

# Client Communication

25 OCTOBER 2012



## Responsible Investment Leaders Diversified Fixed Income Fund update

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”). AMP Capital has completed a review of the Global Government Fixed Income strategy within the Fund and will be implementing changes to both the benchmark and the manager line-up. We believe these changes allow the Fund to capitalise on a larger investment opportunity set and provide close alignment with client objectives. Importantly, there is no change to the Fund’s management from an environmental, social and governance (ESG) perspective. This letter provides an overview of the changes to the portfolio which are to be implemented on 1 November 2012.

The RIL Diversified Fixed Income Fund is an actively managed diversified fixed income solution for clients seeking exposure to a range of fixed income strategies managed within an ESG framework. The current target manager allocations are provided in the table below.

### RIL Diversified Fixed Income Fund – current manager allocation

Manager	Target allocation (%)	Managers
Australian bonds	50.0	Vianova
Global credit	25.0	Alliance Bernstein
Global government	25.0	Kapstream

The new structure provides greater manager diversity with the global government sector through the appointment of two additional managers, as shown below.

### RIL Diversified Fixed Income Fund – new manager allocation

Manager	Target allocation (%)	Managers
Australian bonds	50.0	Vianova
Global credit	25.0	Alliance Bernstein
		Aviva Investors
Global government	25.0	Colchester Global Investors
		Kapstream

An overview of each manager’s investment approach for the Fund is provided below.

Manager	Weight (%)	Investment approach
Aviva Investors	10.0	Aviva's strategy is a cyclically-orientated relative value strategy. The strategy combines three autonomous Aviva Investors global macro teams: Global Rates, Global Real Return and Quantitative Strategies. The alpha of these strategies is transported over the benchmark. The strategy is relative value orientated and incorporates offensive risk management approaches.
Colchester Global Investors	10.0	Colchester's strategy is a secularly orientated Prospective Real Yield strategy, which is controlled for risk. This active strategy is balanced between country, duration and currency components. In contrast to the Aviva Investors strategy, Colchester's has a directional (rather than a relative value) orientation.
Kapstream Capital	5.0	Kapstream Capital runs a core strategy which is balanced between relative value alpha opportunities and structural positioning (both cyclical and secular). The manager combines a relative value alpha opportunities strategy, cyclical and secular alpha positioning strategy based on the manager's medium and long term assessment of value across markets, and structural alpha positioning which is designed to profit from strategic positioning within the government sector. The contribution to return is expected to be evenly split between these three sources.

Importantly, the strategic target allocation to the global government sector remains unchanged. The active risk and expected return for the strategy will increase for this component of the Fund, while the Fund's management fee remains unchanged.

## Aligning the benchmark to the investment strategy

In order to better reflect the structure of the global government component, we are changing the benchmark for the global government exposure from the Citigroup World Government Bond Index (A\$ hedged) to the Barclays Global Treasury GDP-Weighted by Country Index (\$A hedged). We view the GDP-weighted benchmark as an improvement over the capitalisation weighted benchmark, with country weightings determined by 'income level' rather than the market capitalisation of debt outstanding. This benchmark is more appropriate for the Fund given we have explicitly sought managers whose processes focus on sovereign credit risk. Hence, the new benchmark more closely aligns with the debt dynamics of developed sovereigns.

## ESG approach

The Fund continues its current approach of investing into debt that falls within our ESG-related parameters. The Fund avoids countries that rank in the bottom quartile of the EIRIS Country Sustainability Ratings and limits exposure to 5% of countries ranked within the third quartile.

## Further information

If you have any questions about this note, please contact your Account Manager or our Client Services team on 1800 658 404. . For current performance and fund information, visit our website [www.ampcapital.com.au](http://www.ampcapital.com.au).

Yours sincerely,



Sean Henaghan  
**Investment Director, Multi Manager & Investment Solutions**  
 AMP Capital

**Important note:** AMP Capital Investors Limited (ABN 59 001 777 591)(AFSL 232497) (AMP Capital), is the responsible entity of the Future Directions Australian Share Fund and each of the other Future Directions Funds (referred to as the Future Direction Funds or Funds) and issuer of the Product Disclosure Statement (PDS) for each of the Funds. To invest in a Fund, investors will need to obtain the current PDS available from AMP Capital for the relevant Fund. The PDS contains important information about investing in the Fund and it is important that investors read the PDS before making any decision whether to acquire, continue to hold or dispose of units in the Fund. 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 document 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 document, and seek professional advice, having regard to their objectives, financial situation and needs.