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AMP Capital Investors Limited
ABN 59 001 777 591, AFSL 232497



December 2011

AMP Capital Enhanced Yield Fund - Off-platform Class H

Investment objective

Aims to provide a regular and consistent level of income. Aims to provide returns above the Fund's performance benchmark (after costs and before tax). Aims to return capital to investors over time via capital distributions.

Fund description

The Fund invests in private debt investments (via units in the AMP Capital Structured High Yield Fund) and has a small holding in cash and liquid securities. The Fund is currently illiquid with available liquidity being paid to investors via pro rata capital distributions. As we return capital to investors over time the credit risk of the Fund will likely become more concentrated and increase.

Performance benchmark

RBA Cash Rate

Inception date

22 Mar 2006

Fund size

\$395.85 million

Management costs

1.1693%

Distribution frequency

Quarterly

Buy/sell spread

Nil

Minimum initial investment

\$30,000

Investment approach

Due to the Fund's liquidity position it makes pro rata special distributions of capital and income to investors. AMP Capital believes this is the fairest way to deliver the available liquidity to investors. The traded high yield component of the Fund has been returned to investors and therefore the Fund now holds private debt, together with cash and liquid investments. The private debt investments are high yielding subordinated debt assets and senior debt assets in countries around the globe and in normal circumstances any foreign currency denominated assets are hedged back to Australian dollars.

Asset allocation

%	Current
Private Debt	92.66
Cash and liquid securities	7.34

Asset allocation is reported before distributions.

Performance – as at 31 December 2011

Inception Date – 22 Mar 2006

%	1 mth	3 mth	6 mth	1 yr	3 yr	Incept
Benchmark	0.36	1.15	2.39	4.86	4.22	5.24
Total return - after fees	0.70	1.89	3.60	7.28	4.58	4.75

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

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 individual investor. Returns quoted are before tax, after Class 'A' fees and costs, and assumes all distributions are reinvested. Also, the returns shown do not include franking credits received from some of the hybrid stocks have been held historically. Further to our update dated 7 Oct 2009, performance attribution for income and growth components will not be reported while the Fund is currently returning capital via distributions as this distribution policy results in a distortion of this income and growth component.

The asset allocation changed on 19 October 2009 when the target asset allocation of 50% traded high yield and 50% private debt was removed. As from 31 December 2011, the Fund invests in private debt investments and has a small holding in cash and liquid securities.

Performance and Activity

The AMP Capital Enhanced Yield Fund ('EYF' or 'the Fund') outperformed its benchmark in the December quarter. As the Fund has completed its sale of liquid traded high yield securities, it now has a weight of approximately 94% to private debt held via units in the AMP Capital Structured High Yield Fund (SHY).

For the December quarter the Fund made a distribution of approximately A\$67 million, which represents circa 14.5% of the Fund's current funds under management. EYF was able to make this distribution in December due to the private debt component of the Fund receiving coupons and prepayments, including from the AB Ports asset. Throughout 2011, EYF made distributions of A\$442 million to investors (including the December quarter). These distributions represented approximately 55% of EYF's funds under management at the start of 2011 and came from a combination of asset sales in the traded high yield component and from the private debt component prepayments, interest coupons and realised foreign exchange gains.

The December quarter was characterised by ongoing volatility with headlines out of Europe continuing to dominate investor concerns. The quarter started off well as reflected in gains in equity and credit markets on the back of hopes of a comprehensive and credible solution to the Eurozone crisis at the European Union summit. However the market soon began to question implementation risks and confidence deteriorated further due to sustained political pressures in Europe. In December sentiment improved, with US equity markets marginally outperforming on the back of better-than-expected economic data. Australian equity and credit markets followed the global volatility trend as the European sovereign debt issues remained unsolved. This continued to affect Australian bonds which rallied sharply.

Sector specific comments

The private debt portion of the Fund performed in line with expectations over December. On 16 December, the SHY portfolio received the full prepayment of the AB Ports loan, representing approximately 4.8% of EYF. The AB Ports loan was refinanced as part of a broader refinancing program undertaken by the company and completes a very successful investment for the SHY portfolio. In October 2006 the portfolio invested in the junior debt tranche and since then the company has performed consistently well. AB Ports was founded in 1982 and is the largest port operator in the UK. The group's ports handle approximately 25% of the UK's seaborne trade. AB Ports also runs a property division, which manages its property interests in relation to land that is used for port operations. AB Ports had a market capitalisation of approximately £2.8 billion just prior to being delisted and acquired by Admiral Acquisitions in August 2006. The performance of ports throughout the economic downturn has been strong, with the company's long-term take or pay contracts providing stability of revenue.

In terms of partial prepayments, the SHY portfolio also received a small prepayment of its investment in the BAA toggle instrument. The owners of the company are actively looking to pay down a portion of the capitalised interest, so the private debt team expects to see further payments over coming quarters but does not expect a full repayment before 2013 at the earliest.

In December the SHY portfolio's investment in Godfreys was revalued following the completion of the restructuring process at the end of December. This resulted in a small uplift from securing A\$1 million of senior debt in the revised capital structure. The equity warrants the portfolio holds in the Xtralis investment also underwent their six-monthly valuation during December, resulting in a small drop in valuation given the reduced enterprise value / earnings before interest, taxes, depreciation and amortisation (EV/EBITDA) multiple of other companies in the industry used as trading comparables for the valuation.

The SHY team remains particularly close to the AIR-serv, Telepizza and Materis assets. As communicated in previous monthly performance reports, AIR-serv's future amortisation and swap payments are putting pressure on their covenants in 2012, and Materis has started a restructuring process of the company's capital structure due to softening performance. Telepizza continues to experience trading difficulties given that its key markets are Spain and Portugal, and the SHY team is monitoring this particularly closely.

The SHY portfolio has retained approximately A\$100 million in cash as a defensive measure against potential foreign exchange movements. EYF's proportion or interest in this amount is approximately A\$42 million. This amount is higher than the A\$50 million cash buffer previously communicated to investors as it reflects recent significant foreign exchange volatility and some risk to the private debt portfolio's ability to renew its standby credit facility when it expires in August 2012.

Outlook

For 2012, the SHY team sees the deteriorating economic environment potentially negatively impacting a number of the private debt portfolio's assets. While many are well placed to weather these difficulties, others may require closer attention and possible restructuring over the coming quarters in order to preserve invested capital.

The coming year presents an uncertain economic backdrop for many of the Fund's assets. There has been an increase in downside risks which may impact the Fund as it invests in typically high yield securities which by their nature carry more risk than other types of fixed interest securities. Future performance for the Fund will be heavily influenced by the potential for future defaults as the remaining securities have a higher level of risk. The portfolio management team will continue to closely monitor the Fund in an effort to limit downside risks for investors.

Top 10 holdings – as at 31 Dec 2011

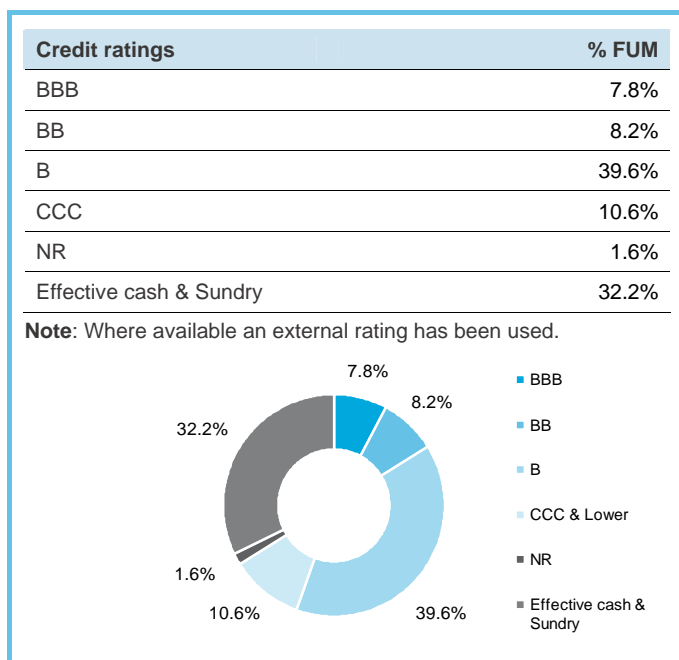
Security Details	% Portf
Macquarie UK Broadcast	7.77
Xtralis (Vision Group)	7.53
Air-Serv	7.04
Maher Ports	5.99
Smarte Carte	5.04
Premier Education	4.93
Mauser	4.76
Veda Advantage	4.00
Materis	3.41
Ahlsell	2.82

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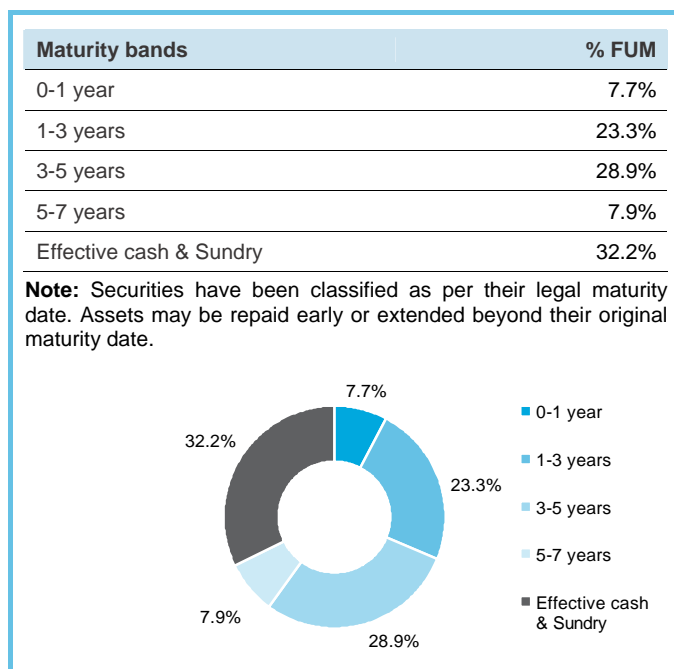
Additional Quarterly Fund Data

Where relevant, fund values provided are before distribution. Refer also to the definitions page at the end of this document for an explanation of terms used.

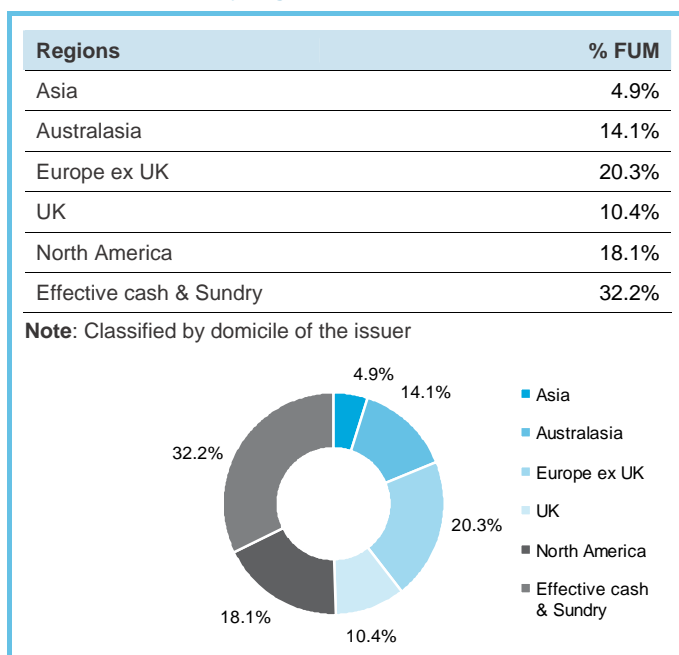
Asset allocation by shadow credit rating (31 December 2011)



Asset allocation by debt maturity (31 December 2011)



Asset allocation by region (31 December 2011)



Interest rate splits (31 December 2011)

Running yield %	Value (\$m)	% FUM
< 6	8	3.2%
6-8	12	4.1%
8-10	10	29.1%
10-12	6	21.6%
12-14	1	2.6%
14-16	4	6.5%
16-18	1	0.8%
Effective cash & Sundry	6	32.2%

*Represents the number of debt securities rather than the amount of assets

Asset revaluations (1 October to 31 December 2011)

Revaluations	% FUM*	Date
Zenith	0.06%	25-Oct
Godfreys	0.09%	19-Dec

*At time of the asset revaluation.

**Pre-payments received
(1 October to 31 December 2011)**

Pre-Payments received	% FUM*	Date
AB Ports	4.48%	16-Dec
BSN Medical**	0.01%	20-Dec
BAA Toggle**	0.29%	Dec Qtr
Materis**	0.04%	Dec Qtr

*At quarter end, at the AMP Capital Enhanced Yield Fund level.

**Partial pre-payment.

**Asset allocation by expected pre-payments
(31 December 2011)**

Maturity bands	% FUM*
0-1 year	36.1%
1-3 years	18.1%
3-5 years	5.8%
5-7 years	7.8%
7-10 years	0.0%
Effective cash & Sundry	32.2%

*Based on AMP Capital Enhanced Yield Fund FUM as at 31 December 2011

Note:

- Source: AMP Capital Investors as at 20 October 2011
- Chart shows legal maturities as at 1 January 2011, adjusted for the impact of foreign exchange movements to 31 December 2011
- Estimated future pre-payment profile data is based on AMP Capital estimates of prepayments, as at 20 October 2011, received or expected to be received up to 31 December 2012
- AMP Capital has based its prepayment estimations on announcements made by, or confidential discussions with, borrowers or their agents, in which borrowers have indicated their present intention to refinance or restructure their debt. Risks to the receipt of expected prepayments include changed conditions in bond and banking markets and broader economic markets, or changes in the circumstances or business strategies of the borrowers, including changes to their performance, financial position, and ability to refinance or restructure their debt.

**Summary of distributions (return of capital and income)
paid (since 10 October 2008)**

Cash Distributions*	Value (\$m)	% FUM**
10 Oct - 31 Dec 2008	8.29	0.6%
1 Jan - 31 Dec 2009	211.03	15.8%
1 Jan - 31 Dec 2010	354.89	26.7%
1 Jan - 31 Dec 2011	442.05	33.2%

*Combined capital and income

**as at 10 October 2008 market value

Note: The return of capital and payment of income to investors reduces the size of the Fund and therefore the price of each EYF unit also reduces. As a result, a comparison of unit prices will understate the relative performance of the Fund. For an understanding of the performance of the Fund clients should refer to the performance table where distributions are assumed to be reinvested.

**Financial YTD distribution payment history
(31 December 2011)**

Cash Distributions*	Value (\$m)	% FUM**
September 2011	45.0	9.0%
December 2011	67.0	14.5%
Total cash distributions^	112.0	

*Combined capital and income.

**At relevant quarter end.

^Financial year to date.

**Debt position of the AMP Capital Structured High Yield
Fund (31 December 2011)**

	Repayment (\$m)	Drawdown (\$m)	Balance (\$m)	Balance as % FUM*
Dec Qtr 2011	0	0	0	0.0%

*At quarter end. Based on FUM of the AMP Capital Structured High Yield Fund.

Definitions	Content
What does the component invest in?	<p>The AMP Capital Structured High Yield Fund (SHY) invests in the debt of private companies rather than listed companies. As a lender to private companies the Private Debt team receives detailed management accounts and forecasts which helps them to monitor and manage their asset positions. Typically these reporting packs are much more detailed than those available for lenders to listed companies where requirements for equal disclosure to all parties limits information provision.</p> <p>The AMP Capital Structured High Yield Fund's loans are typically provided as part of a funding package to acquire a business. SHY targets the subordinated debt piece of the capital structure and looks to take subordinated security over assets of the firm.</p>
Valuation policy	<p>The manager employs two separate methodologies for valuing investments within SHY:</p> <p>If the asset is a tradeable asset where there is an efficient and liquid secondary market available, then the asset is valued at the current market price which is updated on a daily basis. This methodology cannot, however be applied to the majority of assets in SHY as they are relatively illiquid, private debt investments with only a small amount of secondary trades being undertaken. As a result, SHY employs a different valuation methodology for illiquid assets, described below.</p> <p>If an asset is performing in line with the projected risk profile which was anticipated when the investment was originally made and there is no evidence that there is a material risk of loss for investors, then the manager values the asset at par value plus any accrued interest up to the valuation date. A material risk of loss can be defined as an expectation that, based on the projected performance of the business involved, there is likely to be an event of default under the senior loan obligations of the borrower leading to a potential loss for senior and junior (subordinated) lenders to the business. If the manager believes that a material risk of loss will eventuate or does exist, then an independent valuation by an external, appropriately qualified party is sought. This valuation considers all relevant aspects of the asset, including the current amount of debt in the capital structure, market conditions and management expectations. Based this valuation, the Private Debt Investment Committee will make a decision on whether to revalue the asset.</p>
Liquidity	<p>The market for the type of subordinated debt assets that populate the private debt component is relatively illiquid. Therefore, SHY has a 'buy-and-hold to maturity' philosophy.</p> <p>Periodically, assets of the private debt component are prepaid by the borrower before the scheduled maturity date. This can be for a variety of reasons which typically involve the company leading up to an IPO process or seeking to refinance its subordinated debt with a larger piece of senior debt, which is usually a less expensive option. The prepayment of assets sees the Fund receive its entire principal back and, where applicable, a prepayment fee.</p>
Credit ratings	<p>Shadow credit ratings are produced by the private debt team to reflect the relative risk that a given security will default under its obligations. These shadow ratings are monitored continuously and are updated where the circumstances of the company materially change.</p> <p>The Private Debt Investment Committee also formally reviews the shadow rating annually.</p> <p>The Fund typically targets sub-investment grade securities, that is securities with rated below BBB. A rating of CCC or below indicates a heightened potential for default.</p>
Loan facility	<p>The AMP Capital Structured High Yield Fund has negotiated a A\$200 million loan facility to replace the existing A\$400 million loan facility (nil debt outstanding). The key purpose of this facility will be to fund foreign exchange settlements where the AMP Capital Structured High Yield Fund has insufficient cash holdings to settle contracts on maturity.</p>
Currency hedging	<p>The private debt component aims to fully hedge currency exposure from non A\$-denominated assets. The currency exposure hedge covers both the principal and interest payments from these loans and is implemented through the use of forward currency swaps. The AMP Capital Structured High Yield Fund's aims in currency hedging are to:</p> <ul style="list-style-type: none"> • Provide protection for asset values in the event of the A\$ rising • Increase the stability of the Fund's net asset value • Protect the returns generated on foreign currency denominated investments in A\$ terms <p>In addition to the loan facility the AMP Capital Structured High Yield Fund has retained a cash buffer of \$50m (as at 30 June 2010). Moving forward, the AMP Capital Structured High Yield Fund will continue to monitor</p>

its need for a cash buffer and standby loan facility and adjust their levels as appropriate.

Corporate bonds	These are similar to government bonds except issued by a company and characterised by higher returns due to the perceived higher risk than a government bond. This higher risk is default risk.
Cross currency swap	An agreement between two parties to exchange interest payments and principal on an obligation denominated in two different currencies. In a cross currency swap, a loan's interest payments and principal in one currency would be exchanged for an equal valued loan and interest payments in a different currency.
Effective cash	Actual cash holdings along with cash used to support the Fund's derivatives holdings.
Forward currency swap	An agreement between two parties to exchange a pre-determined amount from one currency to another, at a rate that is set on inception of the contract.
Government bonds	Bonds issued by governments which allow them to borrow money from the public for various public sector initiatives. They are normally considered low risk due to the low likelihood of a government defaulting on its capital or interest payments. Their value will change in response to the changes in market interest rates.
High yield	A high yield bond is a corporate bond that is rated below investment grade. These bonds have a higher risk of default than investment grade bonds but typically pay a higher yield to make them attractive to investors
Hybrids	A hybrid has the characteristics of both corporate bonds and shares. Listed hybrids generally pay a fixed income similar to a bond while containing the option of being converted into shares in the issuing company, or cash.
Payment in kind / Capitalised interest	Payment in kind (PIK) is essentially a loan where the interest has been capitalised (i.e. rather than paying an interest payment, the amount to be paid back at the end of a loan is increased).
Private debt	Private debt is not traded in an active market such as a bond or share market. Investors lend money to a business on a private basis with an agreement that the business will repay the capital and interest at a specified rate.
Running yield	Coupon amount divided by the face value of the bond.
Securitised assets	This category includes asset backed securities (ABS), mortgage-backed securities (MBS) and collateralised debt obligations (CDOs). These securities are linked to a portfolio of debt obligations such as car loans or credit card debt. Securitized assets can be made up of physical corporate bonds or their derivatives, or a combination of both. The collection of assets is divided into portions or tranches with different risk and return characteristics.
Sundry	Sundry consists of unrealised FX gains.
Yield to maturity	Yield to maturity includes a combined coupon yield along with capital gains or loss.

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