending -1.25% return over the month. Despite the fall, this still brings the one year return to +44.94%. China's Shanghai Composite finished the month flat +0.14% and the Hang Seng up +1.22%. The Korean KOSPI continued its upward trajectory ending up +2.82%, bringing its one year return to 61.63%.

Europe

As the UK headed out of lockdown and restrictions eased, the country's consumer confidence index rose to -15 in April from -16 the previous month. This was the highest reading since March 2020. There were improvements to both the economic situation over the last twelve months (-58 vs -60) and the next twelve months (-11 vs -17). Furthermore, the UK Services PMI jumped to 60.1 in April, from 56.3 in the previous month, easily beating market consensus of 59.0. While UK Manufacturing PMI ended at 60.9, above March's 58.9. The latest reading signalled the steepest pace of expansion in the UK manufacturing sector since 1994, due to a loosening of lockdown restrictions.

As for the Eurozone, the European Central Bank (ECB) left monetary policy unchanged during its April meeting. Officials took a 'wait-and-see' approach after last month's decision to conduct emergency bond purchases at a significantly higher pace over Q2. Interest rates were kept at record-low levels and the PEPP quota was maintained at €1.85 trillion with the purchase plan to run at least until March 2022. The central bank reiterated that the envelope might not need to be used in full if favourable financing conditions can be maintained but could be recalibrated if required to help counter the negative pandemic shock to inflation. In Short: No options are off the table. Paraphrasing President Lagarde, although inflation has picked up over recent months due to temporary factors, underlying price pressures remain subdued in the context of significant economic slack and weak demand. Lagarde added that economic activity is expected to rebound firmly in the course of 2021, but the near-term economic outlook remained uncertain.

Business Confidence in the Euro Area increased to 1.13 points in April from 0.31 points in March. The consumer confidence indicator in the Euro Area was confirmed at -8.1, the highest level since February 2020 and above its long-term average for the first time since March last year. This is a result of the gradual reopening of the economy and the acceleration in the COVID vaccination pace. Households' expectations improved both in respect of the general economic situation in their country and their personal sphere, as measured by their future financial situation and intentions to make major purchases.

European shares were similar, the Euro STOXX up +1.81%. France's CAC 40 and Germany's DAX Index ended up +3.33% and +0.58% respectively. With the 1 year returns on these respective markets being 28.63%, 37.12% and 39.35%.

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.

For more information

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