Performance Report

The Fund is an actively managed portfolio of fixed interest securities, focusing predominantly on investment grade quality corporate and government securities in the New Zealand market. The portfolio is structured to add value through credit risk management and interest rate management. Environmental, Social and Governance characteristics are integrated into our investment process.

Performance objective

To provide a Gross Return* above the return of the Bloomberg NZBond Composite 0+ Yr Index on a rolling three year basis.

Here’s how the fund performed

Throughout this performance report, our fund performance figures are stated before tax, before fees and assume income is reinvested.

<table>
<thead>
<tr>
<th>QTR%</th>
<th>1YR%</th>
<th>3YR%</th>
<th>5YR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Gross Return*</td>
<td>2.91</td>
<td>5.76</td>
<td>6.09</td>
</tr>
<tr>
<td>Benchmark return**</td>
<td>2.39</td>
<td>5.36</td>
<td>5.69</td>
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<tr>
<td>Relative performance</td>
<td>0.52</td>
<td>0.40</td>
<td>0.40</td>
</tr>
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</table>

Net fund size: $2,291.8 million

* Gross Return is the return before the deduction of tax, expenses and fees and assumes all income is reinvested.

** The benchmark is the Bloomberg NZBond Composite 0+ Yr Index.
This quarter in brief

Fund commentary

The Fund outperformed its benchmark during the June quarter, returning 2.91% against the return for the Bloomberg NZBond Composite 0+ Yr Index of 2.39%.

We have reduced the size of our long duration position via selling of government bonds as supply concerns outweigh the efforts of the RBNZ to buy bonds. The long position is concentrated at the shorter-end of the curve which is less susceptible to supply/demand dynamics. With the downside for yields fairly limited, we may look to further reduce this long position closer to flat on any rally in yields. However, the longer term outlook remains bleak and the RBNZ and other central banks will keep policy ultra loose for an extended period so any sustained back up in yields should present an opportunity to re-enter longs at better levels.

We have been reducing the portfolio steepening position as government bond yields back up into supply. The portfolio remains overweight in the midcurve and has an underweight to the longer end via paid swap. We expect the economy to gradually transition from recession to a mild reflationary environment, which should lead to mild steepening pressure on the yield curve. However, this steepening of yield curves may take time and we therefore have scope to adjust our current position depending on market supply and demand dynamics.

More information

Before you decide to invest, please read the Product Disclosure Statement (PDS). A copy of the PDS can be obtained from the AMP Capital Investors (New Zealand) Limited website www.ampcapital.com or by contacting the Client Service Centre on 0800 400 499.

The Manager and the Issuer of the Fund is AMP Investment Management (NZ) Limited, Level 1, Meridian Building, 55 Lady Elizabeth Lane, Wellington.

ampcapital.com

Important note: There is no guarantee given for the return of capital or future performance. Investment decisions are very important. They have long-term consequences. Please refer to the PDS before investing. This fund fact sheet is not intended to constitute financial advice in accordance with the Financial Advisors Act 2008. You can seek advice from a financial advisor to help you make an investment decision. While every care has been taken in the preparation of this fund fact sheet, AMP Capital Investors (New Zealand) Limited makes no representations as to the accuracy or completeness of any statement in it. © Copyright 2020 AMP Capital Investors Limited. All rights reserved.