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AMP Capital Investors Limited  
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January 2010

## AMP Capital Enhanced Yield Fund - On-platform Class A

### Investment objective

To provide a regular and consistent level of income. To provide returns above the Fund's performance benchmark (after costs and before tax), while accepting low to medium levels of volatility in returns.

### Minimum suggested time frame

3 to 5 years

### Type of fund

The Fund invests in a strategic mix of traded high yield securities and private debt investments.

### Performance benchmark

RBA Cash Rate

### Inception date

12 May 2003

### Fund size

\$1,157.92 million

### Management costs

0.8693%

### Distribution frequency

Quarterly

### Investment approach

Due to the Fund's current liquidity position, investors will no longer have a right to withdraw, or be able to withdraw, funds by submitting withdrawal requests. Rather, when cash becomes available in the fund it will make 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. This position will be reviewed on an ongoing basis. The target asset allocation of 50% traded high yield and 50% private debt has been removed from the Fund.

### Performance – periods to 31 January 2010

%	1 mth	3 mth	1 yr	3 yr	5 yr
Before tax and after fees	1.07	2.46	7.88	5.55	6.46
Before tax and fees	1.12	2.65	8.80	6.50	7.41
Benchmark	0.26	0.86	3.18	5.34	5.47
Growth	1.07	-2.15	-9.04	-6.66	-3.54
Income	-0.01	4.61	16.92	12.21	10.00

\*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 'A' fees and costs, assume all distributions are reinvested and are annualised for periods greater than one year. Also, the returns shown do not include franking credits received from some of the hybrid stocks.

The AMP Capital Enhanced Yield Fund changed its asset allocation on 1 June 2004, moving from listed property trusts in favour of increased exposure to structured high yield debt and hybrid corporate bonds, which represented a significant change in the investment approach for the Fund. For this reason, although the Fund's inception date is 12 May 2003, performance since inception figures are not shown.

## Performance and Activity

The AMP Capital Enhanced Yield Fund - On-platform Class A (the Fund) returned 1.07% (Before tax and after fees) in the month of Jan, compared to the benchmark return of 0.26%

The traded high yield portion of the Fund continues to perform well as credit spreads on higher beta credit tightened over the month. The traded high yield portion of the Fund remains conservatively placed while the private debt portion is defensively placed.

## Sector specific comments

### Private debt

In the private debt portion of the portfolio, held by the Fund as units in the AMP Capital Structured High Yield Fund (SHY), January was a reasonably quiet month. The private debt teams in London and Sydney continued to monitor the existing assets and work on the current restructurings and refinancings to ensure the portfolio companies are appropriately capitalised for the economic conditions in which they operate.

In Sydney, the SHY team has been working predominantly on the Collins Food refinancing, as well as the Independent Liquor and Smarte Carte restructurings, all of which are progressing well with the syndicates. The team continues to stay abreast of the progress of the potential sale or initial public offering (IPO) of both Miclyn and Loscam expected over the next few months, and will keep investors informed of any developments.

The private debt team in London has been kept busy with an active European portfolio. While there are signs of an economic recovery across the region, the team's view is that 2010 will remain a challenging year. Assets being closely monitored include World Flight Services, European Directories, Alimak Hek, Apcoa, and Zenith. The London team has been heavily involved in restructuring and negotiating revised terms for Zenith with the senior banking syndicate and equity providers to safeguard the security of our subordinated position. As previously reported, Materis and Mauser also continue to be closely watched, although their trading has improved noticeably over the past six months.

### Hybrids and corporate bonds

Global equity markets sold off toward the end of January, as risk aversion spiked due to a combination of fears regarding Chinese policy tightening, US policy rhetoric aiming to restrict the activities of US banks, and further Euro-zone sovereign debt concerns.

Credit spreads on physical bonds were largely tighter over the month, and outperformed movements in credit derivatives. The iTraxx Europe (investment-grade) index finished 7 basis points (bps) wider, while the North American CDX (investment-grade) index closed 11 bps wider. Physical bonds bucked this trend however, as investors looked to reinvest excess cash balances into credit markets.

Risky asset markets performed well over the first half of January, thanks to a combination of thin liquidity and positive sentiment. However, sentiment started to wane from mid-

month as news of China's intentions to tighten bank lending standards filtered through to the market. Risky assets underperformed into month-end on the back of further deteriorations in the Greek fiscal position, and increased regulatory and political risk via President Obama's proposed banking limits to curb risk-taking activities.

The traded high yield portion of the Fund performed extremely well over the month. Lower-rated credit, particularly in subordinated and Tier 1 Financials, were the best performers as investors continued to reinvest excess cash balances in the search for higher yield. Insurance and Banks were the top performing sectors, with consumer-oriented industries underperforming towards the end of the month. The listed hybrid sector allocation also did well over January, with Fairfax and ALE Notes showing notable performance. Other significant contributors came from the global hybrid space which again performed strongly, with issues from Glencore and Lottomattica outperforming. Underperformance over the month was seen in Henkel global hybrids and Nufarm ASX-listed hybrids.

## Outlook

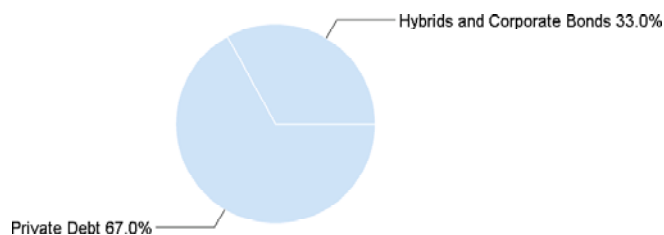
In terms of the SHY units held in the Fund, global economic conditions for 2010 are looking increasingly optimistic, particularly in the Asia Pacific region and in pockets of Europe. However, we are aware of the risks around a double dip recession globally given the current sovereign risk crisis in Europe and will track this situation closely. The prospect of IPOs or trade sales is becoming increasingly likely as equity markets recover; however, still constrained debt markets will continue to place a headwind on refinancings. At the same time, the length and severity of the downturn in many countries and industries will continue to dampen some portfolio companies' financials, and we expect more restructurings will be required over the coming months. The private debt teams in London and Sydney will continue to actively engage with management, equity and the banking syndicates in an effort to preserve value for our clients.

In terms of the traded high yield portion of the Fund, we are likely to continue to face some volatility as central banks and governments worldwide begin to unwind some of the stimulus introduced to address the financial crisis. How this removal of stimulus is handled will likely have a large impact on the prospect for a 'V-shaped' recovery. Recent company earnings reports have highlighted that improvements to profitability have been primarily through cost-cutting measures. An improvement in economic stability is likely to be required before significant gains through revenues will be seen. The prospect for increased global mergers and acquisitions activity is also likely to rise over the short term, as strong companies with stable cashflow look to consolidate within their respective industries. There are also concerns over the credit and rating stability of sovereigns (including the US), and whether there will be flow-on effects from the high levels of debt incurred by sovereigns as a result of the events of the past 12 months. The outlooks for sovereigns such as Greece, Portugal, Italy and Spain have deteriorated, and this has recently been a focus point for the market. We believe that public sector re-leveraging in the wake of the financial crisis is a dynamic that investors will need to watch closely over the coming months.

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## Asset allocation



## Top 10 holdings – as at 31 Jan 2010

Security Details	% Portf
Macquarie UK Broadcast	6.35
Godfreys	5.96
Thames Water	5.18
Air-Serv	5.09
Maher Ports	4.76
Loscam	4.74
NZ Poultry	4.56
Southern Water	4.34
Xtralis (Vision Group)	4.28
BAA	3.85

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