



# Future Directions. Funds

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# Multi-manager = multi opportunities

The Future Directions Funds are multi-manager funds.

These can be defined as funds that invest in a number of underlying funds, managed by a variety of investment managers.

For the investor, a multi-manager fund represents a single access point to a 'pre-packaged' combination of investment managers. This delivers important diversification benefits for investors.

Investors today face a challenging environment, with a bewildering array of investment products to choose from.

The **Future Directions Funds** can help to take the hard work out of investing, narrowing down the investment universe into a flexible suite of 16 multi-manager funds that are ideal for a wide range of investors.

Our portfolios offer diversification across asset classes, manager types and manager styles within a single fund, with the goal of offering superior risk-adjusted returns to our investors.

This comprehensive suite of products can act as the cornerstone of a diversified investment strategy or as a specialised supplement to an existing portfolio.

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ACCESS TO THE GLOBAL UNIVERSE OF INVESTMENT MANAGERS



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SELECTION PROCESS



ASSET  
STYLES



MANAGER  
TYPES



MANAGER  
STYLES



CONSTANT ASSESSMENT

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YOUR MULTI MANAGER FUND



# Why choose a multi-manager fund?

Multi-manager funds can offer a range of benefits that are not available to investors in single manager funds.



## Access

Multi-managers have access to an investment universe of thousands of managers globally, many of whom are unavailable to retail investors.

## Selection process

Multi-manager funds offer three levels of diversification:



### Asset class

Within one 'diversified' fund, you can access most of the major asset classes such as fixed interest, property and shares. In addition, you can access further investment opportunities such as alternative investments. This allocation to different investment sectors is expected to provide investors with a higher level of diversification of investment risks over the longer term.



### Manager type

Many different types of managers are considered for selection in multi-manager funds. Some managers have a long history, dating back hundreds of years. Others are more boutique in nature, with an investment track record spanning decades. It is the role of the multi-manager investment team to choose the appropriate mix of managers, balancing the experience, philosophy, skill, size and processes of the investment firms.



### Manager investment styles

No single manager is likely to perform well in all market conditions and in all circumstances. With the objective of delivering more stable investment returns across different economic conditions, a blend of specialist investment managers is used so that no single investment style dominates. For example, one manager may have a 'value' approach, buying stocks in companies that are under performing their potential, or are out of favour with investors. Another manager may be chosen for its 'growth' style, concentrating on stocks that have strong upward momentum and rapidly growing earnings.



## Constant assessment of managers

Multi-managers continually assess managers for changes in style, team and organisation to determine their suitability within the portfolio mix.



## Administrative ease

Multi-manager funds offer efficient packaging of many investments within a single fund, which means reduced cost and time involved in monitoring, replacing and rebalancing investment portfolios.

# An innovative multi-manager solution

At AMP Capital, we believe innovative portfolio design and in-depth research are key to delivering outperformance across different market conditions.

Our Future Directions Funds are designed with this in mind.

We seek to bring together some of the world's most skilled investment managers within a range of multi-manager funds. Our approach combines expert research and advice from a number of investment and research firms.

AMP Capital has developed key research partnerships with firms such as Mercer (Australia) Pty Ltd, one of the world's largest asset consultants, as well as targeted research from Dorset Management and other specialist advisers. We have developed these partnerships in order to access world-class research.

Combined with our extensive experience across investment management, market research, portfolio construction and risk management, portfolios are developed with a view to maximising the investment outcome for our clients.

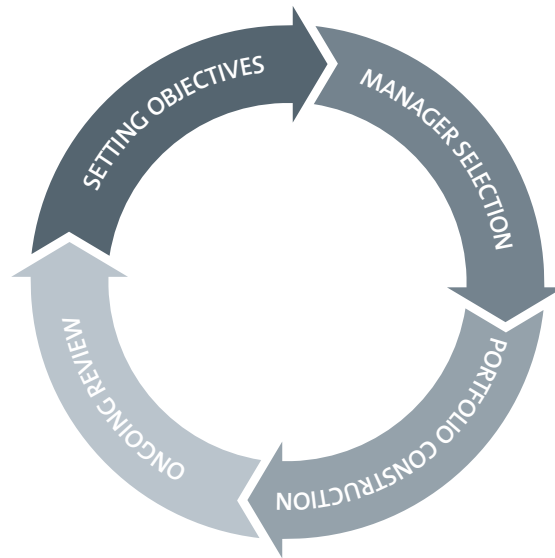
**The result is a multi-manager solution that uses a range of diversified and specialist sector funds, to suit most risk profiles and investment objectives.**

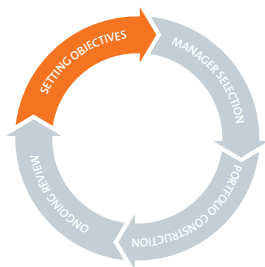
# How the Future Directions Funds work

## Our investment approach

The success of multi-manager funds is often a result of the depth and quality of the research and analysis behind the selection of investment managers. AMP Capital combines internal investment expertise and a robust governance structure, with the research of our investment advisers to construct portfolios for investors.

Our investment approach consists of four key steps.





## 1. Setting objectives

In setting objectives for the funds we first consider the appropriate mix of asset classes (strategic asset allocation). This strategy is then supported by dynamic asset allocation which gives us the flexibility to review and change the asset allocation.

### Longer-term strategic asset allocation

In considering the appropriate mix of asset classes that would support the objective of maximising investment returns within a fund's defined level of risk, we take into account a number of factors including:

- the long term objectives and risk profile of the relevant Future Directions Fund;
- the outlook for economic factors such as inflation, interest rates and currency valuations;
- the long term economic return, risk and correlation forecasts of each of the asset classes; and
- the potential liquidity of the underlying assets.

### Medium term dynamic asset allocation

As our choice of asset classes is based on long term investment forecasts, the asset mix is expected to remain fairly constant over time. However, our process includes the assessment of the fair value of all asset classes that are considered for the portfolio.

Where valuations become excessively cheap or expensive, we retain flexibility to change the allocation between the various asset classes. As an example, we may make changes to the currency hedge on international equities if we feel that the Australian dollar has dramatically moved away from fair valuation levels.

This flexibility is achieved through dynamic asset allocation which allows us to change asset class allocations where needed, within the strategic ranges set for each asset class. This means the Future Directions team can implement dynamic changes to the various sectors within the portfolio in order to capture value and maintain a contemporary portfolio relevant to market conditions.



## 2. Targeted manager selection

We expect that most of a portfolio's excess performance will come from manager skill. Consequently, we seek to invest with a range of investment managers across the various asset classes. These managers must have clearly identifiable competitive advantages, and be able to achieve returns above relevant targets. Working with our global research partners, we identify a shortlist of managers.

A formal due diligence process will only be undertaken if we believe the manager's alignment philosophy is appropriate. In particular, we seek to ensure that there is alignment between the portfolio managers, the owners of the asset management business and, most importantly, our clients.

Our Future Directions investment team then conducts its own research and quantitative assessment. The team also carries out formal site visits with managers to gain insights into the organisation's culture, structure, people, processes and track record.

When selecting a manager from the shortlist we look for:

- **sustainable and exploitable ideas** - managers who demonstrate insights into the market and whose ideas have the potential to work consistently over time;
- **low correlations between managers** - we aim for complementary skills with low duplication; and
- **outperformance** proportional to the level of risk at both manager and portfolio levels.

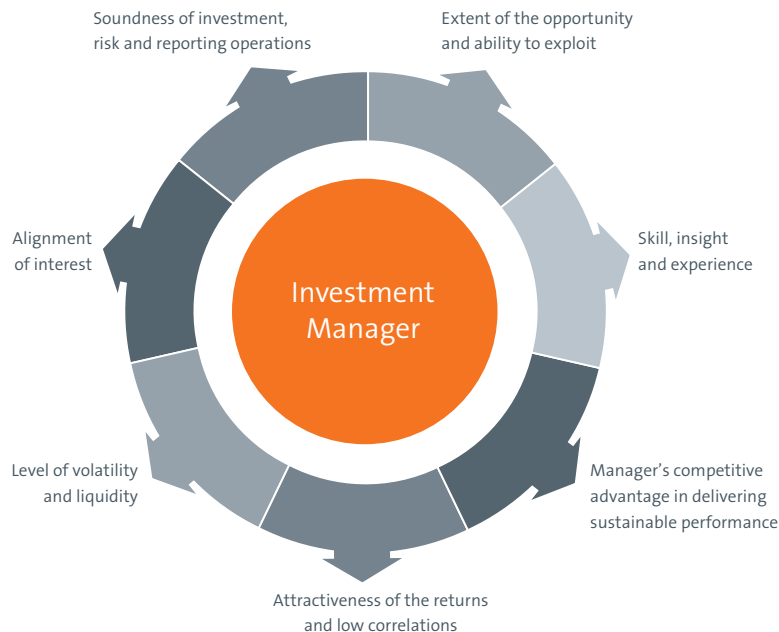
We also consider other factors, including the quality of the manager's investment personnel, investment philosophy, process integrity, sustainability of competitive advantage, level of conviction in stock selection and assets under management.



### 3. Portfolio construction and implementation

Our portfolio construction methodology blends investment managers, with the objective of maximising returns and diversification, taking into account our understanding and analysis of market cycles, behaviours, correlations and themes. However, the value of obtaining market insights and manager skill can be lost through inefficient implementation and transition management. Where feasible, we use the cash flow of the fund to rebalance exposures, and capitalise on AMP Capital’s scale and expertise to seek to minimise costs.

#### Factors considered when selecting an investment manager:





## 4. Ongoing portfolio and manager review

Our Future Directions team regularly reviews managers, as well as risks and market trends, refining portfolios where necessary to maintain the asset class mix and blend of managers that will support each fund's investment objectives.

### **Managers**

We regularly meet with each manager's investment team. Additionally, formal on-site reviews are held annually.

### **Risk**

We monitor risk at both manager and fund levels to maintain diversification and appropriate risk levels across each portfolio.

### **Market trends**

As markets are constantly evolving, we regularly review portfolio design in light of changing market conditions, refining a portfolio as needed to maintain an efficient structure that supports the fund in achieving its objectives.

### **Investment team and governance**

Integral to our success in delivering superior investment returns is our ability to attract, develop and retain the best people. It is our people who drive our passion for research, manage our portfolios and source investment opportunities for our clients. We seek to invest in their ongoing professional development, and ensure their interests are clearly aligned with those of our clients.

The Future Directions Funds combine specialist input and a diversity of experience from both within the dedicated Future Directions team and across AMP Capital. Our investment committees not only include representatives from AMP Capital, but also other experienced practitioners from the investment community. This aims to ensure we include strong elements of skill, insight and experience in the decision making process.

# Why invest in the Future Directions Funds?



## Active management

At the forefront of our approach is the latest in innovative portfolio design and packaging of investment options. This means that we are constantly assessing and researching opportunities that have the potential to improve overall portfolio construction, with the aim of delivering superior returns for investors over the long-term. As an example, Future Directions was an early adopter of alternative assets, which aim to provide portfolio diversity given their low correlation with other assets. Other examples include the introduction of high-conviction mandates, Asian equity managers and geared share portfolios.



## Access to high quality investment managers

Some claim to have access to the ‘best’ investment managers. The Future Directions team do not believe that there is one type of manager that can be constituted as the best in all market conditions. Instead, we are looking for managers with a sustainable competitive advantage and who are in a position to utilise this advantage in outperforming the peer group over the long-term. It’s our job to determine which managers offer these competitive advantages, as well as remaining contemporary and complementing other investment managers in the portfolio.



## In-house investment expertise

Identifying managers is only one part of the investment equation. The Future Directions Funds leverage the expertise of a team of investment experts with extensive experience in manager research, portfolio construction and risk management. The team has grown significantly in size over the past three years as AMP Capital recognises the importance of in-house investment expertise to the overall decision-making process. This team works closely with our research partners, in addition to other parts of the 200-strong AMP Capital investment team such as the Investment Strategy and Economics team.



## Diversification

As an investment manager, we must consider a number of factors in designing the optimal solution for our clients. Factors that need to be considered include the economic environment, the manager's anticipated returns above benchmark, market and manager volatility, illiquidity, fees and market shocks which can all disrupt performance. We aim to develop portfolios which are designed with these factors in mind.



## Governance structure

Underpinning these capabilities is a governance structure that we believe adds strength to the overall investment proposition within the Future Directions Funds. Each of the funds has a portfolio team that is responsible for managing the investment decisions. The investment team is responsible for portfolio and manager recommendations, however it is the role of the Investment Committee to agree to these recommendations. We believe that this separation of responsibilities is a critical factor in maintaining the highest level of investment research and design.



## Transition management

We understand the costs associated with portfolio movements, such as the transition out of one manager and into another. Often this type of move would incur large transaction costs. However, our use of investment mandates with underlying equity managers enables us to cross a significant volume of the positions held with the exiting manager into the hands of the new manager, with a significant reduction in the associated costs.

# Investment options

Multi-manager funds are ideal for a wide range of investors and can offer greater diversification and opportunity than investing in a single manager fund.

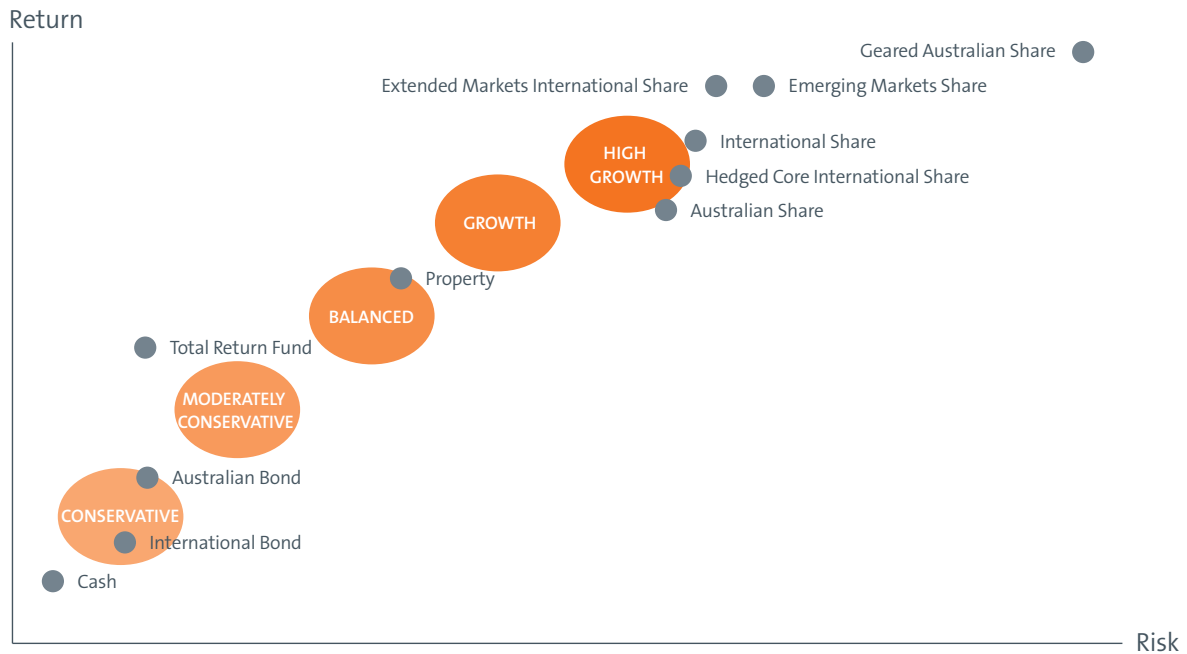
By including several asset classes within a portfolio (such as a diversified fund), a large portion of the investment universe can be captured, which reduces overall portfolio risk.

Investors also have the ability to construct their own diversified portfolios through the allocation to Future Directions sector funds such as the Future Directions International Share Fund.

Investors should discuss their financial needs and objectives with a financial planner.

Below is a summary of our investment options and the indicative return that may be obtained for a given level of risk.

### The Future Directions Funds



Source: AMP Capital Investors.

Past performance is not a reliable indicator of future performance.

The above diagram is designed to show the indicative return that may be achieved for a given level of risk and is not a guarantee of performance.

## Choosing the right fund

The Future Directions Funds are designed to suit different investment objectives and risk tolerances.

Below are the suggested investment timeframes for each of the funds. Investors should consult their financial adviser for information on which product will best suit their financial needs and objectives.

	Fund name	Suggested investment timeframe
	Future Directions Conservative	Min 3 years
	Future Directions Moderately Conservative	3-5 years
<b>Diversified funds</b>	Future Directions Balanced	Min 5 years
	Future Directions Growth	5-7 years
	Future Directions High Growth	5-7 years
	Future Directions Australian Bond	2-3 years
	Future Directions International Bond	2-3 years
	Future Directions Total Return	3-5 years
	Future Directions Property	5-7 years
	Future Directions Australian Share	5-7 years
<b>Sector funds</b>	Future Directions Australian Small Companies	5-7 years
	Future Directions Geared Australian Share	5-7 years
	Future Directions Emerging Markets Share	7-10 years
	Future Directions Extended Markets International Share	7-10 years
	Future Directions Hedged Core International Share	5-7 years
	Future Directions International Share	5-7 years

# Our major partnerships

## About Mercer

Mercer (Australia) Pty Ltd is one of the world's foremost providers of investment consulting services. It is part of the consulting arm of the global professional services firm Marsh & McLennan Companies, which has annual revenues of US\$12 billion and over 57,000 employees who provide analysis, advice and transactional capabilities to clients in more than 100 countries. With more than 30 years investment consulting experience, Mercer boasts a strong record of its advice improving performance outcomes.

In Australia, Mercer has provided advice to institutional investors since the mid-1970s. Today, the Australian team (including 81 investment professionals) is one of the largest in the country. The team includes many former fund managers, Chartered Financial Analysts, actuaries, economists, accountants and legal professionals.

Mercer's philosophy is to help clients obtain the highest possible, long-term returns on their assets at the lowest risk and cost.

## About Dorset Management

Dorset Management was formed in 2004 to provide alternative investment management, advisory and product structuring services to institutions and high net worth individuals.

Dorset specialises in creating customised portfolios of absolute return funds to meet the specific risk/return objectives of clients. Dorset portfolios draw on an extensive global network of exceptional managers that have strong track records and demonstrable abilities to exploit market opportunities. The group's expert senior management team collectively has decades of experience in hedge fund selection and risk management.

Dorset's investment process entails rigorous selection criteria and vigilant post-investment monitoring of managers. Among other things, Dorset seeks to provide clients with significant investment opportunities and diversification by reducing systematic risk, achieving absolute returns, and a low correlation to traditional asset classes.

## About AMP Capital Investors

AMP Capital Investors is a specialist investment manager with over \$103 billion\* in funds under management. As a wholly owned subsidiary of AMP Limited, we operate with a pure investment focus, while benefiting from the resources of our parent. Our team of over 200 in-house investment professionals and a carefully selected global network of investment partners, allows us to offer significant depth and breadth of investment expertise.

Increasingly, delivering superior returns to our clients involves looking beyond traditional techniques, to a new generation of investment portfolios. This involves the blending of any number of inputs such as securities, asset classes, geographic regions, styles and managers to obtain the optimal risk and return outcome. To do this well requires real depth of in-house investment expertise, a business philosophy open to partnering, and specialist capabilities designed to integrate and maximise the two.

At AMP Capital, we have specialist investment teams across a diverse range of disciplines. Each team focuses on searching out and creating the best investment outcomes for our clients. We also collaborate with like-minded investment specialists around the world, leveraging our joint expertise to create new investment opportunities.

\*as 31 March 2008.



