

FUTURE DIRECTIONS INTERNATIONAL BOND FUND - WHOLESALE

Seeks to generate income and capital growth on a rolling 3 year basis from a diversified portfolio of short and long term global fixed interest securities.

Performance summary

- > The Fund posted a positive return for the December quarter, but underperformed its benchmark
- > Global government bond yields were somewhat mixed in the quarter
- > Very low, though rising, sovereign bond yields point to low medium-term returns

Investment approach

In structuring the Fund to 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 December 2017

Inception Date: 30 Oct 2002

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

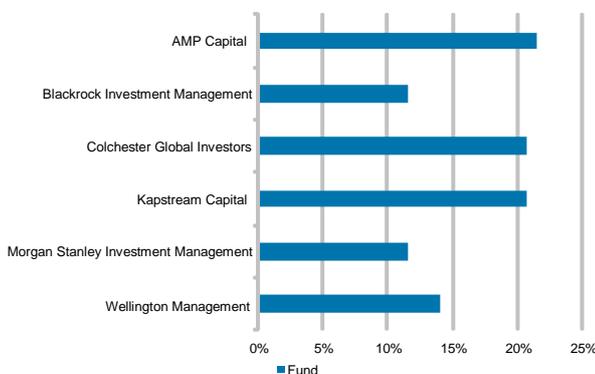
%	1 mth	3 mth	1 yr	3 yr	5 yr	Incept
Total return - after fees	0.14	0.63	3.46	2.87	3.93	5.85
Before tax and fees	0.19	0.78	4.08	3.50	4.57	6.49
Distribution	0.18	0.18	5.01	3.04	2.67	6.93
Growth	-0.04	0.45	-1.55	-0.17	1.26	-1.09
Benchmark	0.24	0.90	3.68	4.08	4.94	7.02

Past performance is not a reliable indicator of future performance.

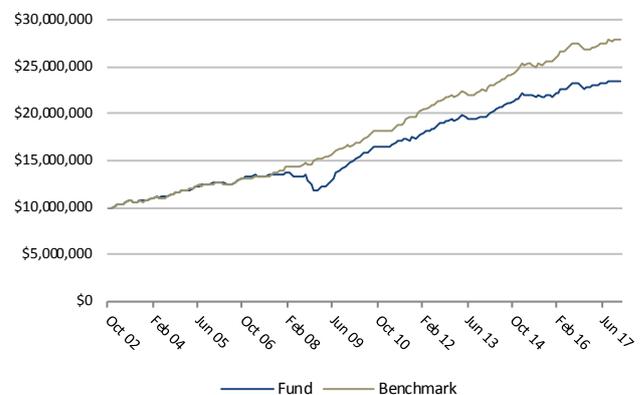
Performance is annualised for periods greater than one year.

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 'O' fees and costs, assume all distributions are reinvested.

Target manager allocation



\$10,000,000 invested since inception



Morgan Stanley Investment Management

Style/focus – Value global credit

Morgan Stanley Investment Management (MSIM) is a wholly owned subsidiary of Morgan Stanley. With over three decades of asset management experience its investment strategies span the risk/return spectrum across geographies, investment styles and asset classes, including equity, fixed income, alternatives and private markets. MSIM was appointed to invest in global credit securities. The MSIM strategy employs a value orientated strategy investing in the broader global investment grade corporate debt market, but also has the flexibility to invest in non-benchmark credit sectors. Our decision to appoint MSIM was largely due to the highly experienced investment team, robust analytical tools which allow the manager to screen a larger number of issuers than its peers, and its effective risk management skills.

Performance and activity

The Fund posted a positive return for the December quarter, but underperformed its benchmark. In terms of absolute returns, all underlying managers produced positive returns, with the Fund's global credit exposure being the strongest performer.

Within the largest segment of the Fund – the global government bond segment – the **AMP Capital** portfolio underperformed its benchmark. Interest rate positioning was the main detractor, particularly during December when the portfolio was positioned long duration with a curve flattener (expressed through the US long end) as global yields rose. In particular, the main front-end long duration positions in Australia and Canada were large detractors from performance as data, especially employment, continued to print strongly.

Also within the global government bond segment, **Kapstream** outperformed, while **Colchester** underperformed their benchmarks over the quarter. **Kapstream** retains a long duration position in Australia and a short duration position in the US. From a performance perspective, a long position in the British Pound versus the Canadian dollar was the main currency contributor early in the quarter, while active short positions in Mexico and Italy and an active long position in New Zealand contributed in the latter part of the quarter. **Colchester's** performance was primarily negatively impacted by bond selection, such as the underweight position in European nominal bonds and being overweight Mexican bonds. Currency positioning overall also slightly detracted from returns.

Within global credit, **Morgan Stanley** outperformed its benchmark. The portfolio's overall investment grade credit position had a positive impact on performance, driven primarily from positioning in financials, specifically the portfolio's overweight to banks. An allocation to high-yield and convertible bonds also contributed, with the portfolio also benefitting overall from duration and foreign exchange positioning.

Also within global credit, **BlackRock** outperformed its benchmark. Credit security selection strategies contributed positively to performance, driven by overweight allocations to select US and

European banks, whilst asset allocation and macro rates strategies overall having minimal impact.

The smallest segment of the Fund – the global securitised segment managed by **Wellington** – produced a positive return during the quarter. Allocations to FNMA Delegated Underwriting and Servicing (DUS) bonds and non-agency residential mortgage backed securities (RMBS) had a positive impact on performance. Conversely, an underweight allocation to Federal National Mortgage Association (FNMA) securities was the main detractor

Market commentary

Global government bond yields were mostly mixed over the first two months of the December quarter. The US 10-year bond yield moved higher amid continued signs of strength in the US economy and generally favourable corporate profit results. In contrast, yields in Japan edged lower, while those in Germany remained relatively stable. The mixed pattern of yield movements continued into December, amid the legislative passage of US tax reforms and a commitment by the European Central Bank to continue with monetary stimulus. The US 10-year Treasury bond yields ended the quarter at 2.41%, with comparable maturities in Germany and Japan ending at 0.43%, and 0.048% respectively.

Outlook

Very low, though rising, sovereign bond yields point to low medium-term returns. The abatement of deflationary pressures, as commodity prices trend up, the gradual reduction in spare capacity and a shift in policy focus from monetary to fiscal stimulus indicate that yields are likely to steadily trend higher.

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	\$1,493.05 million
Minimum suggested time frame	3 years
Minimum initial investment	\$10,000,000
Buy/sell spread	+0.15/-0.15

Distribution frequency	Quarterly
Date of last distribution	Dec 2017
Distribution cents per unit	0.15

Investors should consider the current product disclosure statement (PDS) available from AMP Capital Investors Limited (ABN 59001 777 591) (AFSL 232497) (AMP Capital) for the FUTURE DIRECTIONS INTERNATIONAL BOND FUND - WHOLESAL (Fund) unit class before making any decision regarding the Fund. The PDS contains important information about investing in the Fund and it's 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 the product or any particular rate of return. Past performance is not a reliable indicator of future performance. AMP Capital makes no representation or warranty as to the accuracy or completeness of any statement in this fact sheet including 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. An investor should, before making any investment decisions, consider the appropriateness of the information in this fact sheet, and seek professional advice, having regard to the investor's objectives, financial situation, and needs.

For more information

T: 1800 658 404
F: 1800 630 066
W: www.ampcapital.com.au

Or your state account manager
APIR Code AMP0676AU
AMP Capital Investors Limited
ABN 59 001 777 591, AFSL 232497