AMP Capital Investors Limited
ABN 59 001 777 591 AFSL 232497

> Global Infrastructure Securities Fund Annual Newsletter

// **2013-2014**

Welcome to the first edition of an annual newsletter to our investors in which we seek to explain what we do to achieve the very best risk-adjusted returns on the capital you entrust to us.

Performance

2013-14 has seen another year of great performance from our team in both absolute and relative terms; having outperformed both our reference listed infrastructure benchmark as well as global equities. Our team prides itself on using a best-in-class investment process to get a deep understanding of the value of assets before investing in them and we feel that this is reflected in the performance outcomes achieved.

The table below shows the relative return from an investment in the AMP Global Infrastructure Securities Fund (GISF; the Fund) versus the benchmark Dow Jones Brookfield Global Infrastructure Index (DJBII) and the MSCI World Index in Australian dollars. It also shows the value at the end of financial year 2013-14 of $100 invested into each at inception of the Fund.

Fiscal year	GISF	DJBII	MSCI World	GISF	DJBII	MSCI World
				$100	$100	$100
2010 - 2011	7.7%	7.2%	23.5%	$108	$107	$124
2011 - 2012	13.6%	13.1%	-2.2%	$122	$121	$121
2012 - 2013	27.4%	28.3%	21.8%	$156	$156	$147
2013 - 2014	28.6%	24.4%	22.0%	$200	$194	$179

Source: AMP Capital, MSCI World, S&P Past performance is not a reliable indicator of future performance. Fund inception date was 30 October 2007.

Our team's recipe for success

We have four key pillars that we believe serve to separate and differentiate us from other global listed infrastructure investment managers. We refer to these as Platform, People, Philosophy and Process. By relying on these four key principles we are able to identify high quality assets selling below their intrinsic value, which enables us to meet our core aim of delivering market-leading, risk-adjusted returns for our clients.

Platform

AMP Capital is a global investment leader in infrastructure, real estate, fixed income, equities and multi-asset investing with A$144 billion in funds under management[1]. By sharing a 160-year heritage with the AMP Group, one of Australia's largest financial services firms, we can offer the security that comes from investing with an organisation that has stood the test of time.

After more than 25 years of experience in the sector, AMP Capital now has A$6 billion invested across listed and direct infrastructure, covering the full spectrum of the capital structure, which puts us in the top ten of global infrastructure investors and in the top three in the Asia Pacific region. With more than 70 dedicated infrastructure investment professionals worldwide, we can offer market-leading depth and breadth of investment solution.

People

The investment team comprises 70 investment professionals, of which we have a core team of six focused specifically on listed infrastructure. With over 80 years of related industry experience, our globally based team offers efficient and effective coverage of our investment universe. Constant communication and information sharing between our teams across the world enables us to capitalise on the depth and breadth of this coverage.

Philosophy

Our team uses an investment philosophy focused on 'Core and Pure' infrastructure whereby we invest primarily in owners and operators of assets which exhibit a relatively low volatility of cash flows thanks to the higher degree of

[1] Source: AMP Capital

regulation, long-term contracts, lower sensitivity to economic cycles and limited greenfield risk (the risk that demand for unbuilt infrastructure is inherently unpredictable).

Our approach is a key differentiating factor which allows us to be more aligned with the risk and return objectives of our investors. Companies that possess the characteristics discussed above tend to deliver superior risk-adjusted returns coupled with lower correlation with other equity and infrastructure indices.

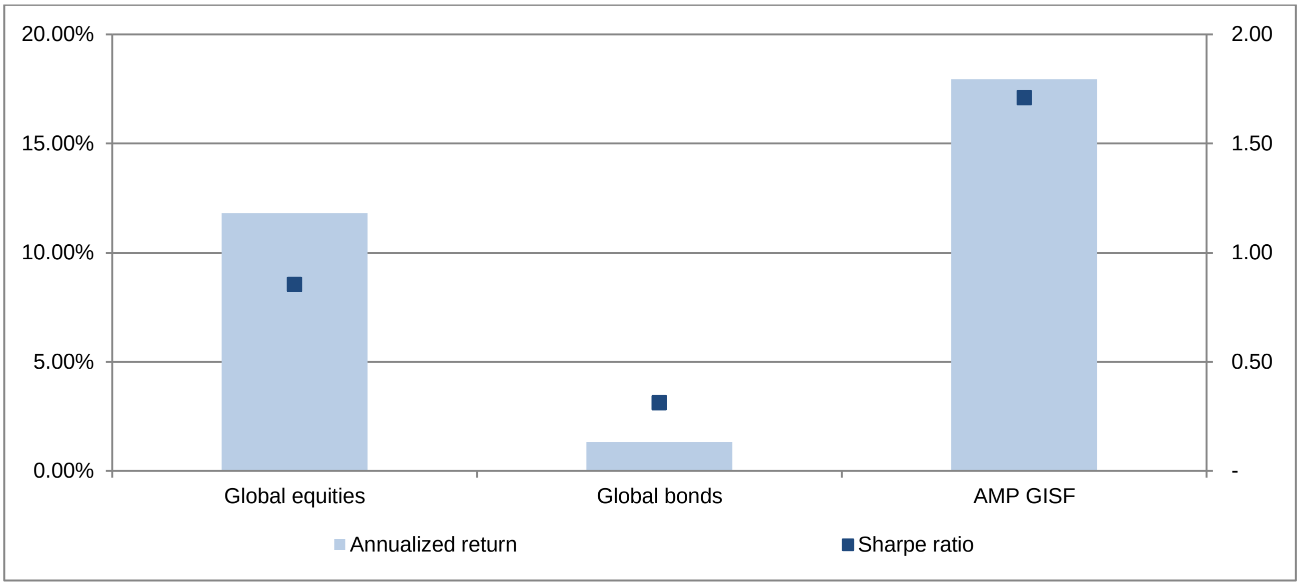
Process

Quality and valuation represent the two pillars of our investment process, which is built around the 'Core and Pure' infrastructure philosophy discussed above. Quality is assessed for all companies at the industry (e.g. barriers to entry, rivalry within the industry), asset (e.g. regulation and/or contract security, stability of cash flows) and company level (e.g. management track record, corporate structure).

When looking at valuation we are seeking the potential for excess return, which we measure as being the equity internal rate of return (IRR) less the cost of equity. Equity IRR is free cash flow per share whilst the cost of equity is calculated from of a mix of the risk free rate, the equity risk premium, equity beta and sovereign risk. Through detailed, bottom-up-driven due diligence and analysis, which includes rigorous modelling, asset tours, meetings with management and regulators, we assign valuation and quality scores to each company in our investment universe. Such valuation scores drive our portfolio construction, serving as a guide to individual stocks' weightings in the Fund.

Consistent market-leading risk-adjusted returns

By using the strong AMP Capital infrastructure franchise and platform and relentlessly adhering to our philosophy and process, we have been able to provide our investors with market-leading risk-adjusted returns.



3 Year Annualised returns: for Global Equities the MSCI Daily Total Return Net World USD is used as a proxy; for Global Bonds the Barclays Aggregate Total Return Index Value Unhedged USD is used. The Sharpe Ratio has been calculated using data from Bloomberg. Past performance is not a reliable indicator of future performance.

Current drivers and themes

While recognition of infrastructure as a distinct asset class is a relatively new phenomenon, infrastructure assets have always been an integral part of our everyday life. They provide essential services that support economic growth, generate productivity gains, and are the backbone of an economy and society.

In this supportive environment for listed infrastructure, the investment team has identified four key themes which we believe will continue to drive growth in the sector:

- ✓ Shale gas and US energy independence
- ✓ Exponential increase in mobile data use
- ✓ Evolution of electricity transmission
- ✓ Global thirst for water

Investment process at work

In this, our first annual letter, we are going to focus on two stocks: The Williams Companies and American Tower. Both have positively contributed to the performance of the Fund this financial year and provide good examples of two of our themes listed above, as well as our investment philosophy and process.

The Williams Companies (Williams)

Williams is a market-leading US midstream energy company, dealing with the processing, storage and transportation of natural gas. It has large-scale assets which are ideally positioned to connect the growing supplies of natural gas and natural gas liquids (i.e. propane, ethane, butane) to demand centres such as chemical plants, LNG export facilities, natural gas distribution companies (known as LDCs or local distribution companies) and gas fired generation plants. With over 20%[2] of US dry-gas volumes passing through Williams' natural gas system network, it is the market leader in the sector and is able to create substantial value for shareholders across the entire natural gas midstream value chain..

Williams is a huge beneficiary of the 'shale gas and US energy independence' growth theme. Natural gas production is at an all-time high and volumes are forecast to continue increasing as the drilling boom continues. Although shale gas is not a new phenomenon (these resources have been known about for decades in the US), new fracking techniques have enabled resources to be extracted from hitherto uneconomic shale formations. The shale gas boom is more about the marvels of 21st century technology than the abundance of the resource. This boom represents a key addition to meet the ever rising global demand for energy and will require a significant amount of capital to be invested in the US midstream sector – over A$600 billion between now and 2035 according to our estimates.

Besides monopolistic characteristics common to most infrastructure companies, Williams' assets also enjoy a competitive position arising from their prime location, size and scale. While the widely known cliché in property investing is 'location, location, location', the same principle applies when investing in infrastructure. Infrastructure, by its very nature, is bound to the geography of the asset and therefore location has a significant impact on the long-term financial reward that investors receive. Thanks to its large and widely distributed network, Williams has the ability to capitalise on its enviable locations and has the ability to move natural gas to almost every major demand centre in the country.

As discussed earlier, buying above average quality companies at below average valuation is the cornerstone of our investment process. At the time of our purchase, Williams was selling at a discount to our fundamental value due to short-term operational issues and slower integration of previously acquired assets. We felt that this was a situation where a high quality company with a market-leading asset base was on sale to investors willing to take a long-term view. In our view, the stock offered an attractive balance between risk and reward, particularly given its rising dividend yield. We took advantage of the underperformance of the share price and continued to buy the stock, which became the second largest holding in the Fund in 2013.

In addition to being a great yet undervalued asset, Williams also took the decision during the year to adopt a General Partner business model which is a tax efficient way to run a business where the company to pays out virtually all cash flow to investors. As a result the stock performed extremely well, providing a total return of over 80% for our investors in A$ terms for the financial year.

American Tower

American Tower is a leading independent owner, operator and developer of wireless and broadcast communication real estate with a portfolio of approximately 69,000 properties (28,000 in US and 41,000 worldwide)[3], including wireless towers, broadcast towers and distributed antenna systems (DAS). American Tower's core business is leasing antenna space on its communication sites to wireless service providers, radio and television broadcast companies, wireless data providers, government agencies and municipalities and tenants in various industries.

American Tower is a key beneficiary of the 'exponential increase in mobile data use' theme, as a growing number of mobile connected devices continue to drive voice and data traffic growth. After exceeding the number of people on earth by the end of 2014, the number of mobile devices is expected to reach 10 billion by 2018. Increased usage of these devices will cause a significant jump in global mobile data traffic which, after growing 81% in 2013, is expected to increase nearly 11-fold by 2018. This is a 61% compounded annual growth rate! Moreover, mobile network connection

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[2] Source: The Williams Companies. Figure represents 100% capacity for operated assets including those in which Williams, WPZ and AMCP has a share of ownership

[3] Source: American Tower

speeds are forecast to increase two-fold, exceeding 2.5 megabits per second, with 4G connections representing more than 50% of total traffic by then. Mobile video traffic will reach 69% of total data use versus the current 53% of total use[4].

Global mobile data traffic is already putting a strain on networks, so wireless carriers worldwide are stepping up their capital expenditure programs in order to improve and upgrade their systems. As a result, mobile tower operators, playing a key role in wireless networks, are one of the primary beneficiaries of this upgrade cycle, which is boosting lease revenue for the overall industry.

Cell splitting is one of the few ways for wireless carriers to cater for the increased demand for data. (A ‘cell’ is the geographical area covered by a transmitter.) This is where mobile phone carriers split cells used into a smaller size, each one requiring a new transmitter which American Tower has the opportunity to host. Thanks to its international footprint and its leading position in fast growing markets, American Tower has the ability to take advantage of investment by mobile phone carriers to boost capacity.

We are long-term shareholders of American Tower given the attractiveness of its business model, (high barriers to entry, visible and inflation-linked revenue stream, above average profitability and strong free cash flow generation) and the superior growth profile.

We expect the company to execute its strategy successfully, both in the domestic and international markets, and achieve its stated ambition to double adjusted funds from operations (AFFO) per share by 2017. AFFO is a measure of cash flows that are available to be paid out to shareholders adjusted to account for recurring capital expenditure. We see this as a key indicator of the ability of American Tower to continue to pay an increasing dividend. Despite having risen by an average of 21%[5] , compounded, in each of the last three years, American Tower continues to represent the third largest holding in the Fund as we believe that the company has a great future which is not yet fully reflected in the share price.

The outlook for global listed infrastructure

Both developed and developing countries worldwide are currently facing serious challenges arising from inadequate, poorly performing infrastructure. As a result, according to McKinsey Global Institute, US$57 trillion will need to be spent on infrastructure investment globally for transportation, power, water and telecommunication by 2030 to tackle these issues.

We believe such a strong long-term investment trend, combined with an elevated level of government spending will give a significant boost to the size of the infrastructure investment opportunity in the future. Listed infrastructure companies stand ready to benefit both from government sales of existing assets and from funding and operating much needed new infrastructure projects.

We would like to take this opportunity to thank our investors most sincerely for their continued support. We are always very happy to go into more detail about our investment processes and philosophy and positively welcome contact from both investors and those who are simply interested to learn more about what we do.

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Or

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[4] Source: Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2013-18

[5] Source: Bloomberg

Important notice to all investors: 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 AMP CAPITAL GLOBAL INFRASTRUCTURE SECURITIES FUND (UNHEDGED and HEDGED) - ON-PLATFORM CLASS A (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 fact sheet 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..