

# 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 negative return for the March quarter and 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](http://ampcapital.com.au)

## Performance – as at 31 March 2018

**Inception Date:** 30 Oct 2002

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

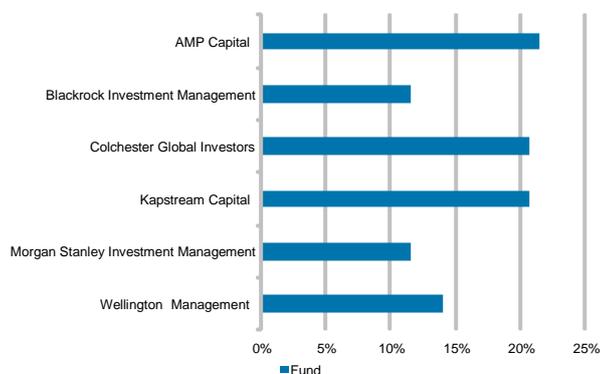
%	1 mth	3 mth	1 yr	3 yr	5 yr	Incept
<b>Total return - after fees</b>	0.73	-0.33	2.30	2.12	3.65	5.73
<b>Before tax and fees</b>	0.78	-0.17	2.92	2.75	4.29	6.37
<b>Distribution</b>	0.13	0.13	5.08	3.06	2.69	6.83
<b>Growth</b>	0.60	-0.46	-2.78	-0.94	0.96	-1.10
<b>Benchmark</b>	0.84	-0.09	2.89	3.18	4.66	6.89

Past performance is not a reliable indicator of future performance.

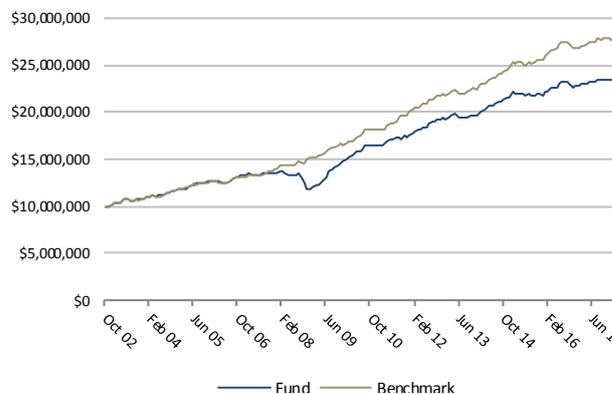
Performance is annualised for periods greater than one year.

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



## BlackRock Investment Management

### Style/focus – Model-based global credit

BlackRock is the world's largest investment manager. Founded in 1988, BlackRock acquired Merrill Lynch Investment Managers) in 2006 and Barclays Global Investors ("BGI") in 2009. The model based fixed income team is legacy BGI and is discrete from the fundamental BlackRock credit research team. Blackrock was appointed to invest in global credit securities. The BlackRock Model Based strategy is a relative value strategy utilising both cash bond and credit default swaps ("CDS"). The strategy is well diversified and aims to deliver 75-125 basis points relative to benchmark. BlackRock's investment approach combines the insights of its people with a quantitative research platform to generate returns. BlackRock believes that a systematic approach to idea generation and portfolio construction is the most efficient way to build portfolios and generate attractive risk adjusted returns. BlackRock's appointment was largely based on the depth and breadth of its research team, its sophisticated portfolio construction techniques and its strong performance track record.

### Performance and activity

The Fund posted a negative return for the March quarter and underperformed its benchmark. In terms of absolute returns, the Fund's global government bond exposure was the strongest performer.

Within the largest segment of the Fund – the global government bond segment – the **AMP Capital** portfolio outperformed its benchmark. This was attributable to long positions in European periphery bonds, mainly Italy versus Germany, and long received positions in short dated Canadian, Australian and Thailand bonds. Short duration positions in the US and Europe slightly detracted from performance.

Also within the global government bond segment, **Kapstream** underperformed, while **Colchester** outperformed the benchmark over the quarter. **Kapstream** retains a long duration bias towards Australia and New Zealand and a short duration position in the US. From a performance perspective, short duration positions in the UK and Mexico were the main detractors from performance over the quarter, while long duration positions in Germany, Spain and New Zealand were the main contributors. **Colchester's** performance was primarily driven by currency selection, with long positions in the Mexican Peso, Malaysian Ringgit and British Pound the main contributors. Bond selection also had a positive impact on returns, with overweight positions in Brazilian inflation-linked bonds and Mexican nominal bonds and an underweight position in US nominal bonds the main contributors.

Within global credit, **Morgan Stanley** underperformed its benchmark. Within investment grade credit, an overweight position within the banking sector initially contributed to performance, however this effect was reversed as the quarter progressed. This offset a positive contribution from industrials, particularly consumer non-cyclicals and capital goods. An allocation to high yield and convertible bonds benefited performance early in the quarter, however, this was mostly reversed in February and March.

Also within global credit, **BlackRock** underperformed its benchmark. Asset allocation strategies weighed on performance over the first two months of the quarter, with credit security

selection further impacting performance in February and March. These factors offset the positive impact of macro rates strategies over the quarter.

The smallest segment of the Fund – the global securitised segment managed by **Wellington** – produced a negative return during the quarter. Sector allocation had a positive impact on performance, initially reflecting an exposure to collateralised mortgage obligations (CMOs), and a recent underweight allocation to government agency created mortgage backed securities (MBS) where cash flows are passed through to investors. Security selection contributed to performance earlier in the quarter but was modestly negative in March. Duration and yield curve positioning detracted slightly from performance.

### Market commentary

Global government bond yields rose in January, as equities rallied amid robust company earnings results and positive sentiment surrounding the passage of US tax reforms. A somewhat mixed pattern of performance emerged in February, as equity markets experienced a return to higher volatility and markets generally were impacted by concerns relating to the timing for the US Federal Reserve's interest rate hikes and signs of inflationary pressures. After trending upwards early in March, yields subsequently fell, reflecting safe haven demand for bonds as equity markets weakened amid an escalating trade dispute between the US and China. The US 10-year bond yield ended the quarter at 2.74%, while the German 10-year bond yield and the Japanese 10-year bond yield ended at 0.50% and 0.049% 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	\$1,597.98 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	Mar 2018
Distribution cents per unit	0.11

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.

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