

Equity Fund

December 2009

Fund Aim

To provide high returns over the long term while accepting high volatility

Time Frame

5 to 7 years

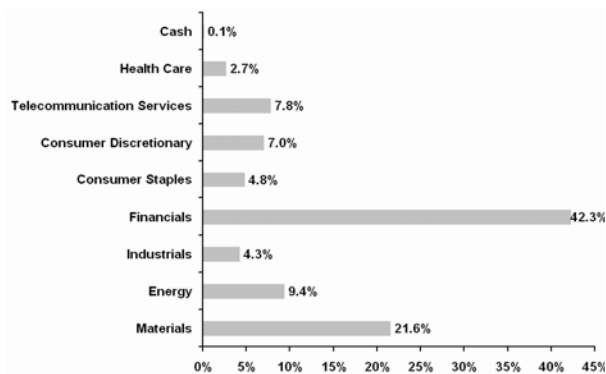
Type of Fund

The Fund targets companies that: generate a strong free cash flow, manage capital effectively, have sustainable long term growth prospects, and demonstrate strong management capability and vision.

Performance Benchmark

S&P/ASX 200 Accumulation Index

Asset Allocation



Fund Facts

Inception date	10 May 2000
Fund Size	\$699.99 million
Management Expense Ratio (MER)	0.714%
Income Distribution Frequency	Six Monthly
Level of Risk	High
Buy/Sell Spread	n/a

Performance - periods to 31 December 2009

	%		% p.a.			Incept
	1 mth	3 mth	1 yr	3 yr	5 yr	
Growth Return		0.81	29.01	-11.06	-4.42	
Income Return		2.20	7.32	12.68	14.24	
Before tax and fees	4.64	3.19	37.27	2.41	10.61	10.79
Before tax aft fees	4.58	3.01	36.33	1.62	9.82	9.80
Benchmark*	3.74	3.39	37.03	-0.70	8.36	9.40

*Returns greater than one year have been annualised

"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 'X' fees and costs, assume all distributions are reinvested and are annualised for periods greater than one year"

Market Commentary

The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, rose a further 3.7% in December to end the year up by 37%. This made Australia one of the strongest performing developed markets in 2009, and was the best year for Australian shares since 1993. Gains were evenly spread across sectors, but stocks with exposure to China outperformed the wider market as data continued to highlight the strength of Chinese domestic demand. The best performing sectors in December were Information Technology (+7.3%), Industrials (+7.0%) and Healthcare (+4.3%). Carsales.Com, IRESS Market Technology and Computershare were the largest contributors to the Information Technology sector, whereas Spotless Group, Qantas and MAp Group were the best performing stocks in the Industrials sector. All sectors recorded positive performance during the month, but the poorest performing sectors were Telecommunication Services (+1.0%), Consumer Staples (+2.0%) and Property (+2.0%). Telstra was the worst performing Telecommunication Services stock and Vitera Inc was the worst performing Consumer Staple name.

Fund Commentary

The Fund returned 4.64% (before tax and fees) in December, outperforming its benchmark by 0.90%.

Assisting the Fund's performance in September were overweight positions in News Corporation, Rio Tinto, which was buoyed by firm metal prices and improving fundamentals for bulk commodities, Bendigo & Adelaide Bank and Lend Lease Group; and underweight positions in Woodside Petroleum, which announced a \$2.5 billion equity raising to strengthen its balance sheet and increase liquidity, and Newcrest Mining. Detracting from the Fund's performance over the month were underweight positions in QBE Insurance Group, which was aided by the lower Australian dollar and posted a strong month, and Incitec Pivot; and overweight positions in Telstra, which ended the month up slightly despite revising downward its sales growth guidance, National Australia Bank, Macquarie Group and Suncorp Metway.

Outlook

Although Australian shares have been range bound since mid-October, our assessment remains that this is just a consolidation of the strong gains seen between March and October. Looking ahead, the share market backdrop remains unambiguously favourable. Global and domestic growth, and therefore earnings trajectory, remains solid and the major policy makers appear to be in no rush to lift interest rates in the near term. Domestically, corporate and consumer fundamentals (balance sheets and leverage) are sound. Additionally, there is plenty of cash sitting on the sidelines and investors are becoming more confident to return this money to the market.

Despite the positive investment fundamentals, market returns will be more modest than the strong returns of 2009. The market dynamics have changed. 2009 was a valuation-driven market with prices returning to normal levels following the collapse of late 2008. With stock prices now back at fair value, market returns will be driven predominantly by earnings – i.e. price to earnings multiples will move sideways or slightly up. Currently consensus earnings estimates are pointing to low double-digit earnings growth for both 2010 and 2011. It is likely though that the gains of 2010 will be front loaded – i.e. that markets will rally strongly in the first half of 2010 and then stumble later in the year as valuations become stretched and global policy makers begin to withdraw stimulus.

Top 10 Holdings - as at 31 December 2009

Security Details	% Bench.	% Portf.	Curr.
BHP BILLITON LIMITED	12.77%	13.90%	AUD
COMMONWEALTH BANK OF AUSTRALIA	7.43%	8.70%	AUD
WESTPAC BANKING CORPORATION	6.63%	8.21%	AUD
TELSTRA CORPORATION LIMITED	3.35%	7.84%	AUD
NATIONAL AUSTRALIA BANK LTD	5.07%	6.90%	AUD
MACQUARIE GROUP LTD	1.42%	5.90%	AUD
NEWS CORPORATION	0.53%	4.52%	AUD
RIO TINTO LIMITED	2.89%	4.06%	AUD
ASX LIMITED	0.53%	4.00%	AUD
SUNCORP METWAY LTD	0.97%	3.53%	AUD

Top 5 Over Weight - as at 30 November 2009

Security Details	Curr.
TELSTRA CORPORATION LIMITED	AUD
MACQUARIE GROUP LTD	AUD
OIL SEARCH LIMITED	AUD
NEWS CORPORATION	AUD
COMMONWEALTH BANK OF AUSTRALIA	AUD

Top 5 Under Weight - as at 30 November 2009

Security Details	Curr.
ANZ BANKING GROUP LTD MELBOURN	AUD
WESTFIELD GROUP	AUD
WOODSIDE PETROLEUM LIMITED	AUD
QBE INSURANCE GROUP LIMITED	AUD
NEWCREST MINING LIMITED	AUD

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^ Refers to the total pool of underlying assets sourced from the relevant Fund/PST Portfolio. This may include funds from a range of different products and unit classes.

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