

Core Plus Strategies Fund

December 2009

Fund Aim

To provide returns above inflation and cash over the short to medium-term.

Time Frame

2 to 3 years

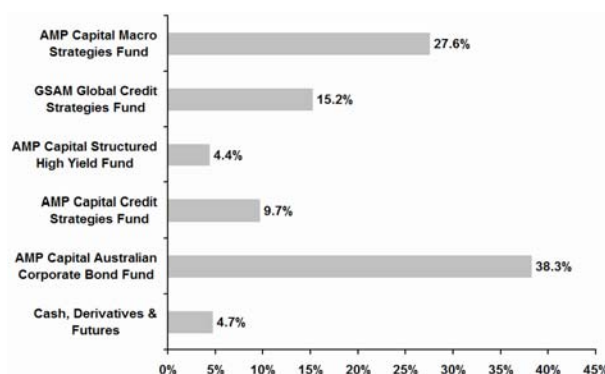
Investment Strategy

The Australian Fixed Interest Team is an active investment manager of both interest rate and credit risk within the Fund. The Team analyses economic and technical factors to determine a strategic (longer-term) and tactical (short-term) outlook for the direction of interest rates. Active management of interest rate risk then involves changing the term to maturity of the Fund's holdings. In relation to credit risk the Team aims to construct a portfolio, which is diversified by industry and issuer. It then expects to rotate the portfolio according to our analysis of macroeconomic and microeconomic factors and their impact on specific industry groups and credit yields.

Performance Benchmark

UBS Composite Bond Index

Asset Allocation



Fund Facts

Inception date	13 Jan 1995
Fund Size	\$229.10 million
Management Expense Ratio (MER)	0.255%
Income Distribution Frequency	Monthly
Level of Risk	Low to medium
Buy/Sell Spread	0.00/0.13%

Performance - periods to 31 December 2009

	% (12 months)		% p.a.			
	1 mth	3 mth	1 yr	3 yr	5 yr	Incept
Growth Return	0.71	-2.33	-2.34	-3.26		
Income Return	0.72	6.29	7.79	8.33		
Before tax and fees	-0.09	1.51	4.08	5.70	5.37	7.61
Before tax aft fees	-0.11	1.43	3.96	5.45	5.07	7.27
Benchmark*	-0.38	1.03	1.73	6.56	5.72	7.71

*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, were not available at the time of printing, and accordingly, estimates as calculated by AMP Capital Investors 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"

Market Commentary

The Australian bond market was mixed over the December quarter. The yield on the Australian ten-year bond rose 40 basis points (bps) to 5.70%, whereas the three-year bond yield fell 10 bps to 4.72%. Strong domestic economic data resulted in the bond market selling off over the first half of October until the end of the month when yields fell due to weaker global equity markets. November also saw volatility with some selling off early in the month followed by a strong rally over the last two weeks. The market was also inconsistent during December when shorter-dated bonds reacted to generally strong economic data, whereas the longer-dated bonds performed in line with the US and sold off strongly in the last week of December.

The December quarter was characterised by increasing optimism among market participants. After continued rally in October and a relatively quiet November, credit spreads continued their march tighter on low volumes during December, hitting new yearly lows and rounding off a remarkable rally in 2009. Agency mortgages gave back early gains in December as the mortgage basis widened sharply into month-end, with the Barclays Capital MBS Index posting negative excess returns after 12 continuous months of positive excess returns. After a flat start in October which saw increased volatility and risk aversion, markets worldwide strengthened for the remainder of the quarter. Indeed, government bonds worldwide sold off in November and December on the back of a strong risk rally in asset markets and positive economic data releases.

In terms of private debt, the December quarter saw continued economic weakness, particularly in Europe, which will likely result in the need for further restructurings.

Fund Commentary

The Core Plus Strategies Fund (the Fund) returned 1.51% (on a before tax, before fee basis) in the December quarter, outperforming its benchmark by 0.48%. The Fund's return for the 12 months to 31 December 2009 is 4.08% (on a before tax, before fee basis), outperforming the benchmark by 2.35%.

Despite a volatile start, credit markets steadily improved in the December quarter. In October, economic data releases were mixed, causing credit indices and equity markets to fluctuate. This was reversed in November which saw equity and credit markets perform well. Later in the month, however, concerns arose surrounding sovereign risk and fears surfaced in the final days of November further to the announcement by the government-owned Dubai World conglomerate of a delay in interest payments on billions of dollars in debt. This saw contagion spread across many markets and caused investors to reassess the solid performance year-to-date of risk asset markets. Nevertheless, towards quarter-end, there was further solid momentum for risky asset markets, particularly for credit markets. This was supported by key global economic data releases surprising on the upside and revised analyst forecasts for global growth, as well as announcements by Bank of America and Wells Fargo confirming that they would be repaying Troubled Asset Relief Program (TARP) funds. Further, the Government of Abu Dhabi and United Arab Emirates Central Bank agreed to fund the repayment of a \$4.1 billion Dubai World sukuk (Islamic bond) which helped appease the volatile sovereign risk theme.

The Fund's global portfolio outperformed its benchmark in the December quarter. The portfolio's duration strategy added to positive returns over the quarter as treasuries sold off on increasingly positive economic data releases and growing risk appetite in the markets. The portfolio's cross sector strategy was the primary driver of excess returns in the fourth quarter, driven largely by our negative basis position as cash continued to outperform credit default swaps. Overweights to both corporate and mortgage credit delivered additional

returns as the credit markets continued their remarkable rally, driving spreads to yearly lows and retracing to levels not seen since January 2008. Positive earnings, strong demand for new issuance and increasing stability in the financial sector all contributed to the strong performance of the corporate credit during the period. Although the portfolio's corporate overweight provided positive returns, individual security selection within investment grade and high yield financials underperformed relative to the market as a whole. The portfolio's collateralised security selection also added to performance over the quarter, due in part to the strong performance of US non-agency adjustable-rate mortgages currently in the portfolio, namely Washington Mutual. For the private debt portion of the Fund, over the December quarter, the portfolio's performance was negatively impacted by the revaluation of the First Engineering and Paroc assets to zero. The period also saw a significant amount of work in terms of restructurings and refinancings, including the successful refinancing of Perth Airports, where the private debt team was able to secure a partial pre-payment of the asset at par. The team in London has been leading the restructuring negotiations with the sponsors and lenders of the Paroc asset, as the company's performance has been severely impacted by the global financial crisis. The restructuring process is continuing into the March quarter of 2010, although the prospects for a change in the valuation of the Fund's holdings of Paroc are limited.

Outlook

Over the past few months, we have seen a very positive response in risk markets to the steps taken by policymakers worldwide to put the world economy on a surer footing. While the turmoil of the last 12 months is still at the forefront of most investors' minds, the size and nature of the unconventional policy means put in place by the larger central banks has triggered significantly improved sentiment in the markets. We are, however, likely to face some volatility as central banks and governments worldwide ultimately begin to unwind some of the stimulus.

The global portion of the Fund remains overweight corporate credit. Credit fundamentals have shown only marginal improvement to date, but are likely to turn the corner over the next months as profits surge. In terms of sector selection, the portfolio remains overweight financials, but prefers the top end of the capital structure. The portfolio has maintained its long Europe/short UK 10-year trade as the UK quantitative easing program is unlikely to be extended further causing gilt yields to come under upward pressure. The portfolio has also maintained its long Europe/short US 30-year trade as the relative supply outlook in 2010 and beyond favours the long end of the European yield curve versus the US.

For the private debt portion of the Fund, even though many of the portfolio companies are forecasting an improvement in earnings in 2010, we still anticipate that continued economic weakness will result in the need for further restructurings to protect the Fund's performance. In addition, as liquidity continues to improve in many markets around the world, we are anticipating an increase in pre-payments, with press speculation regarding future trade sales or initial public offerings for a number of assets including Gala, Miclyn and Loscam.

Investors should consider the Offer Document available from AMP Capital Investors Limited (ABN 59 001 777 591) for the Core Plus Strategies Fund before making any decision regarding the product. 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. This fact sheet has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives or financial situation. 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 and financial situation.

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