

AMP Capital Ethical Leaders Diversified Fixed Income Fund

Investment objective

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

How we manage your money

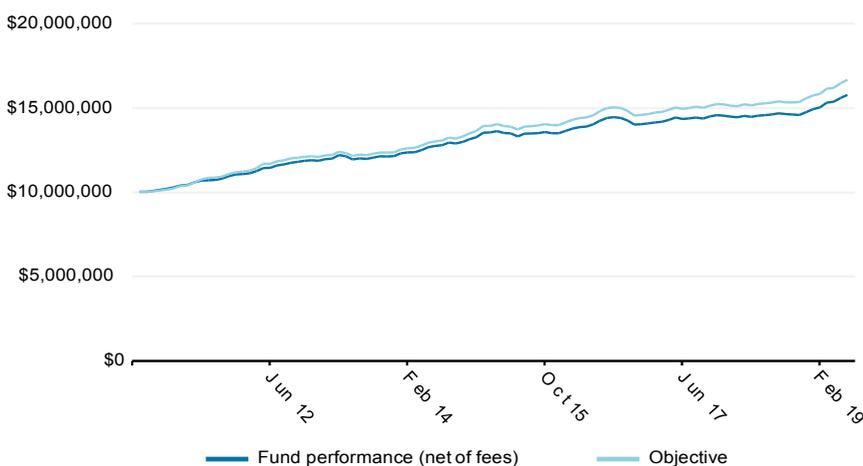
The Fund is managed using a combination of a stringent financial assessment with a responsible investing focus and follows five key steps: setting the investment objectives and considerations for the Fund, identifying the manager universe, selecting the managers, determining the optimal manager mix for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

Performance as at 30 June 2019

%	1 MTH	3 MTH	1 YR	3 YRS	5YRS	7YRS	SINCE INCEPT
Total Return - Gross of Fees	1.28	3.23	8.90	4.07	4.94	5.27	6.01
Total Return - Net of Fees	1.15	3.01	8.20	3.46	4.36	4.69	5.43
Income	0.42	0.42	0.44	3.36	3.95	4.33	5.58
Capital	0.74	2.58	7.76	0.10	0.41	0.36	-0.15
Objective	1.30	3.29	9.16	4.00	5.06	5.20	6.11
Excess return	-0.14	-0.28	-0.96	-0.55	-0.71	-0.51	-0.68

Past performance is not a reliable indicator of future performance. Performance shown is for O Class and the inception date is 19 Nov 2010. Performance is annualised for periods greater than one year. Total returns are calculated using the net asset value per unit for the relevant month end. This price may differ from the actual unit price for an investor buying or selling an investment. Actual unit prices will be confirmed following any transaction by an investor. Returns quoted are before tax, after O Class fees and costs and assume all distributions are reinvested.

\$10,000,000 invested since inception



FUND FACTS

APIR	N/A
Inception date	19 November 2010
Fund Size	\$268,682,761
Buy/Sell spread*	+0.10%/-0.10%
Distribution frequency	Half Yearly
Minimum investment	\$10,000,000
Minimum suggested time frame	3 years

*Fee information is accurate as at 30 June 2018, figures are updated bi-annually. The Fund PDS outlines the latest management costs and other relevant components, as well as other fees and costs that may apply to your investment. You can review the PDS at www.ampcapital.com

What happened last period

- The Fund was positive over the June quarter, though slightly underperformed the benchmark before fees
- Global government bond yields fell towards the end of the quarter as forecasts of lower growth stoked expectations of easier monetary policy from major central banks.
- Australian yields also fell amid a slowdown in the rate of private sector credit growth and a contraction in business and personal lending.

Fund Performance

The Fund produced a solid positive return over the June quarter, though slightly underperformed the benchmark before fees.

Within the Australian government bond segment of the portfolio, AMP Capital underperformed its benchmark. The smaller inflation-linked component, managed by Ardea, outperformed its benchmark. Both managers generated positive absolute performance. AMP Capital's interest rate management was the main detractor from relative performance. Spread trades between Canadian and US short-dated maturities had a negative impact as the Canadian front end underperformed following strong inflation data. Previous contributions from spread narrowing on long-dated hedge positions between US and European rates, and US versus UK inflation spreads, were partially eroded in June. Yield curve positioning in Europe contributed to performance.

Inflation-linked bond fund manager Ardea's relative performance benefited primarily from the outperformance of semi-government bonds and from a flattening of the yield curve. Inflation positioning was further supportive of performance over the quarter. The portfolio's positioning is predicated on the expectation that near-term inflation pressures are likely to remain subdued, whereas longer-term pressures have considerable scope to exert themselves.

AB, manager of our global credit, global government bond and green bond segments, produced a solid positive return over the period and outperformed the benchmark. Towards the end of the quarter, positive industry-allocation contributed to returns, while a number of smaller contributors across a range of sectors also helped.

Environmental, Social and Governance

EL Diversified Fixed Income Manager AB subscribed to new green bonds over the quarter. The proceeds from a green bond issued by a Spanish sovereign bank will be used to make loans that contribute to the environmental objective of climate change mitigation and achievement of several of the United Nations Sustainable Development Goals. The proceeds from a Danish Energy company green bond, meanwhile, will be allocated to finance a select pool of offshore wind projects with the objective to promote the transition to low carbon and climate resilient growth and a sustainable economy.

AB also invested in a couple of sustainability bonds, which are defined as having proceeds that will be exclusively applied to finance, or re-finance, a combination of both green and social projects. The first was issued by a Spanish local government which will use the proceeds to promote and increase the availability of and access to affordable housing, support public education, and provide access to quality public health care for vulnerable groups. The second was issued by Starbucks to

finance projects in coffee-growing regions that aim to promote socio-economic advancement and environmental sustainability.

Market review

Global government bond yields mostly moved higher in April, amid generally favourable economic data releases. In the US, gross domestic product rose at a stronger than expected rate over the previous quarter, as contributions from trade and inventory offset slower growth in consumer spending and investment. Yields subsequently reversed direction over the remainder of the June quarter, as a lowering of regional growth forecasts stoked expectations of co-ordinated easier monetary policy on the part of major central banks. A mix of dovish pivots by the US Federal Reserve (Fed) and the European Central Bank, generally soft data releases and geopolitical uncertainty in relation to US-China trade negotiations and escalations in US-Iran tensions helped drive global rates to fresh lows and record-low levels in some countries. The US 10-year bond yield ended the quarter at 2.01%, while the German 10-year bond yield and its Japanese counterpart ended at -0.33% and -0.16% respectively.

A highlight of domestic bond trading in April was the further inversion of yield spreads across all tenors of Commonwealth Government bonds relative to their US counterparts. Bond yields extended their downward move over the remainder of the June quarter amid a slowdown in the rate of private sector credit growth and a contraction in business and personal lending. In early June, the Reserve Bank of Australia announced a widely anticipated decrease of 0.25% in the official cash rate to 1.25%. The RBA subsequently cut the rate by a further 0.25% in early July, citing a desire for lower unemployment. The Commonwealth Government 2-year bond yield ended the quarter at 0.98%, while the 10-year bond yield ended at 1.32%.

Outlook

Very low sovereign bond yields and increasing global economic uncertainty point to low short to medium-term returns from global sovereign bonds. Within a generally benign inflationary environment, an unresolved US-China trade dispute causing a flight to safety, and a recent increased bias from central banks towards more accommodative stances; any upward pressure on bond yields is now likely to be subdued for the time being; at least until the global economic environment shows signs of improved sentiment, momentum and visibility. With the Reserve Bank of Australia (RBA) cutting the cash rate to 1.25% in early June and telegraphing further interest rate cuts, Australian yield premiums are narrowing compared to those available in Japan and Europe. Although Australian sovereign fixed income and corporate credit still remain relatively attractive from an international and yield perspective, this advantage will steadily erode as the RBA completes its cutting cycle.

A continuing weak housing market and high household debt levels also remain areas of concern and are likely to add to downward pressure on yields.



The AMP Capital Ethical Leaders Range has been certified by RIAA according to the strict disclosure practices required under the Responsible Investment Certification Program.

The Certification Symbol signifies that an investment product or services takes environmental, social, ethical or governance considerations into account along with financial returns. See www.responsibleinvestment.org for details¹.

1. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Portfolio Manager



Lydia Serafim

Lydia has been the Senior Portfolio Manager within the Market Solutions team in the Multi-Asset Group (MAG) since 2008, leading the team responsible for Fixed Income and Alternative investments. Lydia moved from the Fixed Income team, where she was Investment Specialist. Prior to joining AMP Capital, Lydia held a number of positions at GIO Asset Management, including Fixed Interest Investment Analyst and Money Market Dealer.

Further information

For information about the Fund including fees, features, benefits and risks talk to your financial advisor today or read the product disclosure statement (PDS) which can be found on:

www.ampcapital.com/ethical-leaders-diversified-fixed-income-fund

You can also call us on **1800 658 404**

The logo consists of the words "INSIGHTS", "IDEAS", and "RESULTS" stacked vertically in a blue, sans-serif font. To the left of the text is a stylized blue graphic element resembling a curved arrow or a drop shape pointing downwards.

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