

RIL Diversified Fixed Income Fund

Client Communication

23 JANUARY 2014



RIL Diversified Fixed Income Fund – fund changes

We are writing to advise you of changes being made to the Responsible Investment Leaders Diversified Fixed Income Fund (“RIL Diversified Fixed Income Fund” or “the Fund”). As of 23 January 2014, there will be three changes made to the Fund, as outlined below:

- Change of Australian bond benchmark
- Increased exposure to global credit
- Alignment of active bond allocations

The changes stem from our desire to provide a more transparent asset allocation structure and also to align the investment strategies of our active bond portfolios across the Future Directions and Responsible Investment Leaders fund ranges.

Change of Australian bond benchmark

We believe the best opportunities within Australian bonds are available in the Australian government bond market and we are changing the Australian bond benchmark to better reflect our investment strategy. The benchmark for the Australian bond component of the Fund will change from the UBS Composite Bond Index (all maturities), to the UBS Government Bond Index (all maturities).

The current composite benchmark contains exposure to Australian corporate bonds, also known as credit, whereas the new benchmark will only contain government bonds.

Increased exposure to global credit

The global credit market is significantly larger and more diverse than the Australian market and hence less impacted by specific sectors and liquidity issues.

We will be increasing our exposure to global credit to offset the reduced exposure to Australian credit, as detailed above. Specifically, the global credit component will increase from 25% to 35%, and the corresponding global government component will reduce from 25% to 15%.

By separating out government bonds and credit there will be a more transparent asset allocation structure.

The new Fund target allocation is set out in the table below:

Sub-sector	Current allocation	Current benchmark	New allocation	New benchmark
Australian bonds	50%	UBS Composite Bond Index 0+ Yr	50%	UBS Government Bond Index 0+ Yr
Global government	25%	Barclays Global Treasury GDP Weighted by Country Hedged AUD	15%	Barclays Global Treasury GDP Weighted by Country Hedged AUD
Global credit	25%	Barclays Global Aggregate - Credit Index Hedged AUD	35%	Barclays Global Aggregate - Credit Index Hedged AUD

Aligning the investment strategies of our active bond allocations

Until now the Australian allocation of the Fund has been managed solely by AMP Capital.

As a result of the above changes, the Australian allocation of the Fund will now invest in the Future Directions Australian Bond Fund whose underlying managers are AMP Capital (85%) and BT Investment Management (15%), providing further manager diversification benefits. The Future Directions Australian Bond Fund (and its underlying mandates) will therefore be subject to the environmental, social and governance (ESG) criteria and screening applied by AMP Capital's ESG team.

Further information

If you have any questions about this update or have any questions about your AMP Capital investments, please contact your Account Manager or our Client Services Team on 1800 658 404, between 8.30am and 5.30pm (Sydney time) Monday to Friday.

Further information about AMP Capital's products can be obtained from www.ampcapital.com.au.

Yours sincerely,



Sean Henaghan
Chief Investment Officer, Multi-Asset Group
AMP Capital

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