

INTERNATIONAL BOND FUND - ON-PLATFORM CLASS A

Seeks to generate income and some capital growth on a rolling 3 year basis by investing in a diversified portfolio of global fixed income securities.

Performance summary

- > Global bond yields fell in the March quarter.
- > The Fund posted a positive absolute return but underperformed its benchmark during the quarter with mixed performance from the underlying managers.
- > Very low sovereign bond yields point to low medium term returns.

Investment approach

The Fund takes a multi manager approach. In structuring the Fund to access global fixed income markets and blend specialist investment managers, we take a four-stage investment approach. This involves: setting objectives and asset allocation; targeted manager selection; portfolio construction and implementation; and ongoing portfolio and manager review.

For more information visit ampcapital.com.au

Performance – as at 31 March 2016

Inception Date: 14 Apr 1998

Performance benchmark: Barclays Capital Global Aggregate Index (hedged in AUD)

Management costs: 0.7671%

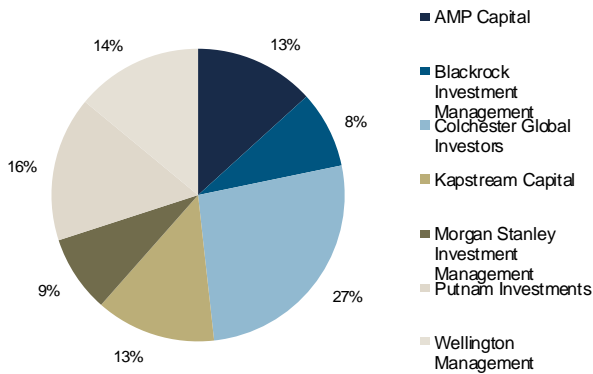
%	1 mth	3 mth	1 yr	3 yr	5 yr	Incept
Total return - after fees	1.25	3.17	2.23	4.62	6.10	6.11
Distribution	0.03	0.03	0.35	1.31	3.86	8.78
Growth	1.22	3.14	1.88	3.31	2.24	-2.67
Benchmark	0.92	3.71	4.51	6.10	7.74	7.52

Past performance is not a reliable indicator of future performance.

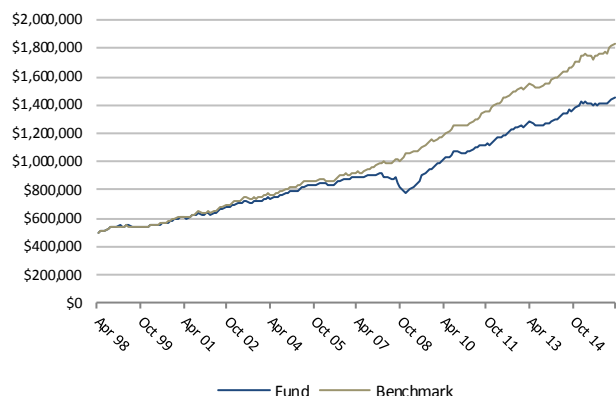
Performance is annualised for periods greater than one year.

Total returns are calculated using the unit price which uses the net asset values for the relevant month end. This price may differ from the actual unit price for an investor applying for or redeeming an investment. Actual unit prices will be confirmed following any transaction by an investor. Returns quoted are before tax, after Class 'A' fees and costs, assume all distributions are reinvested.

Target Manager allocation



\$500,000 invested since inception



Performance and activity

The Fund posted a positive absolute return but underperformed its benchmark during the quarter with mixed performance from the underlying managers. The largest segment of the Fund – the global government bond segment – outperformed its benchmark while the global credit, global aggregate and global securitised segments underperformed their respective benchmarks.

Within the global government bond segment of the Fund, **Colchester** posted a positive return for the quarter and outperformed the benchmark. Bond selection detracted from relative performance but this was more than offset by good currency selection. The top three bond detractors from relative returns were underweight positions in the US, Europe and the UK. The top three currency contributors to relative performance were the long positions in the Japanese yen and Euro and the short position in New Zealand dollars. **Kapstream** underperformed the benchmark for the quarter. The portfolio's small overweights to Spanish and Italian bonds were the main positives for performance, while underweights to Switzerland and Japan were the main detractors. The **AMP Capital** global government portfolio outperformed its benchmark, mainly due to interest rate and currency positioning.

The global credit segment of the Fund posted a negative return and underperformed its benchmark. **Morgan Stanley's** underperformance was driven mainly by being underweight to the US dollar and European rates when yields fell across the curve during January and February. **BlackRock** underperformed its benchmark for the quarter, driven primarily by interest rate decisions over the period.

In the global aggregate segment, managed by **Putnam**, performance was negative and below the benchmark for the quarter. Underperformance was primarily due to an overweight allocation to investment grade corporates in January when spreads widened, and by negative mortgage credit performance in February.

The global securitised segment managed by **Wellington** posted a negative return and underperformed the benchmark during the quarter. The main detractor from relative performance was duration and yield curve positioning.

Market commentary

Global bond yields fell in the March quarter. The US Federal Reserve remains accommodative and the market is currently factoring in only one or two rate hikes during 2016, although even this remains tenuous and very much data dependent. In Europe, the European Central Bank implemented a more accommodative raft of measures than the market was expecting, increasing its monthly quantitative easing program from €60 billion to €80 billion. The program will also now include corporate debt. The rate of interest of bank deposits will also be cut to -0.4% from -0.3% and, from June, a new cheap financing initiative for banks (targeted longer-term refinancing operations, or 'TLTRO II') will be put in place with an interest rate as low as -0.4%. In Asia, towards the end of the quarter the People's Bank of China relaxed monetary policy again by cutting banks' required reserve ratios and the Chinese Government announced a target growth figure of 6.5 to 7% for 2016.

US 10-year government bond yields fell by 48 basis points to 1.79%, the UK 10-year government bond yield dropped 54 basis points to 1.42% and the German 10-year government bond yield fell 48 basis points to a barely positive 0.15%. Japan's 10-year government bond yield fell by 31 basis points to finish the quarter at -0.04%.

Outlook

Very low sovereign bond yields point to low medium term returns. However, it's difficult to get too bearish in a world of too much saving, spare capacity, weak commodity prices and low inflation. Indeed, as global risks remain, bonds may still prove valuable to investors during any increase in volatility that may likely be experienced over the short to medium-term. We expect bond yields to rise gradually as volatility abates and economic conditions improve.

Investment objective

To provide total returns (income and capital growth) after costs and before tax, above the Fund's performance benchmark on a rolling 3 year basis.

Facts

Fund size	\$305.17 million
Minimum suggested time frame	3 years
Minimum initial investment	\$500,000
Buy/sell spread	+0.20/-0.20

Distribution frequency	Quarterly
Date of last distribution	Mar 2016
Distribution cents per unit	0.02

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 INTERNATIONAL BOND FUND - 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.

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