

FUTURE DIRECTIONS AUSTRALIAN BOND FUND - WHOLESALE

Seeks to generate income and capital growth on a rolling 3 year basis through a strategic blend of specialist Australian fixed income managers.

Performance summary

- > Australian bond yields mirrored volatility in overseas markets during the March quarter.
- > The Fund posted a positive return and outperformed its benchmark.
- > Australian sovereign fixed income and corporate credits remain relatively attractive from an international perspective.

Investment approach

The Fund is designed to access fixed income securities and blend specialist investment managers with the aim of maximising returns and managing levels of risk. In structuring the Fund, we take a four-stage investment approach - 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 2018

Inception Date: 06 Nov 2002

Performance benchmark: ¹ Future Directions Australian Bond Fund Benchmark

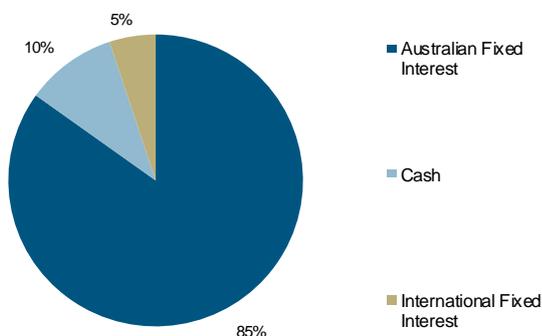
%	1 mth	3 mth	1 yr	3 yr	5 yr	Incept
Total return - after fees	1.02	1.20	3.07	1.95	3.79	5.43
Before tax and fees	1.06	1.32	3.57	2.45	4.30	5.97
Distribution	0.00	0.00	0.95	3.40	3.40	5.37
Growth	1.01	1.20	2.12	-1.45	0.39	0.06
Benchmark	1.03	0.91	3.20	2.05	4.04	5.57

Past performance is not a reliable indicator of future performance.

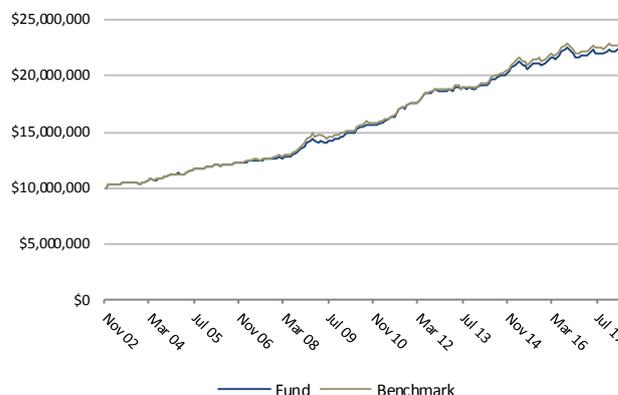
Performance is annualised for periods greater than one year.

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, and assume all distributions are reinvested.

Asset Allocation



\$10,000,000 invested since inception



Risk indicator

	Portfolio
Tracking error	0.58%
Standard deviation	2.93%
Risk/Reward ratio	1.05%
Information ratio	-0.23%
Sharpe ratio	0.53%

AMP Capital

Style/focus – Government bonds

AMP Capital's Government bond portfolio invests across the Australian government and semi-government sectors, and is mandated to employ relative value strategies in order to capitalise on attractive market conditions, but overlay defensiveness to guard against market downturns. The portfolio is designed to add value from a variety of sources, including interest rate strategies such as duration and yield curve, and foreign exchange. Interest rate strategies are predominantly driven by fundamental macroeconomic insights - combining quantitative and qualitative approaches covering sentiment, momentum, macro and valuation factors. AMP Capital was selected on the basis of its broad array of investment strategies, applied by an experienced team of sector specialists. AMP Capital employs a rigorous risk budgeting framework via a dedicated quantitative support team to ensure all risks are appropriately accounted for.

1. The benchmark for FD Australian Bond Fund is: 85% Bloomberg Ausbond Govt 0+ Yr Index, 15% Bloomberg Ausbond Inflation Govt 0+ Yr index

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Performance and activity

The Fund posted a positive return and outperformed its benchmark over the March quarter. The largest component of the portfolio, held in conventional government bonds and managed by **AMP Capital**, and the smaller inflation-linked component, managed by **Ardea**, outperformed their respective benchmarks.

AMP Capital's performance initially benefited from a short duration position in the US and a long duration position in Canada as markets moved to price in expectations of a rate hike by the US Federal Reserve. Duration positioning further contributed to performance in March, with long duration positions in Australia, Canada and Korea adding to performance as global yields moved lower.

Inflation-linked bond fund manager **Ardea** posted a positive return for the quarter and outperformed its benchmark. Performance benefited as the pricing of physical government bonds became attractive relative to derivatives such as futures and swaps.

Market commentary

A rise in global bond yields was reflected in Australia through the majority of the month of January. Similarly mirroring overseas trends, domestic yields were volatile in February. Yields subsequently declined in March, with the greatest moves occurring within long dated maturities. The Commonwealth Government 2-year bond yield ended the quarter at 2.01%, while the Commonwealth Government 10-year bond yield ended at 2.60%. Although the latest employment data was slightly weaker than anticipated, survey readings on Australian consumer and business confidence show that the steady lift in sentiment that started in 2017 has continued for both groups.

Outlook

Australian yields continue to trade at a premium to those available in Japan and Europe, making Australian sovereign fixed income and corporate credit relatively attractive from an international and yield perspective. The Reserve Bank of Australia currently has a

stated short-term neutral policy in regards to the timing and direction of interest rate changes. However, conflicting economic pressures mean it is too early to be talking about interest rate hikes. Housing market and household debt levels continue to be an area for concern.

Investment objective

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

Facts

Fund size	\$2,681.81 million	Distribution frequency	Quarterly
Minimum suggested time frame	2 years	Date of last distribution	Mar 2018
Minimum initial investment	\$10,000,000	Distribution cents per unit	0.00
Buy/sell spread	+0.10/-0.10		

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 AUSTRALIAN BOND FUND - WHOLESALE (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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