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July 2010

Future Directions Balanced Fund - Wholesale

Investment objective

To provide a rate of return of 3.5% above inflation after management costs over a 5 year period. To provide a total return (income and capital growth) after costs and before tax, above the Fund's performance benchmark.

Minimum suggested time frame

5 years

Type of fund

The Fund aims to generate moderate to high returns over the long term through investment in a diversified range of asset classes. The Fund focuses on growth assets, in particular shares, property and alternative assets.

Performance benchmark

The average weighted return of the market indices used to measure the performance of the asset classes in which the fund invests.

Inception date

14 Mar 2001

Fund size

\$7,545.70 million

Management costs

0.7671% plus possible performance fees

Distribution frequency

Quarterly

Buy/sell spread

+0.20/-0.21

Investment approach

The Fund accesses a mix of asset classes and takes a multi-manager approach, blending specialist investment managers from around the world who demonstrate competitive advantages in their fields of investment.

Asset allocation

%	Current
Australian Equities	30.65
International Shares	26.05
International Fixed Interest	8.66
Alternative Assets Growth	7.84
Australian Fixed Interest	7.64
International Listed Property	6.25
Alternative Assets Defensive	6.21
Cash	3.20
Inflation Linked	3.14
Direct Property	0.37

Performance – periods to 31 July 2010

%	1 mth	3 mth	1 yr	3 yr	5 yr	incept
Before tax and after fees	2.73	-2.42	9.96	-4.87	2.31	4.01
Before tax and fees	2.80	-2.23	10.79	-4.10	3.12	4.83
Benchmark	2.85	-1.73	10.31	-1.71	4.25	5.13
Growth	2.71	-5.32	5.20	-8.44	-4.79	-2.06
Income	0.02	2.90	4.76	3.57	7.11	6.07

*Performance more than 1 year is annualised

The benchmark is the weighted average of the market indices of the underlying funds at benchmark asset mix. Actual figures for one of these indices, being the Mercer Unlisted Property Index, may not be available at the time of printing, and accordingly, estimates as calculated by AMP Capital Investors may have been used. 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.

Performance and Activity

The Future Directions Balanced Fund - Wholesale (the Fund) returned 2.73% (Before tax and after fees) in the month of Jul, compared to the benchmark return of 2.85%

The FD Balanced Fund's allocation to growth-oriented alternative assets such as private equity and infrastructure detracted from performance during the month. Australian shares, international fixed income, listed property and the Fund's allocation to the FD Total Return Fund also detracted value, while international shares and inflation-linked bonds had a neutral impact. The Fund's allocation to direct property contributed the most to performance in July, followed by Australian fixed income and cash.

Overall, the Australian shares portfolio made a slight negative contribution to performance during the month as the FD Australian Share Fund's positive performance was narrowly offset by the negative performance of the portfolio's enhanced index allocation. Within the FD Australian Share Fund, outperformance was driven mainly by positive stock selection, though this was partially offset by unfavourable sector selection. The main contributors in terms of stock selection were within the Financials, Materials, Consumer Staples, and Healthcare sectors. The portfolio's allocation to the FD Australian Small Companies Fund added value over the month, despite its underperformance versus the S&P/ASX Small Ordinaries Index. In terms of the underlying managers, AMP Capital Value Plus, Bennelong, Tyndall, Platypus and Ausbil outperformed over the period while JF Capital Partners underperformed.

The international shares component of the Fund had a neutral impact on performance in July. Within the core portfolio, Taube Hodson Stonex, Baillie Gifford, Bernstein Value and T Rowe Price all contributed positively, whereas Schroders and Wellington lagged the benchmark. The portfolio's cash positions also detracted from performance after share markets bounced back during the month. Stock and sector selection both added value in July. Stock selection within the Materials, Financials and Industrials sectors helped, whereas stock selection within the Energy sector hurt modestly. An underweight exposure to the underperforming Healthcare sector was the key contributor in terms of sector selection. Exposure to the FD Asia ex-Japan Fund contributed positively to performance in July, while exposure to the FD Extended Markets International Share Fund detracted value. Meanwhile, the portfolio's enhanced index international shares allocation made a positive contribution to overall performance.

The FD Australian Bond Fund's outperformance was driven by its overweight position to investment grade credit, as spreads ground tighter and excess yield over benchmark continued to accrue. Other contributors to performance were broad-based, as most sectors performed well over the month. Amongst the better performers were exposures to offshore credit denominated in euros and US dollars, particularly through recent purchases of US financial senior-ranked bonds. The portfolio also benefited from the tactical use of derivative strategies, which allowed it to better manage its overall beta to the market during recent volatility. Meanwhile, the FD International Bond Fund underperformed in July, though it did generate a positive absolute return. The

portfolio's overall short duration position and overweight exposure to the US dollar weighed on performance, as did an underweight exposure to the euro. Against this, the portfolio's exposures to credit and the securitised sector contributed positively to overall performance. This was largely the result of good performances from Putnam, Goldman Sachs and Brookfield. Exposure to countries such as Poland and Ireland (via Mondrian) and Venezuela (via Amundi) also benefited the portfolio over the month.

The FD Total Return Fund (TRF) underperformed its benchmark in July. The main performance detractors over the month included volatility arbitrage and fixed interest trading. Positive performance contributions came from commodities trading, global macro strategies, listed investment arbitrage and sector specialists within healthcare and shipping. Despite some strength in markets in July, trading volumes remain low and correlations extremely high. This makes active management very difficult, particularly for fundamentally-based strategies such as stock-picking and relative value. The TRF team is also close to making some new investments in several new strategies. These will be announced in the coming months.

Market commentary

International shares bounced back after the sharp correction of the June quarter to end the month higher. Investor sentiment was boosted by better than expected earnings results in both the US and Europe. The announcement of the stress test results for European banks also eased investor concerns, as only seven of the 91 banks tested needed capital. The leading measure of global share market performance, the MSCI World (ex-Australia) Accumulation Index, returned +5.8% in local currencies (or +0.7% in unhedged Australian dollar terms). Australian shares were also stronger, with the S&P/ASX 200 Accumulation Index closing July 4.5% higher and ending a run of three consecutive negative months. The local market also benefited from better than expected earnings results in the US and Europe, as well as the results of the European bank stress tests. The best performing sectors were Industrials (+7.2%), Financials (+6.5%) and Materials (+4.9%) while the worst performing sectors were Information Technology (-4.0%) and Telecommunications Services (-0.5%). Volatility in global bond yields was relatively subdued in July, which saw global bond markets trade in fairly tight ranges across the month. Volatility eased as a result of stronger US company earnings, no negative surprises from European bank stress tests and broadly positive economic data. The US ten-year bond yield fell 0.03% to close the month at 2.91%, and Japan's ten-year bond yield fell 0.02% to close at 1.07%. In Europe, the UK ten-year bond yield fell 0.03% to 3.33% whereas Germany's ten-year bond yield rose 0.09% to end July at 2.67%. A moderation in both global and domestic economic data saw the market price in an extended period of stable monetary policy by the Reserve Bank of Australia (RBA), particularly after a softer than expected inflation result. Australian bond yields initially sold off in July after stronger employment data prompted the market to price in a greater chance of future RBA tightening. However, the modest June quarter inflation data reversed this trend and resulted in a rally into month end. Three-year Australian government bonds opened the month at a yield of 4.39% and closed 0.17% higher at 4.56%. Ten-year bonds traded

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similarly and the yield closed the month 0.14% higher at 5.20%.

Shares rebounded strongly from their July lows as company earnings in the US exceeded expectations and economic growth data remained solid. Concerns about a double dip recession have abated, however shares are now entering the seasonally weak months of September and October which is likely to see share market volatility remain high. Bond yields have continued to move lower; therefore returns from bonds are likely to remain low. While 2010 is proving to be a more volatile ride than 2009, shares should see gains into year-end as the economic outlook becomes clearer.

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