June 2019

AMP Capital Ethical Leaders Balanced Fund

Investment objective

To provide a total return (income and capital growth) after costs and before tax, above the Fund's performance benchmark on a rolling 5 year basis and to provide a rate of return of 3.5% above inflation after costs and before tax, over a 5 year period.

How we manage your money

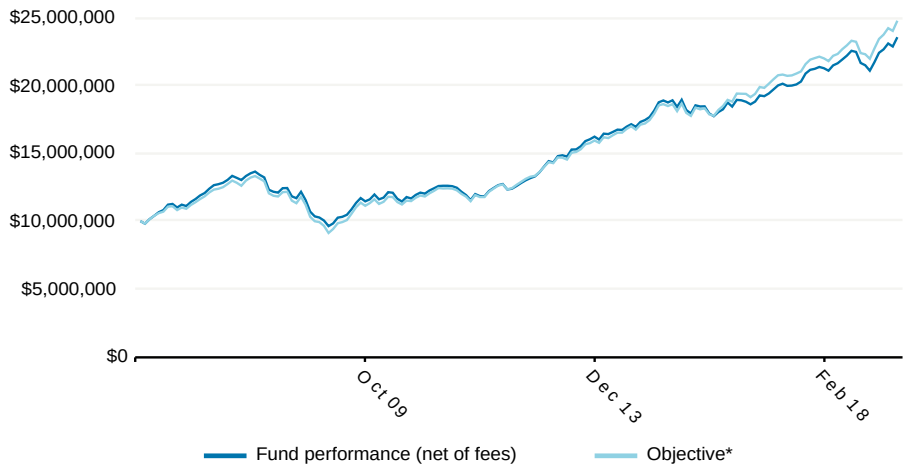
Our responsible investment approach follows five key steps: 1. Setting the investment objectives and considerations, 2. Identifying the manager universe, 3. Selecting the managers, 4. Determining the optimal manager mix, 5. Monitoring of the Fund and operational governance. This process combines a stringent financial assessment with a responsible investing focus, both of which are critical in meeting the Fund's objective of producing competitive returns within a sustainable and responsible framework.

Performance as at 30 June 2019

%	1 MTH	3 MTH	1 YR	3 YRS	5YRS	7YRS	SINCE INCEPT
Total Return - Gross of Fees	3.04	4.14	8.35	9.34	7.93	10.47	7.36
Total Return - Net of Fees	2.98	3.94	7.51	8.51	7.09	9.62	6.50
Objective*	3.12	4.32	9.29	9.61	8.44	10.35	6.91
Excess return	-0.14	-0.38	-1.78	-1.10	-1.34	-0.73	-0.41

Past performance is not a reliable indicator of future performance. Performance is annualised for periods greater than one year. Total returns are calculated using the net asset value per unit for the relevant month end. This price may differ from the actual unit price for an investor buying or selling an investment. Actual unit prices will be confirmed following any transaction by an investor. Returns quoted are before tax, after fees and costs and assume all distributions are reinvested.
* Prior to 23 Sept 2005, the AMP Capital Ethical Leaders Balanced Fund was solely managed by AMP Capital Investors and Henderson Global Investors and named the Sustainable Future Balanced Fund. It has since been renamed and is managed in a SRI multi manager format to a different asset allocation benchmark.

$10,000,000 invested since inception



FUND FACTS	
APIR	AMP0453AU
Inception date	23 September 2005
Fund Size	$1,155,069,445
Buy/Sell spread*	+0.17%/-0.17%
Distribution frequency	Half Yearly
Minimum investment	$10,000,000
Minimum suggested time frame	5 years

*Fee information is accurate as at 30 June 2018, figures are updated bi-annually. The Fund PDS outlines the latest management costs and other relevant components, as well as other fees and costs that may apply to your investment. You can review the PDS at **www.ampcapital.com**

What happened last period

- Fund performance was very strong over the June quarter, though slightly underperformed the benchmark, largely due to a difficult quarter our Australian equities managers
- All underlying sectors delivered encouraging absolute returns as markets responded positively to dovish central banks
- Positioning has continued to move closer to neutral weights. We remain slightly underweight to fixed income, given historically low global yields and the recently strong run for the asset class

Fund Performance

The Fund produced a positive absolute return for the June quarter, building upon gains made in the previous quarter. All underlying asset classes rallied in the June period, with equity markets driving returns. The positive performance over the quarter also ended Financial Year 2018/2019 on a high, with returns over 12 months generating gains. The Fund is below benchmark across most periods due to the difficult market conditions in 2018 and listed managers underperforming their standard benchmarks.

The Australian shares allocation provided the largest contribution to returns in the quarter, but performed below the benchmark, with the concentrated managers in particular underperforming. Sector allocation and stock selection both detracted value over the period, largely because Australian banks performed very strongly following the coalition's win in the Federal election and our underlying managers were underweight the sector. The banks held by the fund were also the weaker performers in the sector, namely Clydesdale, Bank of Queensland and NAB. Our ESG index exposure also marginally underperformed over the quarter, following a very strong period of performance over the year to 30 June 2019.

Our international equity mangers performed strongly and outperformed the benchmark, which is pleasing given how difficult a period they have had over the last year, largely due to their investment styles. Stock selection was the main contributor to performance, while sector allocation was a partial offset. Stock selection was particularly strong within consumer staples, consumer discretionary and financials. Growth manager C WorldWide performed very strongly, adding to a great track record since their appointment in August 2018. Our emerging markets component added value over the quarter and has also had strong benchmark-relative performance over the year to 30 June 2019.

The Diversified Fixed Income portfolio performed approximately in line with its benchmark over the quarter, with a similar theme over the year and longer time periods. Returns from fixed income over the last year have been incredible; a return of around 9% for the year to 30 June, almost entirely because of the continual legs down in global interest rate expectations. For similar reasons, our global REIT exposure has had a very strong year.

Environmental, Social and Governance

Since Australia's Modern Slavery Act was passed into law in November 2018, Australian companies have been called to examine the human impacts of their supply chains. AMP Capital's Ethical Leaders (EL) managers continue to engage with companies as they work through what this means for their business in terms of reporting, disclosure and initiatives to detect and address modern slavery in their supply chains.

Climate change also continues to be a key area of focus for EL managers, both in Australia and globally. Uncertainty around Australia's climate change and energy policy is set to continue after the Federal election result. However, EL Australian Equity managers are finding that there are increasing calls from business and investors for government to provide clarity on long-term policy in these areas. Globally, EL Emerging Markets Share manager Investec released an interesting report with WWF on 'Sustainability and satellites' which explores the potential uses of geo-spatial research — both to measure environmental risk in sovereign debt portfolios, and to facilitate engagement with governments to encourage fiscal agendas that serve people and the planet.

Other activity during the period included subscribing to 'green bonds' and 'sustainability bonds'; addressing issues with executive remuneration and board composition; and reporting on progress to improve access to medicine.

Market review

The MSCI World (ex Australia) index finished the quarter up by 3.51%. Global equities were strong early in the quarter, amid a mostly positive US reporting season. Upbeat sentiment around the globe was further supported by a relatively dovish US central bank, sound levels of economic growth, strong resource prices and US-China trade deal optimism. Markets subsequently took back some of these gains mid-quarter. An escalating US-China trade conflict was the major culprit, along with the US flagging the possibility of increasing tariffs more broadly. Markets then powered ahead in June, with some even breaking record-highs as dovish central bank policies drove market sentiment. European equities were very strong, as expectations of further easing from the European Central Bank rose. Emerging markets, while positive, couldn't match their developed counterparts' performance over the quarter. Australian equities surged over the period, the S&P/ASX200 index finishing up by 7.97%. This was driven primarily the Coalition's "surprise" election victory, which removed risks around changes to the use of franking credits, followed by the RBA cutting the interest rate in early June. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.) Global government bond yields mostly moved higher in April amid generally favourable economic data releases. In the US, gross domestic product rose at a stronger than expected rate over the March quarter as contributions from trade and inventory offset slower growth in consumer spending and investment. Yields subsequently reversed direction over the remainder of the June quarter as a lowering of regional growth forecasts stoked expectations of co-ordinated easier monetary policy on the part of major central banks.

A mix of dovish pivots by the US Federal Reserve (Fed) and the European Central Bank, generally soft data releases and geopolitical uncertainty in relation to US-China trade negotiations and escalations in US-Iran tensions helped drive global rates to fresh lows and record-low levels in some countries. In Australia, bond yields moved lower over the quarter amid a slowdown in the rate of private sector credit growth and a contraction in business and personal lending, culminating in an official rate cut by the Reserve Bank in June.

Outlook

While the returns experienced in 2019 so far have been impressive, they are likely to moderate in the next half of the year. Most of the growth year-to-date has been driven by expectations that easing monetary policy and fiscal stimulus will prolong the already historic length of this market cycle and support economic growth. To see meaningful upside from here, there need to be signs that global growth is reaccelerating and geopolitical risks like the US-China trade dispute is resolving. We believe more likely scenario is that markets will trade sideways until the outlook for global growth becomes clear.

In actively managing the Fund, we hold a broadly neutral exposure to shares overall, though we've increased our allocation to Australian shares. The resolution of election uncertainty and implementation of monetary and fiscal stimulus should be supportive for the Australian market, in combination with its attractive yields in a low interest rate environment. Since January 2019, we have gradually reduced our underweight to Australian and international government bonds for diversification reasons, rather than any conviction around the future outperformance of the asset class. We maintain a very small underweight to international bonds.

CERTIFIED BY RIAA

The AMP Capital Ethical Leaders Range has been certified by RIAA according to the strict disclosure practices required under the Responsive Investment Certification Program.

The Certification Symbol signifies that an investment product or services takes environmental, social, ethical or governance conservations into account along with financial returns. See www.responsibleinvestment.org for details[1].

1. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Portfolio Manager

Kristen Le Mesurier

Kristen is a portfolio manager in AMP Capital's Multi Asset Group, managing several global multi-asset funds. Before becoming a portfolio manager, Kristen was an ESG expert in the Australian equities team. Before joining AMP Capital, Kristen was a sell-side equities analyst covering Australian banks, insurers and diversified financials and a corporate governance analyst advising institutional investors on governance risks across the ASX200.

Further information

For information about the Fund including fees, features, benefits and risks talk to your financial advisor today or read the product disclosure statement (PDS) which can be found on:
www.ampcapital.com/ethical-leaders-balanced-fund
You can also call us on **1800 658 404**

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IDEAS
RESULTS