

Client Communication

1 JULY 2014



Responsible Investment Leaders 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 (“the Fund”).

As part of our ongoing portfolio review process, AMP Capital’s specialist Multi-Asset Group has decided to restructure the manager line-up within the Australian and global government bond component of the Fund. We believe these changes will enhance the Fund’s strategies’ ability to better meet the investment objectives. This will result in the following changes as of 1 August 2014:

- > Australian government bonds:
 - Inclusion of inflation-linked bonds;
 - Change in the component’s benchmark; and
 - Change in underlying fund managers.
- > Global government bonds:
 - Change in underlying fund managers.

The Fund’s investment objective will not change.

The revised manager allocation for the Fund is outlined in the table below.

Manager	Mandate	Current weight (%)	New weight (%)	Change in weight (%)
Alliance Bernstein	Global credit	35	35	-
Future Directions Australian Bond Fund	Australian government	50	50	-
<i>AMP Capital</i>	<i>Australian government bonds (nominal)</i>	85%	85%	-
<i>BT Investment Management</i>	<i>Australian government bonds (nominal)</i>	15%	-	-15%
<i>Ardea Investment Management</i>	<i>Australian government bonds (inflation-linked)</i>	-	15%	+15%
Future Directions Global Government Bond Fund	Global sovereign	15	15	-
<i>Aviva Investors</i>	<i>Global sovereign</i>	40%	-	-40%
<i>Colchester Global Investors</i>	<i>Global sovereign</i>	40%	50%	+10%
<i>Kapstream Capital</i>	<i>Global sovereign</i>	20%	25%	+5%
<i>AMP Capital</i>	<i>Global sovereign</i>	-	25%	+25%

Australian government bonds

Inclusion of inflation-linked bonds

To date this component of the Fund has only had exposure to nominal bonds. This will be changing to now also include inflation-linked bonds. The inclusion of inflation-linked bonds will enhance the Fund as the two strategies diversify one another in the following ways:

- when inflation increases unexpectedly, nominal bonds will typically sell-off and therefore underperform, whilst inflation-linked bonds will typically outperform; and
- when inflation falls unexpectedly, typically nominal bonds will rally and inflation-linked bonds will underperform.

Change in the component's benchmark

Reflecting the new allocation to inflation-linked bonds, the benchmark for this component of the Fund will change from the UBS Government Bond Index (all maturities) to a composite that will also include the UBS Government Inflation Linked Bond Index (all maturities), as shown in the table below.

Sub-sector	Current target	Current benchmark	New target	New benchmark
Nominal bonds	100%	UBS Government Bond Index (all maturities)	85%	UBS Government Bond Index (all maturities)
Inflation-linked bonds	-	UBS Government Inflation-linked Bond Index (all maturities)	15%	UBS Government Inflation-linked Bond Index (all maturities)

Change in underlying fund managers

To implement an allocation to inflation-linked bonds while improving operational efficiency, only two managers will be retained – AMP Capital for nominal bonds and Ardea for inflation-linked bonds. The current investment with BT Investment Management will be terminated. The main reason for this decision has been the strength and combined fit of AMP Capital and Ardea along with the need to reduce complexity, rather than a negative view regarding BT Investment Management.

Global government bonds

Change in underlying fund managers

Last year Aviva announced a series of strategic changes across its executive and investment teams, with a number of key individuals leaving the business as a result. The fixed income team was affected as part of this restructure, therefore we have decided to terminate Aviva's investment mandate.

Aviva's current allocation will be reallocated to incumbent managers Colchester and Kapstream and to new manager AMP Capital.

AMP Capital's fixed income investment approach combines a diverse and experienced investment team with a disciplined, risk controlled investment process to deliver active returns. The proposed structure will utilise the team's macro fixed income capabilities to manage a core portfolio of global sovereign bonds, providing investors with additional diversification benefits.

What are the impacts on investors?

Overall, we believe the changes will enhance the ability of the Fund to meet its investment objective and that investors will benefit over the long term. There will be no change to the fee schedule for the Fund.

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
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AMP Capital

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