

RESPONSIBLE INVESTMENT LEADERS DIVERSIFIED FIXED INCOME FUND - WHOLESALE

Seeks to generate income and capital growth on a rolling 3 year basis by investing in Australian fixed interest securities using responsible investment principles.

Performance summary

- > The Fund produced a modest positive return in the March quarter and slightly outperformed the benchmark.
- > Bond markets were volatile during the quarter, reflecting increasing concerns around US interest rate hikes and signs of inflationary pressures.
- > 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 approach

The Fund is managed using a combination of a stringent financial assessment with a responsible investing focus and follows five key steps: setting the investment objectives and considerations for the Fund, identifying the manager universe, selecting the managers, determining the optimal manager mix for the Fund, and monitoring and operational governance.

For more information visit ampcapital.com.au

Performance – as at 31 March 2018

Inception Date: 19 Nov 2010

Performance benchmark: 42.5% Bloomberg Ausbond Government Bond Index 0+ Yr, 7.5% Bloomberg Ausbond Government Inflation Linked Bond Index, 35% Bloomberg Barclays Global Aggregate Credit Index (AUD Hedged), 15% Bloomberg Barclays Global Treasury GDP Weighted by Country Index (AUD Hedged)

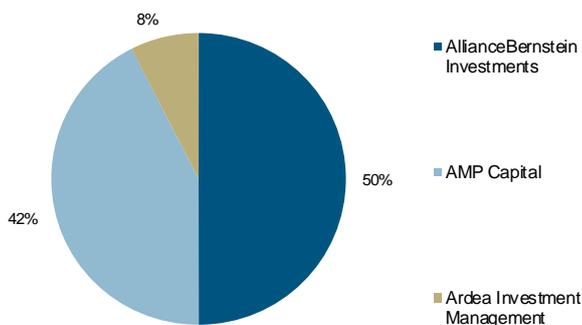
%	1 mth	3 mth	1 yr	3 yr	5 yr	Incept
Total return - after fees	0.61	-0.05	2.52	2.18	3.92	5.20
Before tax and fees	0.65	0.09	3.09	2.72	4.47	5.77
Distribution	0.00	0.00	5.03	5.41	5.15	6.09
Growth	0.61	-0.05	-2.51	-3.23	-1.24	-0.89
Benchmark	0.80	0.07	3.12	2.72	4.50	5.87

Past performance is not a reliable indicator of future performance.

Performance is annualised for periods greater than one year.

Past performance is not a reliable indicator of future performance. 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 and are annualised for periods greater than one year.

Target manager allocation



Performance and activity

The Responsible Investment Leaders Diversified Fixed Income Fund produced a modest positive return in the March quarter and slightly outperformed the benchmark.

Within the Australian government bond segment of the portfolio, AMP Capital produced a positive performance and outperformed the benchmark. 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.

AB, manager of the global credit, global government bond and green bond segments, underperformed the benchmark and was negative in absolute terms for the quarter. While gains from some media sector holdings helped performance towards the end of the quarter, holdings in eurozone banks and US consumer non-cyclicals detracted from performance earlier in the quarter. AB's portfolio is currently overweight banking, technology, local authorities and communications, while being underweight treasuries, supranationals, electric utilities and capital goods.

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.

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

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.

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

Facts

Fund size	\$225.81 million
Minimum suggested time frame	3 years
Minimum initial investment	\$10,000,000
Buy/sell spread	+0.10/-0.10

Distribution frequency	Half Yearly
Date of last distribution	Dec 2017
Distribution cents per unit	0.76

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 RESPONSIBLE INVESTMENT LEADERS DIVERSIFIED FIXED INCOME 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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