

**AMP CAPITAL MONTHLY INCOME FUNDS**

**DIRECTORS' REPORT AND FINANCIAL REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**AMP Capital Funds Management Limited  
33 Alfred Street,  
Sydney, NSW 2000  
ACN 159 557 721**

**AMP CAPITAL MONTHLY INCOME FUNDS**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>Directors' Report</b>	1
<b>Auditor's Independence Declaration</b>	4
<b>Financial Report</b>	
Statements of Comprehensive Income	5
Statements of Financial Position	6
Statements of Changes in Net Assets Attributable to Unitholders	7
Statements of Cash Flows	8
Notes to the Financial Statements	9
<b>Directors' Declaration</b>	23
<b>Auditor's Report</b>	24

## AMP CAPITAL MONTHLY INCOME FUNDS

### DIRECTORS' REPORT

The Directors of AMP Capital Funds Management Limited (ABN 15 159 557 721), the "Responsible Entity" of the AMP Capital Monthly Income Funds (the "Schemes"), listed below, present their report together with the Financial Report of the Schemes for the financial year ended 31 December 2019.

Scheme Name	ARSN
AMP Capital Monthly Income Fund No.1	093 325 574
AMP Capital Monthly Income Fund No.2	093 325 412
AMP Capital Monthly Income Fund No.3	093 325 672

### Directors

The Directors of the Responsible Entity during the financial year and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise:

Ming Yen Long	Non-Executive Director	
Robert Victor McKinnon	Non-Executive Director	
John Patrick Moorhead	Executive Director	Resigned 2 June 2019
Peter Joseph Seymour Rowe	Non-Executive Director	
Adam Michael Tindall	Executive Director	
Adrian Arthur Williams	Executive Director	Appointed 3 June 2019

### Scheme Information

The Schemes are Australian Registered Schemes. AMP Capital Funds Management Limited, the Responsible Entity of the Schemes, is incorporated and domiciled in Australia.

The registered office of the Responsible Entity is located at 33 Alfred Street, Sydney, NSW 2000.

### Principal Activity

The principal activity of the Schemes is the investment of unitholders' funds in accordance with each Scheme's mandate. There has been no significant change in the nature of this activity during the financial year.

### Review of Results and Operations

The performance of the Schemes as represented by the results of operations, was as follows:

	Net profit/(loss) attributable to unitholders after tax expenses and before finance costs		Distributions to unitholders paid and/or payable during the financial year	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	\$	\$	\$	\$
AMP Capital Monthly Income Fund No.1	1,906,983	(380,770)	2,034,528	2,351,959
AMP Capital Monthly Income Fund No.2	7,925,803	(1,516,187)	6,342,060	7,221,855
AMP Capital Monthly Income Fund No.3	9,716,005	(1,856,307)	7,126,506	5,948,377

## AMP CAPITAL MONTHLY INCOME FUNDS

### DIRECTORS' REPORT (Continued)

#### Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Schemes during the financial year ended 31 December 2019.

#### Significant Events After the Balance Date

As at the date of this report, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Schemes, the results of their operations or their state of affairs, which is not already reflected in the Financial Report.

#### Likely Developments and Expected Results

The investment strategy will be maintained in accordance with each Scheme's Constitution. Currently, there are no significant developments expected in respect of the Schemes. The performance of the Schemes in the future will be subject to movements in the underlying investment markets over time.

#### Environmental Regulation and Performance

The operations of the Schemes are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

#### Relevant Information

Following is a list of relevant information required under the Corporations Act:

- Fees paid to the Responsible Entity - refer to Note 7 to the Financial Statements
- Units held by the Responsible Entity in the Schemes - refer to Note 7 to the Financial Statements
- Units issued in the Schemes during the financial year - refer to Note 5 to the Financial Statements
- Units withdrawn from the Schemes during the financial year - refer to Note 5 to the Financial Statements
- The value of the Schemes' assets and basis of valuation - refer to the Statements of Financial Position and Note 1 respectively
- The number of units in the Schemes as at 31 December 2019 - refer to Note 5 to the Financial Statements
- Distributions payable to unitholders at the balance date - refer to the Statements of Financial Position

These notes have been presented in accordance with ASIC Corporations (Directors' Report Relief) Instrument 2016/188.

#### Indemnification and Insurance of Directors and Officers

Under its constitution, AMP Capital Funds Management Limited (the Company) indemnifies, to the extent permitted by law, all current and former officers of the Company (including the directors) against any liability (including the reasonable costs and expenses of defending proceedings for an actual or alleged liability) incurred in their capacity as an officer of the Company. This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by or on behalf of the AMP Limited (the Company's ultimate parent company) Board.

During, and since the end of, the financial year ended 31 December 2019, AMP Limited maintained, and paid the premium for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of the AMP group (including each director, secretary and senior manager of the Company) against certain liabilities as permitted by the Corporations Act. The insurance policy prohibits disclosure of the nature of the liabilities covered, the amount of the premium payable and the limit of liability.

## AMP CAPITAL MONTHLY INCOME FUNDS

### DIRECTORS' REPORT (Continued)

#### Indemnification and Insurance of Directors and Officers (continued)

In addition, AMP Group Holdings Limited ("AMPGH") and current and former directors and secretaries of the Company are parties to deeds of indemnity, insurance and access. Those deeds provide that:

- those officers will have access to board papers and specified records of the Company (and of certain other companies) for their period of office and for at least ten (or, in some cases, seven) years after they cease to hold office (subject to certain conditions);
- AMPGH indemnifies the relevant officers to the extent permitted by law, and to the extent and for the amount that the relevant officer is not otherwise entitled to be, and is not actually, indemnified by another person;
- the indemnity covers liabilities (including legal costs) incurred by the relevant officer in their capacity as a current or former director or secretary (and, in the case of directors, as a current or former officer or specified representative) of the Company, or of another AMP group company or, in certain cases, of an external company (where the person holds the relevant external position at the AMP group's request); and
- the AMP group will maintain directors' and officers' insurance cover for those officers, to the extent permitted by law, for the period of their office and for at least ten years after they cease to hold office.

During or since the end of the financial year ended 31 December 2019, no payments have been made by the Company to an existing or former officer under an indemnity.

#### Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' Report for the financial year ended 31 December 2019.

#### Related Scheme Reports

ASIC Corporations (Related Scheme Reports) Instrument 2015/839 allows the Financial Statements and the Directors' Report of related registered schemes to be presented in a single Financial Report. This Financial Report has been prepared in accordance with this relief.

#### Rounding

The amounts contained in the Directors' Report and the Financial Report have been rounded under the option available to the Schemes under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Schemes are entities to which the instrument applies and, in accordance with the instrument, amounts in the Directors' Report and the Financial Report have been rounded to the nearest dollar (where rounding is appropriate).

Signed in accordance with a resolution of the Directors:



Director

12 March 2020, Sydney



**Building a better  
working world**

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## Auditor's Independence Declaration to the Directors of AMP Capital Funds Management Limited

For the following AMP Capital Monthly Income Funds (the "Schemes"):

- ▶ AMP Capital Monthly Income Fund No.1
- ▶ AMP Capital Monthly Income Fund No.2
- ▶ AMP Capital Monthly Income Fund No.3

As lead auditor for the audits of the financial reports of the above Schemes for the financial year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Mark Jones  
Partner  
12 March 2020

AMP CAPITAL MONTHLY INCOME FUNDS

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Notes	AMP Capital Monthly Income Fund No.1		AMP Capital Monthly Income Fund No.2		AMP Capital Monthly Income Fund No.3	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	\$	\$	\$	\$	\$	\$
<b>INVESTMENT INCOME</b>						
Distributions	1,055,395	1,024,500	4,511,820	4,310,585	5,463,701	5,244,559
Interest income from financial assets measured at amortised cost	22,581	34,460	14,679	28,457	9,770	21,515
Net changes in the fair value of financial instruments measured at fair value through profit or loss	1,106,855	(1,085,179)	4,600,178	(4,461,667)	5,681,685	(5,431,304)
Other income	24,341	-	8,301	-	23,982	-
<b>Total investment income/(loss)</b>	<u>2,209,172</u>	<u>(26,219)</u>	<u>9,134,978</u>	<u>(122,625)</u>	<u>11,179,138</u>	<u>(165,230)</u>
<b>EXPENSES</b>						
Interest expense	-	-	-	-	(132)	-
Responsible entity fees	7(c) (294,921)	(345,638)	(1,182,289)	(1,361,184)	(1,429,429)	(1,651,158)
Custody fees	(673)	(1,312)	(719)	(1,267)	(594)	(1,216)
<b>Total expenses</b>	<u>(295,594)</u>	<u>(346,950)</u>	<u>(1,183,008)</u>	<u>(1,362,451)</u>	<u>(1,430,155)</u>	<u>(1,652,374)</u>
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS BEFORE TAX EXPENSES AND FINANCE COSTS</b>	1,913,578	(373,169)	7,951,970	(1,485,076)	9,748,983	(1,817,604)
Withholding tax expense	(6,595)	(7,601)	(26,167)	(31,111)	(32,978)	(38,703)
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER TAX EXPENSES AND BEFORE FINANCE COSTS</b>	1,906,983	(380,770)	7,925,803	(1,516,187)	9,716,005	(1,856,307)
<b>Finance costs attributable to unitholders</b>						
Distributions to unitholders	(2,034,528)	(2,351,959)	(6,342,060)	(7,221,855)	(7,126,506)	(5,948,377)
(Increase)/decrease in net assets attributable to unitholders	<u>127,545</u>	<u>2,732,729</u>	<u>(1,583,743)</u>	<u>8,738,042</u>	<u>(2,589,499)</u>	<u>7,804,684</u>
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER TAX EXPENSES AND FINANCE COSTS</b>	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

AMP CAPITAL MONTHLY INCOME FUNDS

STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019

	Notes	AMP Capital Monthly Income Fund No.1		AMP Capital Monthly Income Fund No.2		AMP Capital Monthly Income Fund No.3	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
		\$	\$	\$	\$	\$	\$
<b>ASSETS</b>							
Cash and cash equivalents		1,369,645	1,197,963	603,000	1,282,846	589,922	-
Receivables	3	60,188	69,238	245,834	284,651	295,797	350,698
Financial assets measured at fair value through profit or loss							
Unlisted managed investment funds		14,777,575	15,581,016	65,511,409	69,668,456	78,486,553	86,019,022
<b>TOTAL ASSETS</b>		<u>16,207,408</u>	<u>16,848,217</u>	<u>66,360,243</u>	<u>71,235,953</u>	<u>79,372,272</u>	<u>86,369,720</u>
<b>LIABILITIES</b>							
Bank overdraft		-	-	-	-	-	130,684
Payables	4	24,137	25,663	95,492	101,980	114,482	124,300
Distributions payable		162,291	168,704	498,385	534,990	397,411	431,787
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>		<u>186,428</u>	<u>194,367</u>	<u>593,877</u>	<u>636,970</u>	<u>511,893</u>	<u>686,771</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>		<u>16,020,980</u>	<u>16,653,850</u>	<u>65,766,366</u>	<u>70,598,983</u>	<u>78,860,379</u>	<u>85,682,949</u>



**AMP CAPITAL MONTHLY INCOME FUNDS**

**STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	AMP Capital Monthly Income Fund No.1		AMP Capital Monthly Income Fund No.2		AMP Capital Monthly Income Fund No.3	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	\$	\$	\$	\$	\$	\$
Balance at the beginning of the financial year - Liability	16,653,850	21,442,207	70,598,983	89,096,936	85,682,949	107,337,666
Applications	770,907	833,984	553,805	939,825	2,281,542	3,560,843
Distributions to unitholders reinvested	1,130,267	1,191,187	3,098,558	3,425,285	3,749,730	3,133,994
Redemptions	(2,406,499)	(4,080,799)	(10,068,723)	(14,125,021)	(15,443,341)	(20,544,870)
	<u>16,148,525</u>	<u>19,386,579</u>	<u>64,182,623</u>	<u>79,337,025</u>	<u>76,270,880</u>	<u>93,487,633</u>
Increase/(decrease) in net assets attributable to unitholders	(127,545)	(2,732,729)	1,583,743	(8,738,042)	2,589,499	(7,804,684)
<b>Balance at the end of the financial year - Liability</b>	<u><u>16,020,980</u></u>	<u><u>16,653,850</u></u>	<u><u>65,766,366</u></u>	<u><u>70,598,983</u></u>	<u><u>78,860,379</u></u>	<u><u>85,682,949</u></u>

**AMP CAPITAL MONTHLY INCOME FUNDS**

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	AMP Capital Monthly Income Fund No.1		AMP Capital Monthly Income Fund No.2		AMP Capital Monthly Income Fund No.3	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Notes \$	\$	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Proceeds from sales of financial instruments measured at fair value through profit or loss	2,373,003	3,377,121	10,806,531	14,469,284	15,685,743	17,181,647
Distributions received	600,715	436,295	2,497,921	1,781,859	3,042,927	2,162,381
Interest income received	22,581	34,460	14,679	28,457	9,770	21,515
GST received/(paid)	1,023	965	3,410	4,781	4,086	5,498
Other income received	24,341	-	8,301	-	23,982	-
Responsible entity fees paid	(296,143)	(352,845)	(1,188,473)	(1,388,920)	(1,439,108)	(1,684,477)
Withholding tax paid	(6,595)	(7,601)	(26,167)	(31,111)	(32,978)	(38,703)
Custody fees paid	(977)	(1,784)	(1,023)	(1,839)	(865)	(1,637)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>6(a) 2,717,948</u>	<u>3,486,611</u>	<u>12,115,179</u>	<u>14,862,511</u>	<u>17,293,557</u>	<u>17,646,224</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from applications by unitholders	770,907	833,984	553,805	939,825	2,281,542	3,560,843
Payments for redemptions by unitholders	(2,406,499)	(4,080,799)	(10,068,723)	(14,125,021)	(15,443,341)	(20,544,870)
Distributions paid to unitholders	(910,674)	(1,209,318)	(3,280,107)	(3,936,892)	(3,411,152)	(2,923,612)
<b>Net cash inflow/(outflow) from financing activities</b>	<u>(2,546,266)</u>	<u>(4,456,133)</u>	<u>(12,795,025)</u>	<u>(17,122,088)</u>	<u>(16,572,951)</u>	<u>(19,907,639)</u>
<b>Net increase/(decrease) in cash and cash equivalents held</b>	171,682	(969,522)	(679,846)	(2,259,577)	720,606	(2,261,415)
Cash and cash equivalents at the beginning of the financial year	1,197,963	2,167,485	1,282,846	3,542,423	(130,684)	2,130,731
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR*</b>	<u>1,369,645</u>	<u>1,197,963</u>	<u>603,000</u>	<u>1,282,846</u>	<u>589,922</u>	<u>(130,684)</u>

\*Cash and cash equivalents include investments in unlisted cash trusts. Further details are disclosed in Note 1(g) Cash and Cash Equivalents and Note 7(b)(i) Related party holdings.

**AMP CAPITAL MONTHLY INCOME FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

**(a) Basis of Preparation**

This general purpose Financial Report has been prepared in accordance with each Scheme's Constitution and with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act. The Schemes are for-profit entities for the purposes of preparing Financial Statements. The Financial Report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The assets and liabilities are measured on a fair value basis, except where otherwise stated.

The Statements of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Schemes' assets and liabilities are held for the purpose of being traded or are expected to be realised within 12 months, except for net assets attributable to unitholders. Given the nature of the Schemes, a reasonable estimate cannot be made of the amount of the balances that are unlikely to be settled within 12 months.

*Changes in Australian Accounting Standards*

The Schemes have adopted all mandatory standards and amendments for the financial year beginning 1 January 2019. Adoption of these standards and amendments has not had any material effect on the financial position or performance of the Schemes.

*Australian Accounting Standards issued but not yet effective*

There are no standards or amendments issued but not yet effective that are expected to have a material impact on the Schemes.

**(b) Recognition and Derecognition of Financial Assets and Liabilities**

Financial assets and financial liabilities are recognised at the date the Schemes become a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**(c) Financial Assets Measured at Fair Value Through Profit or Loss**

The Responsible Entity classifies the Schemes' financial instruments based on their business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Schemes' portfolio of financial assets is managed, and their performance are evaluated, on a fair value basis in accordance with the Schemes' documented investment strategy. The Schemes use fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies.

The valuation processes applied in valuing financial instruments measured at fair value through profit or loss are governed by the AMP Capital Holdings Limited Asset Valuation policy which has been adopted by the Responsible Entity. This Policy outlines the valuation methodologies and processes applied to measure such financial instruments.

Unlisted managed investments schemes are measured at fair value through profit or loss.

Financial assets are initially measured at fair value determined as the purchase cost of the financial asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in the Statements of Comprehensive Income.

Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statements of Comprehensive Income as 'Net changes in the fair value of financial instruments measured at fair value through profit or loss' in the period in which they arise.

Subsequent to initial recognition, the fair value of financial assets measured at fair value through profit or loss is determined as follows:

**AMP CAPITAL MONTHLY INCOME FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Financial Assets Measured at Fair Value Through Profit or Loss (continued)**

*Unlisted managed investment funds*

The fair value of unlisted managed investment funds is the redemption price of those securities at the balance date.

**(d) Significant Accounting Judgements, Estimates and Assumptions**

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in light of historical experience and changes to reasonable expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

*Fair value measurement of investments in financial instruments*

The majority of the Schemes' investments are financial instruments held for trading and are measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets and derivative financial instruments is set out in Note 1(c) and 8(d).

*Assessment of Schemes' investments as structured entities*

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Schemes.

The Responsible Entity has assessed whether the managed investment funds in which the Schemes invest in should be classified as structured entities. The Responsible Entity has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. The Responsible Entity has concluded on whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds.

As voting rights or similar rights are the dominant factor in deciding who controls the funds, the Responsible Entity has concluded that the managed investment funds in which the Schemes invest in are not structured entities.

**(e) Investment Income**

The following specific recognition criteria must be met before income is recognised:

*Distribution income*

Distributions from unlisted managed investment funds are recognised as income on the date the unit is quoted ex-distribution with any related foreign withholding tax recognised as a tax expense.

*Net changes in the fair value of financial instruments measured at fair value through profit or loss*

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

*Interest income from financial assets measured at amortised cost*

Interest income from financial assets measured at amortised cost is earned on cash and cash equivalents and is recognised on an accrual basis.

AMP CAPITAL MONTHLY INCOME FUNDS

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Expenses**

Expenses are recognised in the Statements of Comprehensive Income on an accrual basis.

**(g) Cash and Cash Equivalents**

For the purposes of the Statements of Cash Flows, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include investments in unlisted cash trusts (including related party holdings - refer to Note 7(b)(i)), which are readily convertible to cash on hand at the Responsible Entity's option and which the Responsible Entity uses in its day to day management of the Schemes' cash requirements.

Bank overdrafts are shown separately in the Statements of Financial Position.

**(h) Receivables**

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at amortised cost and are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their carrying amounts approximate their fair values.

*Impairment*

The Schemes record expected credit losses (ECLs) on all of its receivables, either on a 12-month or lifetime basis. Given the limited exposure of the Schemes to credit risk, no material ECL has been recognised. The Schemes only hold receivables with no financing component and that have maturities of less than 12 months.

**(i) Payables**

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Schemes. Payables are measured at their nominal amounts. Amounts are generally paid within 30 days of being recognised as payables. Given the short-term nature of most payables, their nominal amounts approximate their fair values.

**(j) Net Assets Attributable to Unitholders**

Net assets attributable to unitholders comprise units on issue and undistributed reserves. On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") tax regime, applying to Managed Investment Trusts was enacted under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. In order to allow the Schemes to elect into the AMIT tax regime, each Scheme's Constitution has been amended and other conditions required to adopt the AMIT tax regime have also been met effective from 31 December 2018. Adopting the AMIT tax regime removes the Responsible Entity's contractual obligation to distribute trust income to unitholders. As the units on issue comprise multiple classes of units with non-identical features, the Schemes' net assets attributable to unitholders cannot be classified as equity; and therefore, have continued to be classified as liabilities in accordance with AASB 132 Financial Instruments: Presentation. As there are no equity holders, total comprehensive income and equity for the Schemes are nil.

The fair value of units requested to be redeemed is measured at the redemption amount that would be payable (based on the exit unit price) at the balance date. Each Scheme's redemption unit price is based on different valuation principles to that applied in financial reporting, resulting in a valuation difference which is treated as a component of net assets attributable to unitholders. Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interest of the unitholders.

**(k) Taxation**

Under tax legislation, the Schemes are generally not liable to pay income tax because the AMIT tax regime now applies and unitholders are attributed the income of each Scheme.

The Schemes currently incur withholding tax imposed by certain countries on investment income. Such income is recognised gross of withholding tax in the Statements of Comprehensive Income and the withholding tax is recognised as a tax expense.

AMP CAPITAL MONTHLY INCOME FUNDS

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Distributions to Unitholders**

Distributions are presented in the Statements of Comprehensive Income as finance costs attributable to unitholders. Adopting the AMIT tax regime removes the Responsible Entity's contractual obligation to distribute trust income to unitholders.

**(m) Foreign Currency Transactions**

*(i) Functional and presentation currency*

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The presentation currency of this Financial Report, and the functional currency of the Schemes, is the Australian dollar.

*(ii) Transactions and balances*

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian dollars using the exchange rate at the balance date, with exchange gains and losses recognised in the Statements of Comprehensive Income.

Non-monetary items measured at fair value in foreign currencies are translated to Australian dollars using the exchange rate at the date when the fair value was determined.

**(n) Terms and Conditions of Units on Issue**

The Schemes contain multiple unit classes. Each unit, within a unit class, confers upon the unitholder an equal interest in the Schemes (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset or investment of the Schemes.

Unitholders have various rights under each Scheme's Constitution and the Corporations Act, which, subject to certain terms and conditions, include the right to:

- have their units redeemed
- attend and vote at meetings of unitholders
- participate in the termination and winding up of the Schemes.

The rights, obligations and restrictions attached to each unitholder class are identical in all respects other than the minimum investment requirements and/or fee structures applicable to each class. These terms are detailed in each Scheme's Constitution and other governing documents, as applicable.

Issued and paid up units are initially recognised at the fair value of the consideration received by the Schemes. Applications received for units in the Schemes are recognised net of any transaction costs arising on the issue of units in the Schemes. Redemptions from the Schemes are recognised gross of any transaction costs payable relating to the cancellation of units redeemed. Unit entry and exit prices are determined in accordance with each Scheme's Constitution.

**(o) Goods and Services Tax ("GST")**

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statements of Financial Position.

**AMP CAPITAL MONTHLY INCOME FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Goods and Services Tax ("GST") (continued)**

Cash flows are disclosed on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

**(p) Rounding**

The amounts in the Financial Report have been rounded to the nearest dollar, under the option available to the Schemes under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

**AMP CAPITAL MONTHLY INCOME FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**NOTE 2: AUDITOR'S REMUNERATION**

	AMP Capital Monthly Income Fund No.1		AMP Capital Monthly Income Fund No.2		AMP Capital Monthly Income Fund No.3	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	\$	\$	\$	\$	\$	\$
Amounts paid or payable to Ernst & Young, the auditor of the Schemes, for:						
Audit and review of the Financial Statements of the Schemes	14,850	14,560	14,850	14,560	14,850	14,560
Other services - audit of compliance plan	2,008	1,240	2,008	1,240	2,008	1,240
	<u>16,858</u>	<u>15,800</u>	<u>16,858</u>	<u>15,800</u>	<u>16,858</u>	<u>15,800</u>

For further details of expenses incurred by the Responsible Entity and the Schemes, refer to Note 7(c).

**NOTE 3: RECEIVABLES**

	AMP Capital Monthly Income Fund No.1		AMP Capital Monthly Income Fund No.2		AMP Capital Monthly Income Fund No.3	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	\$	\$	\$	\$	\$	\$
Distributions receivable	54,944	62,971	225,104	260,511	270,971	321,786
GST receivable	5,244	6,267	20,730	24,140	24,826	28,912
	<u>60,188</u>	<u>69,238</u>	<u>245,834</u>	<u>284,651</u>	<u>295,797</u>	<u>350,698</u>

**NOTE 4: PAYABLES**

	AMP Capital Monthly Income Fund No.1		AMP Capital Monthly Income Fund No.2		AMP Capital Monthly Income Fund No.3	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	\$	\$	\$	\$	\$	\$
Responsible entity fees payable	24,137	25,359	95,466	101,662	114,350	124,029
Interest payable	-	-	26	14	132	-
Custody fees payable	-	304	-	304	-	271
	<u>24,137</u>	<u>25,663</u>	<u>95,492</u>	<u>101,980</u>	<u>114,482</u>	<u>124,300</u>



**AMP CAPITAL MONTHLY INCOME FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**NOTE 5: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

The movement in the number of units on issue during the financial year was as follows:

	AMP Capital Monthly Income Fund No.1		AMP Capital Monthly Income Fund No.2		AMP Capital Monthly Income Fund No.3	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Units	Units	Units	Units	Units	Units
<b>Units on issue</b>						
Opening balance	78,684,608	89,956,494	151,753,223	172,933,225	118,702,381	137,554,018
Applications	2,556,359	1,871,950	1,002,952	1,725,861	2,701,323	4,145,204
Distributions to unitholders reinvested	5,067,653	5,070,058	5,999,071	6,481,323	4,918,309	4,073,558
Redemptions	(10,502,009)	(18,213,894)	(21,096,173)	(29,387,186)	(20,496,805)	(27,070,399)
Closing balance	<u>75,806,611</u>	<u>78,684,608</u>	<u>137,659,073</u>	<u>151,753,223</u>	<u>105,825,208</u>	<u>118,702,381</u>
<b>Represented by:</b>						
<b>Retail Class</b>						
Opening balance	73,710,925	85,605,607	118,505,006	137,836,228	87,309,433	104,177,499
Applications	1,787,032	681,777	550,930	1,054,120	492,374	504,893
Distributions to unitholders reinvested	4,676,914	4,693,729	3,985,055	4,358,777	3,398,736	2,825,153
Redemptions	(9,534,921)	(17,270,188)	(17,298,058)	(24,744,119)	(15,894,982)	(20,198,112)
Closing balance	<u>70,639,950</u>	<u>73,710,925</u>	<u>105,742,933</u>	<u>118,505,006</u>	<u>75,305,561</u>	<u>87,309,433</u>
<b>Explicit Pricing Class</b>						
Opening balance	4,973,683	4,350,887	33,248,217	35,096,997	31,392,948	33,376,519
Applications	769,327	1,190,173	452,022	671,741	2,208,949	3,640,311
Distributions to unitholders reinvested	390,739	376,329	2,014,016	2,122,546	1,519,573	1,248,405
Redemptions	(967,088)	(943,706)	(3,798,115)	(4,643,067)	(4,601,823)	(6,872,287)
Closing balance	<u>5,166,661</u>	<u>4,973,683</u>	<u>31,916,140</u>	<u>33,248,217</u>	<u>30,519,647</u>	<u>31,392,948</u>

AMP CAPITAL MONTHLY INCOME FUNDS

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

NOTE 6: CASH AND CASH EQUIVALENTS

	AMP Capital Monthly Income Fund No.1		AMP Capital Monthly Income Fund No.2		AMP Capital Monthly Income Fund No.3	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	\$	\$	\$	\$	\$	\$
<b>(a) Reconciliation of net profit/(loss) attributable to unitholders after tax expenses and before finance costs to net cash inflow/(outflow) from operating activities</b>						
Net profit/(loss) attributable to unitholders after tax expenses and before finance costs	1,906,983	(380,770)	7,925,803	(1,516,187)	9,716,005	(1,856,307)
Proceeds from sales of financial instruments measured at fair value through profit or loss	2,373,003	3,377,121	10,806,531	14,469,284	15,685,743	17,181,647
Net changes in the fair value of financial instruments measured at fair value through profit or loss	(1,106,855)	1,085,179	(4,600,178)	4,461,667	(5,681,685)	5,431,304
Investment income reinvested	(462,707)	(596,177)	(2,049,306)	(2,564,321)	(2,471,589)	(3,116,765)
Changes in assets and liabilities:						
(Increase)/decrease in receivables	9,050	8,937	38,817	40,376	54,901	40,085
Increase/(decrease) in payables	(1,526)	(7,679)	(6,488)	(28,308)	(9,818)	(33,740)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,717,948</b>	<b>3,486,611</b>	<b>12,115,179</b>	<b>14,862,511</b>	<b>17,293,557</b>	<b>17,646,224</b>
<b>(b) Non-cash financing and operating activities</b>						
Non-cash financing and operating activities carried out during the financial year on normal commercial terms and conditions comprised:						
Distributions to unitholders reinvested	1,130,267	1,191,187	3,098,558	3,425,285	3,749,730	3,133,994
Participation in reinvestment plans	462,707	596,177	2,049,306	2,564,321	2,471,589	3,116,765

**AMP CAPITAL MONTHLY INCOME FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**NOTE 7: RELATED PARTY DISCLOSURES**

**(a) General Information**

The Responsible Entity of the Schemes is AMP Capital Funds Management Limited, a subsidiary of AMP Limited.

**(b) Investments**

**(i) Related party holdings of the Schemes**

Details of the Schemes' holdings in related parties, including entities in the same group as the Responsible Entity and other Schemes managed by the Responsible Entity, are set out below:

	Fair value		Interest held		Distributions/interest received or receivable during the financial year	
	\$		%		\$	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
<b>AMP Capital Monthly Income Fund No.1</b>						
AMP Capital Managed Cash Fund	1,369,645	1,197,963	0.03	0.02	22,581	34,484
Wholesale Australian Bond Fund	5,494,202	5,948,607	0.24	0.20	481,513	310,049
Enhanced Index International Share Fund	1,037,493	1,039,648	0.01	0.01	89,219	89,625
AMP Capital Australian Equity Income Fund	7,090,308	7,548,569	4.04	3.88	441,300	577,276
Other related parties	1,155,572	1,044,192	N/A	N/A	36,768	39,950
<b>AMP Capital Monthly Income Fund No.2</b>						
AMP Capital Managed Cash Fund	603,000	1,289,204	0.01	0.02	14,860	28,536
Wholesale Australian Bond Fund	22,721,833	24,598,916	0.98	0.83	2,024,103	1,270,671
Managed Treasury Fund	7,034,293	7,880,277	0.26	0.27	167,559	174,009
Enhanced Index International Share Fund	4,157,323	4,200,744	0.03	0.04	357,508	362,132
AMP Capital Australian Equity Income Fund	29,350,064	31,108,690	16.72	15.98	1,841,726	2,361,100
Other related parties	2,247,896	1,879,829	N/A	N/A	94,756	111,562
<b>AMP Capital Monthly Income Fund No.3</b>						
AMP Capital Managed Cash Fund	589,963	-	0.01	-	11,475	21,719
Wholesale Australian Bond Fund	27,334,448	30,021,955	1.18	1.01	2,434,685	1,536,574
Managed Treasury Fund	8,149,744	9,970,813	0.31	0.35	203,033	230,466
Enhanced Index International Share Fund	4,823,883	5,339,331	0.04	0.05	453,122	460,286
AMP Capital Australian Equity Income Fund	35,203,472	38,200,423	20.05	19.63	2,215,382	2,852,872
Other related parties	2,975,006	2,486,500	N/A	N/A	124,501	125,658

AMP CAPITAL MONTHLY INCOME FUNDS

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**NOTE 7: RELATED PARTY DISCLOSURES (Continued)**

**(c) Transactions with the Responsible Entity and its Related Parties**

All transactions between the Schemes and related parties have been at market value on normal commercial terms and conditions. This includes purchases and sales of financial instruments, as well as applications and redemptions of units.

In accordance with each Scheme's Constitution, the Responsible Entity is entitled to receive fees for the provision of services to the Schemes and to be reimbursed for certain expenditure incurred in the administration of the Schemes.

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Responsible entity fees expensed during the financial year</b>	<b>\$</b>	<b>\$</b>
AMP Capital Monthly Income Fund No.1	294,921	345,638
AMP Capital Monthly Income Fund No.2	1,182,289	1,361,184
AMP Capital Monthly Income Fund No.3	1,429,429	1,651,158

During the financial year the Responsible Entity incurred certain expenses on behalf of the Schemes. Other expenses incurred by the Responsible Entity may be reimbursable from the Schemes to the Responsible Entity in accordance with each Scheme's Constitution and other governing documents, as applicable.

**(d) Key Management Personnel**

AASB 124 "Related Party Disclosures" defines key management personnel ("KMP") as including all Non-Executive Directors, Executive Directors and any other persons having authority or responsibility for planning, directing and controlling the activities of the Schemes. The Schemes have no direct employees, however the Directors of the Responsible Entity have been deemed to be Directors of the Schemes. These individuals comprise the KMP of the Schemes.

Key management personnel services are provided by the Responsible Entity and the remuneration paid to the Responsible Entity is detailed in Note 7(c) above. No Director of the Responsible Entity was paid any remuneration by the Schemes during the financial year. Compensation paid to these Directors by the Responsible Entity, or related entities of the Responsible Entity, is not related to services they render to the individual funds.

**NOTE 8: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Risks arising from holding financial instruments are inherent in the Schemes' activities, and are managed through a process of ongoing identification, measurement and monitoring.

Financial instruments of the Schemes comprise investments in financial assets and liabilities measured at fair value through profit or loss, cash and cash equivalents, net assets attributable to unitholders and other financial instruments such as receivables and payables, which arise directly from the Schemes' operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments. The Schemes are exposed to credit risk, liquidity risk and market risk.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Schemes from reasonably possible changes in the relevant risk variables. Information about these risk exposures for the financial year is provided below. Where the Schemes have material risk exposures, risk sensitivity analysis is presented for illustrative purposes. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Schemes, as well as the level of risk that the Schemes are willing to accept.

The management of these risks is carried out by AMP Capital Investors Limited, as investment manager, including at its investment committees, under policies adopted by the Responsible Entity.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

To avoid excessive concentrations of risk, the Schemes monitor their exposure to ensure concentrations of risk remain within acceptable levels.

**AMP CAPITAL MONTHLY INCOME FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**NOTE 8: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

The Responsible Entity's objectives when managing capital are to safeguard the Schemes' ability to continue as a going concern, so it can continue to provide returns to unitholders and to maintain an optimal capital structure. To maintain or adjust the capital structure, the Responsible Entity may reinvest distributions. The Schemes do not have any externally imposed capital requirements.

**(a) Credit risk**

Credit risk is the risk that a counterparty will fail to perform contractual obligations under a contract.

The Schemes' maximum credit risk exposure at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statements of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the maximum exposure at the balance date.

In relation to investments in equity securities and managed investment funds, the credit risk associated with these financial instruments is minimised by undertaking transactions with counterparties on recognised exchanges, and ensuring that, where possible, transactions are undertaken with a number of counterparties to avoid a concentration of credit risk.

Credit risk is not considered to be significant to the Schemes. Receivable balances are monitored on an ongoing basis. The Schemes' exposure to bad debts is not significant.

The Schemes hold no collateral as security or any other credit enhancements, other than broker deposits. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

**(b) Liquidity risk**

Liquidity risk is the risk that the Schemes will encounter difficulty in meeting obligations associated with financial liabilities as and when they fall due.

The Schemes manage liquidity risk by monitoring application and redemption requests to ensure sufficient liquidity is available; investing in financial instruments which under normal market conditions are readily convertible to cash; and maintaining sufficient cash and cash equivalents to meet normal operating requirements.

***Maturity analysis for financial liabilities***

Financial liabilities of the Schemes comprise trade and other payables, distributions payable and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

Net asset attributable to unitholders are payable on demand, however the Responsible Entity has the power under each Scheme's Constitution to amend the timing of redemption payments.

**(c) Market risk**

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Australian Accounting Standards require the disclosure of sensitivity to changes in market risk variables such as interest rates, foreign exchange rates and equity prices. This sensitivity is not intended to show the impact on the Schemes' financial performance for the entire period, just an illustrative example of the direct impact of a change in the value of the financial instruments measured at the balance date as a result of the change in market rate. The sensitivity is required to show the impact of a reasonably possible change in market rate over the period to the subsequent balance date. It is not intended to illustrate a remote, worst case or stress test scenario.

***Interest rate risk***

Interest rate risk is the risk that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The interest rate sensitivity for cash and cash equivalents is not significant to the Schemes.

***Foreign exchange risk***

Foreign exchange risk is the risk that the value of monetary securities denominated in currencies other than the Australian dollar will fluctuate due to changes in foreign exchange rates. The risk is measured using sensitivity analysis.

As the Schemes have no direct exposure to monetary securities denominated in currencies other than the Australian dollar, foreign exchange risk sensitivity has not been presented.

**AMP CAPITAL MONTHLY INCOME FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**NOTE 8: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**(c) Market risk (continued)**

**Price risk**

Price risk is the risk that the fair value of equity securities, equity derivatives and managed investment funds decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual equity securities or managed investment funds or factors affecting all financial instruments in the market. Price risk exposure arises from the Schemes' investment portfolios. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates.

Price risk is managed by monitoring compliance with established investment mandate limits.

All securities present a risk of loss of capital. The maximum risk resulting from equity securities and managed investment funds is determined by the fair value of the financial instruments. The maximum risk resulting from equity derivatives is determined by reference to the notional value of the financial instruments.

The table below demonstrates the impact of a 10% movement in the price of units in equity securities, equity derivatives and managed investment funds. This sensitivity analysis has been performed to assess the direct risk of holding equity securities, equity derivatives and managed investment funds with all other variables held constant. It is assumed that the relevant change occurs at the balance date.

	<b>Price Risk</b>	
	<b>-10%</b>	<b>+10%</b>
	<b>\$</b>	<b>\$</b>
<b>AMP Capital Monthly Income Fund No.1</b>		
31 December 2019	(1,477,758)	1,477,758
31 December 2018	(1,558,102)	1,558,102
<b>AMP Capital Monthly Income Fund No.2</b>		
31 December 2019	(6,551,141)	6,551,141
31 December 2018	(6,966,846)	6,966,846
<b>AMP Capital Monthly Income Fund No.3</b>		
31 December 2019	(7,848,655)	7,848,655
31 December 2018	(8,601,902)	8,601,902

**(d) Fair value measurement**

Financial assets and liabilities measured at fair value are categorised under a three-level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial asset or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These may include investment grade corporate bonds, certain unlisted unit trusts and over-the-counter derivatives.

Typically, prices of units in unlisted managed investment trusts that are published on the investment manager's website and/or obtained from unitholder statements, are categorised as Level 2.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Schemes' own data, reflecting the Schemes' own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

**AMP CAPITAL MONTHLY INCOME FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**NOTE 8: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**(d) Fair value measurement (continued)**

The table below shows the Schemes' financial assets and liabilities measured at fair value on a recurring basis by each level of the fair value hierarchy. The Schemes did not measure any financial assets or liabilities at fair value on a non-recurring basis as at 31 December 2019 (31 December 2018: nil).

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>AMP Capital Monthly Income Fund No.1</b>				
<b>31 December 2019</b>				
Unlisted managed investment funds	-	14,777,575	-	14,777,575
Total	-	14,777,575	-	14,777,575
<b>31 December 2018</b>				
Unlisted managed investment funds	-	15,581,016	-	15,581,016
Total	-	15,581,016	-	15,581,016
<b>AMP Capital Monthly Income Fund No.2</b>				
<b>31 December 2019</b>				
Unlisted managed investment funds	-	65,511,409	-	65,511,409
Total	-	65,511,409	-	65,511,409
<b>31 December 2018</b>				
Unlisted managed investment funds	-	69,668,456	-	69,668,456
Total	-	69,668,456	-	69,668,456
<b>AMP Capital Monthly Income Fund No.3</b>				
<b>31 December 2019</b>				
Unlisted managed investment funds	-	78,486,553	-	78,486,553
Total	-	78,486,553	-	78,486,553
<b>31 December 2018</b>				
Unlisted managed investment funds	-	86,019,022	-	86,019,022
Total	-	86,019,022	-	86,019,022

The Schemes recognise transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year ended 31 December 2019 (financial year ended 31 December 2018: nil).

**Valuation techniques**

The valuation techniques and inputs used in measuring the fair value of financial assets and liabilities are outlined in Note 1(c).

There were no material changes in valuation techniques during the financial year.

**AMP CAPITAL MONTHLY INCOME FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

The Schemes had no commitments or contingencies at 31 December 2019 (31 December 2018: nil).

**NOTE 10: EVENTS OCCURRING AFTER THE BALANCE DATE**

Since 31 December 2019, there have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Schemes.

**NOTE 11: AUTHORISATION OF THE FINANCIAL REPORT**

The Financial Report of the Schemes for the financial year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Funds Management Limited on 12 March 2020.



**AMP CAPITAL MONTHLY INCOME FUNDS**

**DIRECTORS' DECLARATION**

In accordance with a resolution of the Directors of AMP Capital Funds Management Limited, the Responsible Entity, I state that for the purpose of section 295(4) of the Corporations Act, in the opinion of the Directors of the Responsible Entity:

AMP Capital Monthly Income Fund No.1

AMP Capital Monthly Income Fund No.2

AMP Capital Monthly Income Fund No.3

- (a) The Financial Statements and notes are in accordance with the Corporations Act, including section 296 (compliance with accounting standards) and section 297 (true and fair view);
- (b) There are reasonable grounds to believe that the Schemes will be able to pay their debts as and when they become due and payable; and
- (c) The Financial Statements and notes comply with International Financial Reporting Standards applicable to annual reporting as disclosed in Note 1(a).



Director  
12 March 2020, Sydney



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## Independent Auditor's Report to the unitholders of AMP Capital Monthly Income Funds

### Opinion

For the following AMP Capital Monthly Income Funds (the "Schemes"):

- ▶ AMP Capital Monthly Income Fund No.1
- ▶ AMP Capital Monthly Income Fund No.2
- ▶ AMP Capital Monthly Income Fund No.3

We have audited the financial reports of the Schemes, which comprise the statements of financial position as at 31 December 2019, the statements of comprehensive income, statements of changes in net assets attributable to unitholders and statements of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial reports of the Schemes are in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Schemes' financial position as at 31 December 2019 and of their financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audits in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Schemes in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audits of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Information Other than the Financial Report and Auditor's Report Thereon

The directors of AMP Capital Funds Management Limited as the Responsible Entity of the Schemes (the "Responsible Entity") are responsible for the other information. The other information is the directors' report accompanying the financial reports.

Our opinion on the financial reports does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial reports that give a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors of the Responsible Entity are responsible for assessing the Schemes' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Schemes or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.



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## **Auditor's Responsibilities for the Audit of the Financial Report (cont.)**

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audits. We also:

- ▶ Identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Responsible Entity's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Schemes' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Schemes to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.



**EY**

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Ernst & Young

Mark Jones  
Partner  
Sydney  
12 March 2020