

AMP CAPITAL DYNAMIC MARKETS FUND (HEDGE FUND)

ASIC benchmarks and disclosure principles

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ASIC Benchmarks and disclosure principles for the AMP Capital Dynamic Markets Fund (Hedge Fund)

ARSN 609 155 731

ABOUT THIS DOCUMENT

ASIC Regulatory Guide 240 Hedge Funds: Improving disclosure (RG 240), issued by the Australian Securities and Investments Commission (ASIC), includes benchmarks and disclosure principles to help investors better understand the characteristics of hedge funds and the risks associated with them.

Benchmarks and disclosure principles for the AMP Capital Dynamic Markets Fund (Hedge Fund) (the Fund) are set out in this document, are taken to be included in the current product disclosure statement for the Fund (PDS) and should be read in conjunction with the PDS.

This document will be reviewed annually, and will be updated where material changes are identified.

A copy of the 'ASIC benchmark and disclosure principles for the AMP Capital Dynamic Markets Fund (Hedge Fund)' and a current PDS for the Fund are available online at www.ampcapital.com.au (go to the Fund page), and can also be obtained free of charge, on request.

Important information

BetaShares Capital Ltd (ABN 78 139 566 868, AFSL 341181) is the responsible entity of the AMP Capital Dynamic Markets Fund (Hedge Fund) (ARSN 609 155 731) and issuer of this document.

AMP Capital Investors Limited (AMP Capital) (ABN 59 001 777 591, AFSL 232497) is the investment manager of the Fund and has been appointed by the Responsible Entity to provide investment management and certain other services in respect of the Fund.

Unless otherwise specified, all dollar amounts in this document are Australian dollars.

This document should be read in conjunction with and is taken to be included in the current PDS for the Fund. The PDS contains important information about investing in the Fund and it is important that investors read the PDS before making a decision about whether to acquire, or continue to hold or dispose of units in the Fund. This document has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. Investors should, before making any investment decisions, consider the appropriateness of the information in this document, and seek professional advice, having regard to their objectives, financial situation and needs.

This document should be read in conjunction with the current PDS for the AMP Capital Dynamic Markets Fund (Hedge Fund) ARSN 609 155 731

1. Valuation of assets

Benchmark The responsible entity has and implements a policy that requires valuations of the hedge fund's assets that are not exchange traded to be provided by an independent administrator or an independent valuation services provider.

Non-exchange traded assets

This Benchmark is met as the Responsible Entity values the Fund's assets that are not exchange traded by using an independent fund administrator, FundBPO Pty Ltd.

The Fund's non-exchange traded assets, currently being cash holdings and currency forward contracts, are valued daily by the fund administrator.

The Fund's assets reflect their market value. The valuation methods applied to value the Fund's assets must be consistent with the range of ordinary commercial practice for valuing them and be reasonably current.

Exchange traded assets

The Fund primarily invests in Australian and global securities which are exchange traded and for which prices are available on exchanges. The Fund's exchange traded assets are valued at market prices by the fund administrator.

At present the Fund does not invest in direct assets.

2. Periodic Reporting

Benchmark The responsible entity has and implements a policy to provide periodic reports on certain key information as set out in the table below.

Monthly updates	<p>The following information is available on the hedge fund's website and is disclosed monthly or, if less often, at least often as investors have the right to redeem their investments and in reasonable time to allow investors to consider that information in making a decision whether to redeem their investment:</p> <ul style="list-style-type: none"> • the current total net asset value of the fund and the redemption value of a unit in each class of units as at the date the net asset value was calculated; • the key service providers if they have changed since the last report given to investors, including any change in their related party status, and <ul style="list-style-type: none"> – for each of the following matters since the last report on those matters: <ul style="list-style-type: none"> – the net return of the fund's assets after fees, costs and taxes; – any material change in the fund's risk profile; – any material change in the fund's strategy; and – any change in the individuals playing a key role in investment decisions for the fund.
Annual (or more frequent reporting)	<p>The responsible entity has and implements a policy to report on the following information as soon as practicable after the relevant period end:</p> <ul style="list-style-type: none"> • the actual allocation to each asset type; • the liquidity profile of the portfolio assets as at the end of the period – the representation of asset liquidity (the estimated time required to sell an asset at the value ascribed to that asset in the fund's most recently calculated net asset value) in a graphical or other form that allows easy comparison with the maturity profile of the liabilities; • the maturity profile of the liabilities as at the end of the period – the representation of maturities in a graphical form that allows easy comparison with the liquidity profile of the portfolio assets; • the leverage ratio (including leverage embedded in the assets of the fund, other than listed equities and bonds) as at the end of the period; • the derivatives counterparties engaged (including capital protection providers); • the monthly or annual investment returns over at least a five-year period (or, if the hedge fund has not been operating for five years, the returns since its inception); and • the key service providers if they have changed since the latest report given to investors, including any change in their related party status. <p>This information must be given to members as often as, and no later than or as soon as practicable after, any periodic statement required by s 1017D (but in any event no later than six months after the end of the relevant period).</p>
Ongoing availability	The latest report, which addresses the above matters, is available on the hedge fund's website.

Periodic Reporting continued

The Fund does not meet the requirements of this benchmark in full. The Fund provides you with key information in relation to the Fund on the Fund's website (www.ampcapital.com.au) or free of charge on request. The Fund meets the benchmark with the exception of the following:

In relation to Monthly Reporting, the Fund does not provide the current net asset value of the Fund as at month end, as an estimated net asset value of the Fund will be published on a daily basis (these will be estimates as final closing values for certain overseas markets will not be available by the time the net asset value is required to be calculated).

In relation to Annual Reporting, the Fund does not report on the following information as, in the opinion of the Responsible Entity, it is not relevant to the Fund:

- liquidity profile – this report is not relevant as all assets are highly liquid (are either exchange traded or have daily redemption terms) or can otherwise be liquidated on a daily basis;
- maturity profile – this report is not relevant for the reasons noted above under liquidity profile;
- leverage ratio – this report is not relevant as the Fund does not use leverage (i.e. financial products or debt to amplify the exposure to an investment), as part of its investment strategy.

In addition, the actual asset allocation and investment return information is not provided on an annual basis due to the fact that this information is reported more frequently, on a monthly basis.

Monthly Reporting

The Fund issues the following information on a monthly (or in some instances more frequent) basis and is available on request from the AMP Capital Client Services team and on the AMP Capital website, www.ampcapital.com.au:

- Actual allocation to each asset type as at each month end per the asset allocation guidelines in the Product Disclosure Statement.
- Current total estimated net asset value of the Fund as at month end (see the "NAV per unit and iNAV" section of the PDS for the method of how this is determined).
- Net investment return for the Fund as at month end, after management costs, over at least a five-year period or since inception (where the Fund has been operating for less than five years). Investment performance is reported on a before tax basis.
- To the extent applicable:
 - Any material change in the Fund's risk profile or investment strategy;
 - Any material change in the Fund's custodian, fund administrator or investment manager;
 - Any change in the individuals playing a key role in investment decisions (as noted under Disclosure Principle 2).

Annual Reporting

The Fund issues the following reporting on an annual basis:

- fund financial statements. This is available on request from the AMP Capital Client Services team and on the AMP Capital website, www.ampcapital.com.au;
- details of key service providers if they have changed since the latest report given to investors, including any change in related party status. Investors will be notified by the Responsible Entity of these changes;
- the derivative counterparties engaged. This is available on the AMP Capital website, www.ampcapital.com.au (go to the Fund page).

1. Investment strategy

DISCLOSURE PRINCIPLE 1: The responsible entity should disclose the following information:

- a. a description of the fund’s investment strategy, including:
 - (i) the typical asset classes to be invested in;
 - (ii) the typical location and currency denomination of the assets;
 - (iii) the role of leverage, derivatives and short selling;
- b. an explanation of how the strategy will produce investment returns;
- c. any key dependencies or assumptions underpinning the strategy’s ability to produce investment returns (e.g. market conditions or interest rates);
- d. what the diversification guidelines or limits are;
- e. any specific risks associated with the relevant investment strategy;
- f. disclosure of the key aspects of the fund’s risk management strategy; and
- g. if and how the investment strategy can change and what notification would be provided to investors

- global capital markets are functioning and inefficient;
- returns provided by the major capital markets in which the Fund invests are near their long term averages and cycle around their long term historic averages; and
- the asset allocation process underpinning the Fund’s investments is robust and is on balance more often correct than incorrect.

(d) What the diversification guidelines or limits are

The diversification guidelines or limits at both the growth/ defensive and asset class levels are bound by the ranges provided in the table below.

The neutral asset allocation represents only a guide as to where the Fund may be positioned in the absence of any asset allocation views. Actual asset allocation will vary from the neutral asset allocation. AMP Capital’s active views on the allocation of a particular asset class will result in moves away from the neutral asset allocation, within the specified range.

ASSET CLASS	RANGE	NEUTRAL ASSET ALLOCATION
Growth assets	0 - 90	60
Australian shares	0 - 50	20
International shares (developed and emerging markets)	0 - 50	25
Global REITS	0 - 25	5
Commodities	0 - 25	5
Global high yield credit	0 - 25	5
Defensive assets	10 - 100	40
Australian sovereign bonds	0 - 25	10
Global sovereign bonds	0 - 25	10
Global investment grade credit	0 - 25	10
Global inflation linked bonds	0 - 25	5
Cash	0 - 50	5
Total assets	100	100
Currency hedge ratio	0 - 100	100

The Fund meets this Disclosure Principle.

(a) Investment strategy

The Fund will be managed using a dynamic asset allocation style.

In the absence of rigid/growth defensive constraints, the Fund will invest in a mix of growth and defensive asset classes seeking to exploit periodic mispricing between asset classes through the business cycle.

The Fund seeks exposure to a range of traditional asset classes such as shares, listed property, commodities, fixed income and cash. Exposure to a broad range of Australian and international asset classes primarily located in Australia, North America, Europe and Asia is achieved through passive investments such as exchange traded funds (ETFs) and derivatives, rather than holding assets directly. The currency denomination of the assets is predominantly in Australian or United States dollars.

Gearing is not permitted. The Fund may borrow, normally up to 10% of Fund NAV, to meet its short term liquidity needs.

The Fund may use derivatives with the aim of:

- implementing the investment objectives of the Fund;
- enhancing returns by taking advantage of favourable mispricings within a market or currency, as a cost-effective alternative to purchasing physical assets; and
- protecting against risks such as unfavourable changes in an investment’s price brought about by, for example, changes in interest rates, credit risk, equity prices, currencies or other factors.

AMP Capital imposes restrictions on the use of derivatives within the Fund and monitors the implementation of these restrictions in accordance with the AMP Capital Derivative Risk Statement, which can be obtained by contacting AMP Capital.

The Fund does not engage in short selling.

(b) Explanation of how the strategy will produce investment returns

Dynamic asset allocation, where AMP Capital has the flexibility to change the asset class mix at any time within broad ranges, allows AMP Capital to rebalance the Fund’s asset allocation mix across a range of asset classes in order to take advantage of opportunities arising from market mispricing.

(c) Any key dependencies or assumptions underpinning the strategy’s ability to produce investment returns (e.g. market conditions or interest rates)

AMP Capital considers the key assumptions underpinning the strategy’s ability to produce investment returns include:

In the above table, “credit” refers to corporate bonds.

The aim of dynamic asset allocation is to enhance the Fund’s ability to negotiate the ups and downs of the investment cycle, refining the portfolio as needed to support the Fund in achieving its objective of maintaining a contemporary portfolio relevant to market conditions.

(e) Any specific risks associated with the relevant investment strategy

Please refer to the ‘Risks of investing’ section of the PDS.

(f) Disclosure of key aspects of the Fund’s risk management strategy

Risk is managed in the Fund through:

- Diversification across a wide array of growth and defensive asset classes; and
- A robust asset allocation process that includes analysis across five primary drivers of investment returns and an optimisation process seeking to ensure the final asset allocation for the Fund is situated in the optimal region in terms of risk/return and Sharpe ratio/ shortfall probability.

Stress testing and scenario analysis is also conducted by an independent Investment Risk team at AMP Capital to raise awareness of any significant risks in the Fund.

(g) If and how the investment strategy can change and what notification would be provided to investors

Any significant change to the Fund’s investment objective or strategy will be notified to investors via a supplementary or new PDS accessible through the ASX Market Announcements Platform.

2. Investment manager

DISCLOSURE PRINCIPLE 2: The responsible entity should disclose the following information:

- a. the identity of, and information on any relevant significant adverse regulatory findings against, any Investment Manager appointed by the Responsible Entity of the hedge fund;
- b. the identities, relevant qualifications and commercial experience (including information on any relevant significant adverse regulatory findings against) of any individuals playing a key role in investment decisions and the proportion of their time each will devote to executing the fund's investment strategy;
- c. if any of the assets are not managed by the responsible entity, any unusual and materially onerous (from an investor's perspective) terms in the agreement or other arrangement under which any investment manager is appointed and the scope of this appointment;
- d. the circumstances in which the Responsible Entity is entitled to terminate the Investment Manager's appointment and on what terms (including any payments).

The Fund meets this Disclosure Principle.

Fund's investment manager is AMP Capital. There have been no relevant significant adverse regulatory findings against any individual playing a key role in investment decisions and who devotes time to executing the Fund's investment strategy.

AMP Capital's investment team is made up of professionals with extensive experience in asset allocation, economic and market analysis, portfolio construction and risk management. Information about key individuals in the team is included in the table below. In addition to this, the team also benefits from access to AMP Capital's broader investment management resources and capabilities.

	KEY INDIVIDUAL	YEARS EXPERIENCE	QUALIFICATIONS
AMP Capital Dynamic Markets Fund (Hedge Fund)	Shane Oliver	32	PhD, BA (Eco) (Hons), ASIA
AMP Capital Dynamic Markets Fund (Hedge Fund)	Nader Naeimi	19	BCom, MCom

NADER NAEIMI

Nader Naeimi is the Head of Dynamic Markets and Portfolio Manager for the Fund. As co-head of the Investment Strategy and Dynamic Markets team, Nader's responsibilities include leading the Dynamic Markets strategy for AMP Capital's Multi-Asset Group as well as other macro strategies and asset allocations for several AMP Capital funds. The Multi-Asset Group specialises in the construction and management of multi-asset (or diversified) portfolio solutions. In his capacity as Head of Dynamic Markets, Nader is responsible for analyzing key economic and market factors influencing global markets from which asset allocation decisions are made for the Fund. He is also responsible for implementation and rebalancing decisions relating to the Fund.

SHANE OLIVER

Shane Oliver is the Head of Investment Strategy and Chief Economist at AMP Capital. As co-head of the Investment Strategy and Dynamic Markets team, Shane is responsible for providing economic and market analysis of key variables and issues affecting, or likely to affect, all investment markets. Shane has extensive experience analyzing the relative return outlook between key asset classes including fixed income, property and equities, and their relationship to the investment cycle. Shane chairs the weekly asset allocation meeting and provides oversight of all asset allocation decisions for the Fund.

These individuals devote all of their business time to AMP Capital's business, which includes managing and executing the investment strategy of the Fund.

AMP Capital and the Responsible Entity have entered into agreements which set out the terms of their business relationship in respect of the Fund (and other funds), including AMP Capital's role as investment manager of the Fund. Under the arrangements between the parties, AMP Capital's appointment as investment manager will continue until the termination of the Fund, except in limited circumstances as set out in the Fund's Constitution or as otherwise agreed between them. For more information, contact AMP Capital for a free copy of the Fund's Constitution.

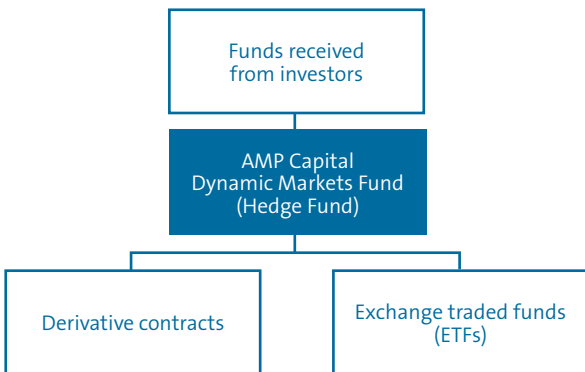
3. Fund structure

DISCLOSURE PRINCIPLE 3: The responsible entity should disclose the following information:

- a. the fund’s investment structure – that is, the key entities involved (e.g. companies, schemes and limited partnerships), their relationship to each other and their roles, together with a diagram showing the flow of investment money through the structure;
- b. the identities of the key service providers (e.g. investment managers, prime brokers, custodian, administrator, valuation service provider and auditor) and scope of their services, where applicable;
- c. how the Responsible Entity ensures that its key service providers will comply with their service agreement obligations;
- d. any related party relationships within the structure, including any related party relationships between the Responsible Entity and the investment managers, or between the Responsible Entity or investment managers and any underlying funds, counterparties or any key service providers (including executing brokers) to the fund;
- e. the existence and nature of material arrangements in connection with the hedge fund that are not on arm’s length terms (see Regulatory Guide 76 Related party transactions (RG 79));
- f. for funds of hedge funds, the due diligence process performed on underlying funds and their key service providers;
- g. a reasonable estimate of the aggregate amount of any fees and costs that would be disclosed by all underlying funds (that are not listed entities or corporations that are not investment companies) as if each of these entities were a registered scheme disclosing in accordance with Schedule 10 of the Corporations Regulations 2001, but so as to exclude double counting to the extent that those management costs include management costs of the hedge fund;
- h. the jurisdiction of the entities involved in the fund’s structure; and
- i. the risks of the structure, including any risks associated with holding assets overseas or, for funds of hedge funds, with investing in underlying funds overseas.

The Fund meets this Disclosure Principle.

The Fund may invest in derivatives or exchange traded funds as illustrated in the diagram below.



Key service providers

There are a number of parties who have been engaged by the Responsible Entity to provide services in relation to operating the Fund. A summary of the Fund’s key service providers is shown below.

Custodian

The Responsible Entity has appointed BNP Paribas Securities Services (“BNP Paribas”) to provide custodial services to the Fund.

Fund administrator

The Responsible Entity has appointed FundBPO Pty Ltd to provide fund administration services to the Fund.

Settlements agent

The Responsible Entity has appointed RBC Investor Services Trust to facilitate the settlement of transactions on behalf of the Fund with the market making agent.

Unit registrar

The Responsible Entity has appointed Link Market Services Limited to provide unit registry services to the Fund.

Auditor

The Responsible Entity has engaged KPMG as the independent auditor of the financial statements of the Fund and of the Responsible Entity’s compliance plan for the Fund.

Investment Manager

The Fund’s investment manager is AMP Capital Investors Limited.

Monitoring of service providers

The Responsible Entity has procedures in place to monitor the performance of those service providers to whom functions have been outsourced. Monitoring methods include, where appropriate, daily observation of service provider performance, review of regular compliance and audit reports, regular meetings with service providers and performance assessments.

Related party relationships

As at the date of this document there are no related party relationships between the Responsible Entity and the investment manager, or between the Responsible Entity or investment manager and any underlying funds, counterparties or any key service providers to the Fund. All material arrangements in connection with the Fund are on arm’s length terms.

The means by which the Fund obtains its investment exposure may include investment in ETFs managed or distributed by the Responsible Entity (“related funds”). Related funds may be used if AMP Capital considers the investment is consistent with the Fund’s investment objective and strategy and will otherwise be an efficient way to obtain exposure. If used, the Fund would also incur the management costs charged in the related fund, which would be reflected in the returns of the related fund.

Jurisdiction of the entities involved in the Fund structure

The Fund’s investments are primarily in exchange-traded securities traded on exchanges in Australia and international markets, mainly in the USA and UK. All key service providers to the Fund are domiciled in Australia, with the exception of BNP Paribas and RBC Investor Services Trust, which are domiciled in France and Canada, respectively, with extensive business operations in Australia. The Custodian’s services are undertaken in Australia and Asia.

Risks of the Fund’s structure

Currency exchange rates - Where the Fund’s investments are located overseas, the relative strength or weakness of the Australian dollar against other currencies may influence the value of, or income from, an investment.

Hedging – the Fund’s international investments may be fully or partially hedged back to Australian dollars. Where partially hedged, the Fund could incur reduced returns through any adverse movements related to hedging or currency exchange rates. Risks such as illiquidity or default by the other party to the transaction may also apply.

Less protection under laws outside of Australia – the laws under which assets located outside of Australia operate may not provide equivalent protection to that of Australian laws, which may mean that the Fund is unable to recover the full or part value of an offshore investment.

Emerging markets – securities markets in emerging markets are smaller and have been more volatile than the major securities markets in more developed countries. This is often a reflection of a less developed country’s greater political instability or uncertainty, exchange rate uncertainty, lower market transparency or uncertain economic growth. Clearance and settlement procedures in an emerging country’s securities market may be less developed which could lead to delays in settling trades and registering transfers of securities.

Changes in the state of the Australian and world economies may affect the value of investment in the Fund.

As an exchange-traded managed fund, there is the risk of the Fund’s Units being suspended from trading, of a lack of a liquid market for Units, and of the trading price of Units differing from NAV per Unit. Also, as the Responsible Entity outsources key certain key functions, such as investment management, custody, fund emerging markets) administration (including valuations and unit pricing) and unit registry, to third party service providers, there is the risk that service providers will default in performing their obligations (whether intentionally or unintentionally) and cause loss to the Fund.

4. Valuation, location and custody of assets

DISCLOSURE PRINCIPLE 4: The responsible entity should disclose the following information:

- a. the key aspects of the valuation policy;
- b. the types of assets that the fund does or may invest in and the allocation range for each asset type, using the following assets types (including the assets of underlying funds)
 - (i) Australian listed equities
 - (ii) Australian unlisted equities
 - (iii) international listed equities
 - (iv) international unlisted equities
 - (v) Australian government bonds
 - (vi) Australian corporate bonds
 - (vii) International government bonds
 - (viii) International corporate bonds
 - (ix) structured products
 - (x) real property
 - (xi) infrastructure
 - (xii) exchange traded derivatives
 - (xiii) over-the-counter (OTC) derivatives
 - (xiv) cash equivalent investments
 - (xv) other (provide details)
- c. any policy about the geographic location of the asset
- d. the geographic location of any material asset and
- e. the custody arrangements; including details of the roles provided by custodians. Where assets are not held by a third party custodian, the Responsible Entity should disclose the types and proportion of those assets relative to the Fund’s net asset value.

The Fund meets this Disclosure Principle.

Key aspects of the valuation policy

The Fund’s assets and liabilities will be valued, and the net asset value calculated, at the closing prices for the securities on their relevant markets and converted to Australian dollars using 4pm London time exchange rates for currency markets, unless otherwise determined by the Responsible Entity. The Fund’s assets will reflect their market value.

Investments in currency forward contracts are valued on a daily basis by an independent administrator, FundBPO Pty Ltd.

The valuation methods applied by the Responsible Entity to value the Fund’s assets and liabilities must be consistent with the range of ordinary commercial practice for valuing them and be reasonably current.

Types of investments the Fund does or may invest in

ASSET CLASS	RANGE	NEUTRAL ASSET ALLOCATION
Growth assets	0 - 90	60
Australian shares	0 - 50	20
International shares (developed and emerging markets)	0 - 50	25
Global REITS	0 - 25	5
Commodities	0 - 25	5
Global high yield credit	0 - 25	5
Defensive assets	10 - 100	40
Australian sovereign bonds	0 - 25	10
Global sovereign bonds	0 - 25	10
Global investment grade credit	0 - 25	10
Global inflation linked bonds	0 - 25	5
Cash	0 - 50	5
Total assets	100	100
Currency hedge ratio	0 - 100	100

In the above table “credit” refers to corporate bonds.

The neutral asset allocation represents only a guide as to where the portfolio may be positioned in the absence of any asset allocation views. Actual asset allocation will vary from the neutral asset allocation. AMP Capital’s active views on the allocation of a particular asset class will result in moves away from the neutral asset allocation, within the specified range.

The Fund does not have a geographic location policy. The Fund’s investments are global and are primarily located in Australia, North America, Europe and Asia.

Custodial arrangements

The Fund’s assets, whether securities or cash (other than cash posted as collateral for futures positions), will be held by an external custodian, BNP Paribas. See Disclosure Principle 3 for further information on BNP Paribas.

5. Liquidity

DISCLOSURE PRINCIPLE 5: If the responsible entity of a hedge fund cannot reasonably expect to realise at least 80% of its assets, at the value ascribed to those assets in calculating the fund’s net asset value, within 10 days, the responsible entity should disclose:

- a description of any asset class that has a value greater than 10% of the fund’s net asset value and cannot be reasonably expected to be realised at the value ascribed to that asset in calculating the fund’s most recent net asset value within 10 days; and
- the key aspects of the liquidity management policy.

This Disclosure Principle is not applicable to the Fund as the Responsible Entity can reasonably expect to realise at least 80% of its assets, at the value ascribed to those assets in calculating the Fund’s net asset value, within 10 days.

6. Leverage

DISCLOSURE PRINCIPLE 6: The responsible entity should disclose the following information:

- the circumstances in which the hedge fund may use leverage and any restrictions on its use of leverage
- the sources of leverage, including the type, the amount and the providers of the leverage
- whether any assets are used as collateral, and the extent to which they are otherwise encumbered or exposed to set-off or other legitimate claims by third parties in the event of the insolvency of the responsible entity, a service or credit provider, or a counterparty
- the maximum anticipated and allowed level of leverage (including leverage embedded in holdings of listed equities and bonds) as a multiple of the net asset value of an investor’s capital in the fund (e.g. for every \$1 of the fund’s net asset value, the fund is leveraged \$x), and
- a worked example showing the impact of leverage on investment returns and losses, assuming the maximum anticipated level of leverage (including leverage embedded in the assets of the fund, other than leverage embedded in holdings of listed equities and bonds).

This Disclosure Principle is not applicable to the Fund as leverage (i.e. the use of financial products or debt to amplify the exposure to an investment) is not permitted as part of the Fund’s investment strategy. The Fund may only borrow to meet its short term liquidity needs. The Fund uses derivatives but not to amplify the exposure of the Fund to an investment. In relation to the Fund’s use of derivatives, please see Disclosure Principle 7.

7. Derivatives

DISCLOSURE PRINCIPLE 7: The responsible entity should disclose the following information:

- a. the purpose and rationale for the use of derivatives (e.g. investment hedging, leverage and liquidity), including how they form part of the hedge fund's investment strategy
- b. the types of derivatives used or planned to be used
- c. the criteria for engaging derivative counterparties (including principal protection providers)
- d. the key risks to the hedge fund associated with the collateral requirements of the derivative counterparties, and
- e. whether the derivatives are OTC or exchange traded.

The Fund meets this Disclosure Principle.

Purpose and Rationale

The Fund primarily uses derivatives to gain exposure to asset classes or to hedge foreign currency exposure.

Futures

The majority of the Fund's derivatives trading is in the Futures market to gain exposure to asset class indices. Futures are used as an economic way to gain exposure to a market index and are also highly liquid and may be more easily traded than physically held assets. Forwards may also be used for currency hedging purposes to manage the foreign currency hedge ratio in the Fund or to establish currency positions from time to time which seek to profit from currency movements.

Types

The type of derivatives which AMP Capital expects to utilise for the Fund are equity index futures contracts, treasury bond futures contracts, commodity futures contracts and currency forward contracts.

Criteria for engaging derivatives counterparties

Derivatives counterparties are engaged based on:

- background analysis of the counterparty or issuer;
- counterparty credit rating – generally no trading is conducted with counterparties with an S&P/Moody's credit rating 'A-' or below;
- an ISDA Master Agreement or other appropriate documentation being in place prior to trading.

Key risks of derivative collateral requirements

The key risks associated with the collateral requirements of the derivatives counterparties are:

- counterparty credit risk (the risk that the failure of a counterparty will cause a loss due to the replacement cost of the contracts in the open market (usually OTC derivatives));
- settlement risk (the risk that the completion or settlement of individual transactions will not take place as expected);
- reputation risk (the risk of a loss of business due to negative perception derived from dealings with brokers who hold low standards of market ethics and behaviour);
- the risk that the Fund may not be able to meet payment obligations as they arise, including any requirements to make margin or collateral payments to the derivatives counterparty;
- any assets of the Fund held by a futures clearing broker as margin or collateral may be combined with assets of other clients of the broker and held in a single account. Should any client's trading activity result in a default, then the combined assets in the account may be used by the broker to meet the default.

In order to mitigate these risks:

- there is a requirement to check if a derivatives trading agreement, International Swaps Derivatives Association (ISDA) agreement, or other appropriate derivatives documentation is in place. If there is no ISDA in place the AMP Capital legal team must be engaged to ensure appropriate documentation is completed before any transactions can occur with the counterparty; and
- an ISDA can also include a credit support annex (CSA) which provides credit protection by setting forth the rules governing the mutual posting of collateral. CSAs are used in documenting collateral arrangements between two parties that trade privately negotiated (over-the-counter) derivative securities.

All derivatives the Fund invests in to gain exposure to asset class indices are exchange traded. Over-The-Counter (OTC) derivatives in the form of currency forward contracts are used for currency hedging purposes.

8. Short selling

DISCLOSURE PRINCIPLE 8: If a hedge fund intends or is likely to engage in short selling, the responsible entity should disclose the following information:

- a. the purpose and rationale for short selling, including how short-selling forms part of the hedge fund's investment strategy
- b. the risks associated with short selling, and
- c. how these risks will be managed.

This Disclosure Principle is not applicable to the Fund as short selling is not permitted under the Fund's investment strategy.

9. Withdrawals

DISCLOSURE PRINCIPLE 9: THE RESPONSIBLE ENTITY SHOULD DISCLOSE THE FOLLOWING INFORMATION:

- a. any significant risk factors or limitations that may affect the ability of investors to withdraw from the hedge fund, including any gating restrictions that may be imposed or the requirement for requests for withdrawal only to be acted on under a statutory withdrawal offer if the hedge fund is not a liquid scheme as defined in the Corporations Act
- b. how investors can exercise their withdrawal rights, including any conditions on exercise
- c. if withdrawal is to be funded from an external liquid facility, the material terms of this facility, including any rights the external liquid facility provider has to suspend or cancel the facility, and
- d. how investors will be notified of any material change to their withdrawal rights (e.g. if withdrawal rights are to be suspended).

Subject to market conditions, all Unitholders may sell their Units by trading on the ASX.

If trading in the Fund's Units has been suspended for more than five consecutive ASX Trading Days, investors will have a right to apply to the Responsible Entity directly ("off-market") to withdraw their investment from the Fund. However, the ability to withdraw from the Fund off-market will not be available in certain specified situations.

Unless trading in the Fund's Units has been suspended for more than five consecutive ASX Trading Days as described above or the law requires, there is no right to request withdrawal of Units from the Fund off-market.

Withdrawals will be funded by using available cash and/or by selling sufficient investments to meet the withdrawal. However, the Fund may borrow to meet its short term liquidity needs, such as to manage timing differences between the settlement of transactions relating to the Fund. Borrowing will normally not exceed 10% of the Fund's NAV.

The Responsible Entity will notify investors of any material changes to their withdrawal rights via the ASX Market Announcements Platform.

See also the "How to withdraw your investment" and "Off-market withdrawal of Units" sections of the PDS.

CONTACTING AMP CAPITAL

To contact the investment manager of the Fund, AMP Capital, please use the details below:

Sydney office

AMP Capital Investors Limited
50 Bridge Street
Sydney NSW 2000

Mailing address

Client Services
AMP Capital Investors
GPO Box 5445 Sydney NSW 2001

Client Services

1800 658 404
8.30am – 5.30pm Sydney time, Monday to Friday
clientservices@ampcapital.com
ampcapital.com.au