

RESPONSIBLE INVESTMENT LEADERS CONSERVATIVE FUND

22 NOVEMBER 2016

Fund changes

We are writing to advise you of a number of changes relating to the Responsible Investment Leaders Conservative Fund (the Fund). These changes include:

- > Introduction of securities lending
- > Enhanced fee and costs disclosure
- > Review of asset allocation

Details of these changes are provided below.

Introduction of securities lending

From the end of December 2016, the Fund will be able to engage in securities lending in order to generate additional returns for investors.

AMP Capital has recently piloted the implementation of a securities lending program across a number of AMP Capital funds. Securities lending is an investment practice whereby securities of a fund are lent to a third party (the borrower) for a period of time in return for a fee. Securities lending allows funds to use their assets held in custody to earn additional income, in the form of fees paid by the borrower. These fees increase the portfolio return and thereby, the return to investors.

Securities lending does expose the Fund to some additional risks, which could cause a loss of capital, in particular the risk that the borrower defaults by failing to return the securities. However, comprehensive processes are in place to manage and substantially mitigate these risks, including careful selection of approved borrowers, borrowing limits, collateral requirements which are monitored and managed daily and restrictions on which securities are to be loaned.

Income earned from securities lending is returned to the Fund and accrued in the unit price after the deduction of operational costs and fees payable to the securities lending agent (for operation of the program and the provision of the indemnity) and to AMP Capital (for monitoring, governance and oversight). These fees are 30% and 10% of securities lending revenue, respectively, which are in line with normal commercial rates.

Enhanced fee and costs disclosure

In accordance with amendments to the Corporations Regulations and new regulatory guidance from the Australian Securities & Investments Commission, we have implemented new enhanced fee and costs disclosure for the Fund.

Previously, the management costs of the Fund comprised the management fee, performance fee and recoverable expenses. Now, the management costs of the Fund also include indirect costs. These are not new costs being imposed on the Fund as these costs were incurred before. The indirect costs are simply now being quantified as part of the overall management costs of the Fund. Examples of indirect costs include costs associated with the use of derivatives and exchange-traded funds.

It is important to note that this change does not mean investors pay any additional management costs and does not reduce the net-of-fees return. Our management costs have not changed. The enhanced disclosure aims to provide a new level of transparency into the total costs of investing – both AMP Capital and non-AMP Capital costs. You will see the changed figures in the periodic statements.

Review of asset allocation

Following our annual strategic asset allocation review, the Fund's benchmark asset mix and strategic ranges have been updated. The changes will be effective December 2016 and will entail:

- > A lower exposure to Australian equities in favour of global equities, in order to reduce concentration risk in the domestic market, particularly given the very high weighting to banks in the Australian equity benchmark.
- > An increased allocation to foreign currency in the conservative fund resulting from the higher weight to international equities.

There are no changes to the allowable strategic asset allocation ranges, as shown in the table below.

Asset class	Current long term benchmark	New long term benchmark	Change	Strategic range
Defensive				
Australian fixed interest	24%	24%	-	15 – 55%
International bonds - government	10%	10%	-	0 – 25%
International bonds - credit	14%	14%	-	0 – 25%
Cash	25%	25%	-	15 – 50%
TOTAL DEFENSIVE	73%	73%	-	
Growth				
Australian equities	13%	11%	-2%	0 – 20%
International equities*	9%	11%	+2%	0 – 20%
Global listed property	5%	5%	-	0 – 10%
TOTAL GROWTH	27%	27%	-	
Foreign currency	9%	11%	+2%	

* International equities are benchmarked to the MSCI All Country World Index (Net Dividends Reinvested), approximately 11% of which is exposed to emerging market shares.

Further information

If you have any further questions about this update, please contact your Account Manager or our Client Services Team on 1800 658 404, between 8.30am and 5.30pm (Sydney time) Monday to Friday or via email at clientservices@ampcapital.com.

Yours sincerely,



Nigel McCammon
Global Head of Client Services
AMP Capital Investors Limited

Important note: Investors should consider the Product Disclosure Statement (PDS) available from AMP Capital Investors Limited (ABN 59 001 777 591) (AFSL 232497) (AMP Capital) for the Responsible Investment Leaders Conservative Fund (Fund) before making any decision regarding the Fund. AMP Capital Funds Management Limited (ABN 15 159 557 721, AFSL 426 455) is the responsible entity of the Fund and the issuer of units in the Fund. The PDS contains important information about investing in the Fund and it is important investors read the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. Neither AMP Capital, nor any other company in the AMP Group guarantees the repayment of capital or the performance of any product or any particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance. While every care has been taken in the preparation of this document, AMP Capital makes no representation or warranty as to the accuracy or completeness of any statement in it including without limitation, any forecasts. This letter 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 fact sheet, and seek professional advice, having regard to their objectives, financial situation and needs.