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January 2010

Wholesale Australian Bond Fund - Wholesale

Investment objective

To provide returns above inflation and cash over the short to medium-term, while accepting low to medium levels of volatility in returns. To provide a total return, after costs and before tax, higher than the return from the benchmark on a rolling 12 months basis.

Minimum suggested time frame

2 to 3 years

Type of fund

The Fund invests in short and long-term fixed interest securities, including government, bank and corporate securities. The modified duration (a measure of interest rate risk) of the total assets of the Fund is normally within 1.5 years of the UBSA Composite Bond (All Maturities) Index.

Performance benchmark

UBS Composite Bond (All Maturities) Index

Inception date

01 Dec 2004

Fund size

\$2,479.55 million

Management costs

0.3588%

Distribution frequency

Monthly

Buy/sell spread

+0.00/-0.05

Investment approach

The Australian Fixed Interest team actively manages 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 analysis of macroeconomic and microeconomic factors and their impact on specific industry groups and credit yields.

Asset allocation

%	Current
Corporate Bonds	62.50
Semi-Government Securities	20.38
Commonwealth Government Securities	13.08
Cash	4.03

Performance – periods to 31 January 2010

%	1 mth	3 mth	1 yr	3 yr	5 yr	incept
Before tax and after fees	1.57	3.09	3.72	7.10	6.12	5.95
Before tax and fees	1.60	3.22	4.10	7.47	6.48	6.31
Benchmark	1.33	2.46	1.66	6.86	5.98	5.77

*Performance more than 1 year is 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 'O' fees and costs, assume all distributions are reinvested and are annualised for periods greater than one year.

Performance and Activity

The Wholesale Australian Bond Fund - Wholesale (the Fund) returned 1.57% (Before tax and after fees) in the month of Jan, compared to the benchmark return of 1.33%

The first half of January saw a modest rise in yields as risk-seeking sentiment remained generally positive and equities continued their rise. Australian yields followed global rates and rallied in the second half of the month, as offshore drivers overruled generally strong domestic economic data. The sovereign credit issues emanating from Greece, with the risk of contagion through other European countries, resulted in a weakening of risk assets as investors returned towards safe-haven assets like government bonds. We held a modest short duration position throughout most of the month because we saw no significant deterioration in economic fundamentals; nor did we see compelling value in Australian bonds from an outright perspective. The Option retained a modest curve-flattening position, which had a small positive contribution on performance over the month.

Portfolio activity over the month of January was centred on investments into two new long-dated primary deals. These new purchases included a Commonwealth Bank of Australia senior ten-year deal and a US dollar-denominated ten-year bond from supranational issuer Kredit Wiederauf. The Option continued to take profit on its position in Holcim Finance, which has performed strongly since it was issued in August 2009. The Option remains broadly overweight investment-grade credit. The main industry overweights include securitised, industrials and utilities. There are no material industry underweights. These positions are largely funded from the government, semi-government and supra and sovereign-guaranteed buckets. The Option performed strongly over the month. In credit, the top performing sectors were insurance and banking, with marginal underperformance seen from the industrials sector. There was also positive relative performance seen from the Option's active underweight position in semi-government bonds. This was due to a focus on the longer-end semi-government bonds, which saw better performance than their shorter-dated peers, due to spreads tightening over the month. The top performing issues in credit were in the higher-beta hybrid capital securities, with AXA Tier 1 bonds and Swiss Re Tier 1 performing strongly. The allocation to ASX-listed hybrids saw flat performance over the month, with Multiplex SITES the best of these. There were no material underperformers during the month.

Market commentary

Offshore factors dominated the Australian bond market over the course of January, as bonds rallied despite strong Australian economic data. A weakening in shares combined with fears of sovereign default in Greece led investors to seek safe havens, causing both US and Australian government debt to rally strongly. The three-year bond yield ended the month 0.27% lower at 4.45%, while the ten-year bond yield closed the month 0.34% lower at 5.36%, causing the curve to end the month 0.07% flatter than it opened. The Australian rally was broadly in line with the US over the month, with the spread between the ten-year bond yields of the two countries remaining in the 1.80% to 2.00% point

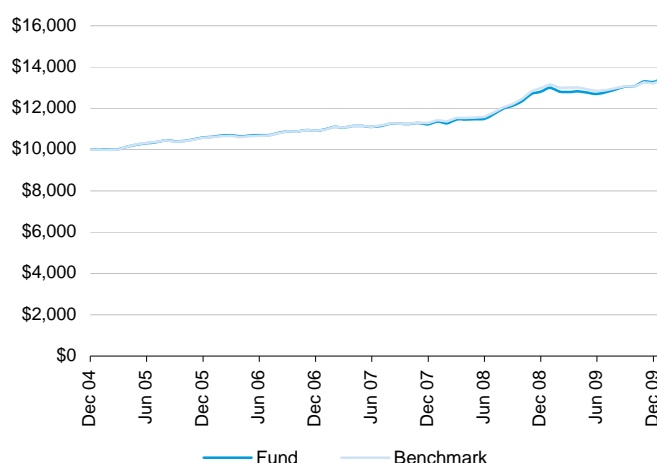
range. The Commonwealth Government recommenced new issuance tenders on 13 January after a short pause for the festive season. Issuance then returned to normal patterns with A\$3.6 billion of fixed-rate bonds and A\$300 million of indexed bonds issued in January.

Outlook

Improving economic conditions and rising private credit demand are expected to see upward pressure on Australian bond yields in 2010. We continue to believe that the RBA's target neutral policy setting will be lower than historical norms, due to the increased sensitivity of the Australian consumer to interest rates and the increased margins passed on to the consumer by the financial sector. However, we believe recent price action is inconsistent with the strength in Australian economic data. Accordingly, we have initiated a small short duration position, in anticipation of the market adjusting to Australia's resilience, rather than focusing on short-term risk aversion.

As global markets continue to stabilise and credit spreads return to the more 'normal' levels typically seen through economic downturns, we expect investors to revert to a more stock-specific focus. We also expect the pace of spread tightening to begin to ease over the short term, as mutual fund inflows into investment-grade credit appear to be slowing. We still are faced with a yield dilemma in many developed countries, i.e. the yield on credit is starting to appear less compelling due to base government bond yields. Meanwhile, longer-term spreads are still wide compared to previous cycles and appear to provide attractive entry points into non-financial credit spreads. Lower-quality issuers, particularly those in cyclical industries that are traditionally more exposed to periods of economic contraction, will likely be impacted the hardest by what is happening in the global economy. However, many strong companies have been caught up in market repricing as well, with spreads widening in many cases beyond levels that are appropriate from a fundamental viewpoint. From a risk-adjusted return perspective, the prospects for these investments over the medium-term appear to be attractively priced and we will focus on these issuers accordingly.

\$10,000 invested since inception



Investors should consider the current product disclosure statement (PDS) available from AMP Capital Investors Limited (ABN 59001 777 591) (AFSL 232497) for the Wholesale Australian Bond Fund - Wholesale unit class before making any decision regarding the Fund. The PDS contains important information about investing in the Fund and it's important investors read the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. 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 including any forecasts. 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