

FUTURE DIRECTIONS INTERNATIONAL BOND FUND

21 NOVEMBER 2016

New Product Disclosure Statement changes

We are writing to advise you of a number of changes relating to the Future Directions International Bond Fund (the Fund) that will be reflected in the new Product Disclosure Statement (PDS) which will be available on our website (www.ampcapital.com.au – then go to the Fund's page) on 21 November 2016. These changes include:

- > Introduction of securities lending
- > Enhanced fee disclosure
- > Risk band

Details of these changes are provided below.

Before making any investment decisions, we recommend you read the information in the PDS about the benefits and risks of investing and the other features of the Fund.

Introduction of securities lending

From December 2016, the Fund will be able to engage in securities lending in order to generate additional returns for investors.

AMP Capital has recently piloted the implementation of a securities lending program across a number of AMP Capital funds. Securities lending is an investment practice whereby securities of a fund are lent to a third party (the borrower) for a period of time in return for a fee. Securities lending allows funds to use their assets held in custody to earn additional income, in the form of fees paid by the borrower. These fees increase the portfolio return and thereby, the return to investors.

Securities lending does expose the Fund to some additional risks, which could cause a loss of capital, in particular the risk that the borrower defaults by failing to return the securities. However, comprehensive processes are in place to manage and substantially mitigate these risks, including careful selection of approved borrowers, borrowing limits, collateral requirements which are monitored and managed daily and restrictions on which securities are to be loaned.

Income earned from securities lending is returned to the Fund and accrued in the unit price after the deduction of operational costs and fees payable to the securities lending agent (for operation of the program and the provision of the indemnity) and to AMP Capital (for monitoring, governance and oversight). These fees are 30% and 10% of securities lending revenue, respectively, which are in line with normal commercial rates.

Enhanced fee disclosure

In accordance with amendments to the Corporations Regulations and new regulatory guidance from the Australian Securities & Investments Commission, we have implemented new enhanced fee disclosure requirements for the Fund. As a result, how we represent fees and costs in the PDS has been updated.

Previously, the PDS stated the management cost of the Fund as comprising the management fee, performance fee and recoverable expenses. Now, the stated management cost of the Fund in the PDS also includes indirect costs. These are not new costs being imposed on the Fund, these costs were incurred before, the indirect costs are simply now being quantified in the PDS. Examples of indirect costs include costs associated with the use of derivatives and exchange-traded funds.

It is important to note that this change in how we disclose the Fund's fees does not mean investors pay any additional management fees and does not reduce the net-of-fees return. Our management fees have not changed. The enhanced disclosure aims to provide a new level of transparency into the total costs of investing – both AMP Capital and non-AMP Capital costs.

Risk band

In reviewing the Fund's PDS we have also reviewed the Fund's risk band. The Fund previously had a risk level of two – an equivalent of low on a scale between one and seven, with one being very low risk and seven being very high risk. This has been revised up to a risk level of three, equivalent to a low to medium risk level.

Further information

If you have any further questions about this update, 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 or via email at clientservices@ampcapital.com.

Yours sincerely,



Nigel McCammon
Global Head of Client Services
AMP Capital Investors Limited

Important note: Investors should consider the Product Disclosure Statement (PDS) available from AMP Capital Investors Limited (ABN 59 001 777 591) (AFSL 232497) (AMP Capital) for the Future Directions International Bond Fund (Fund) before making any decision regarding the Fund. AMP Capital Funds Management Limited (ABN 15 159 557 721, AFSL 426 455) is the responsible entity of the Fund and the issuer of units in the Fund. The PDS contains important information about investing in the Fund and it is important investors read the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. Neither AMP Capital, nor any other company in the AMP Group guarantees the repayment of capital or the performance of any product or any particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance. While every care has been taken in the preparation of this document, AMP Capital makes no representation or warranty as to the accuracy or completeness of any statement in it including without limitation, any forecasts. This letter has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. Investors should, before making any investment decisions, consider the appropriateness of the information in this fact sheet, and seek professional advice, having regard to their objectives, financial situation and needs.