> March 2018

AMP CAPITAL SUSTAINABLE SHARE FUND - OFF-PLATFORM CLASS H

Aims to generate capital growth and income above the fund's performance benchmark on a rolling 3 year basis from a portfolio of Australian shares

Performance summary

- The Portfolio's outperformance during the period was driven by positive stock selection
- The Australian share market made a negative return during the period
- AMP Capital continues to focus on ESG issues, especially ensuring that companies have appropriate procedures and controls in place to manage cyber security risk

Investment approach

The Fund will implement an investment process which systematically implements the environmental, social and governance (ESG) views of AMP Capital's ESG research team. The Fund will primarily invest in companies that AMP Capital believe exhibit strong ESG credentials and hold them for the long term, while actively engaging with company management to maximise long term investor value. The Fund will exclude companies that do not meet the Fund's ESG minimum hurdles, where companies in higher ESG risk sectors are required to exceed higher ESG performance hurdles. The Fund will have an overweight exposure to companies that are considered to have stronger ESG performance. The Fund aims to have a carbon footprint at least 30% lower than that of its performance benchmark.

For more information visit ampcapital.com.au

Performance – as at 31 March 2018

Inception Date: 18 May 2007

Performance benchmark: S&P/ASX 200 Accumulation Index AUD

Management costs**: 0.70%

**The Fund PDS outlines management costs components, as well as other fees and costs that may apply to your investment. You can review the PDS at www.ampcapital.com.au

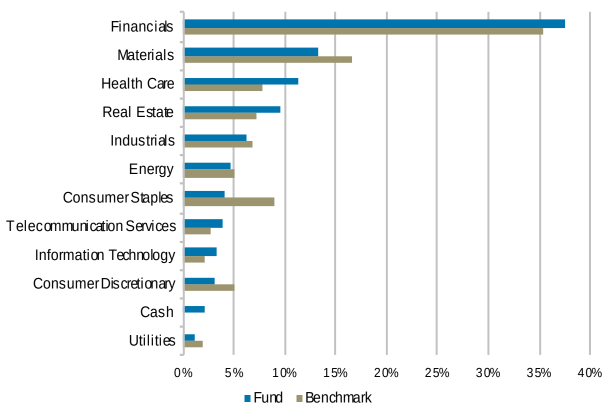
%	1 mth	3 mth	1 yr	3 yr	5 yr	Incept
Total return - after fees	-3.83	-3.47	2.26	0.60	5.61	1.50
Distribution	0.00	0.00	3.89	3.26	3.06	3.67
Growth	-3.83	-3.47	-1.63	-2.66	2.54	-2.18
Benchmark	-3.77	-3.86	2.54	3.75	7.66	3.69

Past performance is not a reliable indicator of future performance.

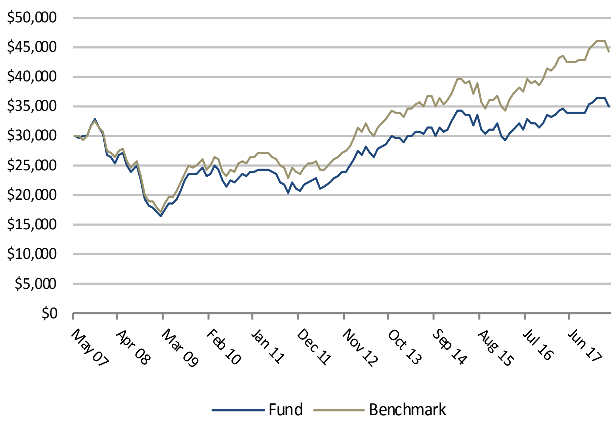
Performance is annualised for periods greater than one year.

Total returns are calculated using the unit price which uses the net asset values for the relevant month end. This price may differ from the actual unit price for an investor applying for or redeeming an investment. Actual unit prices will be confirmed following any transaction by an investor. Returns quoted are before tax, after Class 'H' fees and costs, and assume all distributions are reinvested.

Asset allocation



$30,000 invested since inception



Top 10 holdings

Security Details	% Portf	% Bench
COMMONWEALTH BANK AUST	8.03	8.20
WESTPAC BANKING CORP	6.17	6.30
BHP BILLITON LTD	5.73	5.86
CSL LTD	5.42	4.55
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	4.98	5.08
NATIONAL AUSTRALIA BANK LTD	4.90	5.01
TELSTRA CORP LTD	3.30	2.42
WESFARMERS LTD	2.98	3.05
WOODSIDE PETROLEUM LTD	2.73	1.77
MACQUARIE GROUP LTD	2.06	2.11

CSL

- Global bio-pharmaceutical company that researches, develops, manufactures and markets products
- Treats and prevents human medical conditions; e.g. coagulation disorders, viral/bacterial diseases, bleeding disorders
- Owns CSL Behring and Seqirus; has manufacturing operations in the US, UK, Germany, Switzerland and Australia
- Patient-focused R&D pipeline and market leadership positions across various vaccine markets are differentiators
- Emphasis on research has resulted in achieving strong sales of its Hizentra and Privigen products
- The company's presence in the flu vaccines market benefited from northern hemisphere flu season
- Favourable ESG score; the portfolio remains overweight the stock

Performance and activity

Australia's share market was not immune to global falls and volatility over the March quarter, as concerns arose firstly around some signs of US inflation emerging, then later in the quarter around US-China trade relations, stemming from the US's proposed tariffs. The S&P/ASX200 total return index closed the quarter around 3.9% lower.

The AMP Capital Sustainable Share Fund outperformed the S&P/ASX200 Index over the quarter largely due to stock selection decisions. In terms of sector allocation, the key positive contributors included the overweight to the health care sector along with stock selection in the financials and consumer discretionary sectors.

Health care was the top performing sector, thanks to CSL, which continued its seemingly unstoppable long-term rise, as the business announced yet another record profit. While CSL has, arguably, some of the most enviable fundamentals of any listed Australian business, some analysts have noted a very high level of optimism now being reflected in the share price.

During the quarter the most significant stock contributors included the overweight positions within the health care sector, including CSL, Cochlear and ResMed. The portfolio also benefited from overweight holdings in its financials exposure's Insurance Australia Group and ASX Ltd as well as consumer discretionary company Flight Centre Travel Group. Flight Centre Travel Group's share price jumped as it announced record Total Transaction Value (a measure of travel services sold by dollar value) globally which rose 9% to A$10 billion for the first half of the financial year.

The various structural underweight holdings across several sectors benefited performance. This included the nil holdings in gold miner Newcrest Mining, gaming company Tabcorp Holdings and energy firm AGL Energy.

Key individual stocks detracting from relative performance included nil holdings in Treasury Wine Estates and gaming company Aristocrat Leisure. In addition, an overweight exposure to Telstra underperformed as it continued its long-term downward trend recording a 5% drop in first half profit to A$1.7 billion.

The portfolio's bias towards better performing ESG companies and underweight poorer ESG companies will drive a strategic tilt towards healthcare, listed property and diversified financials. It will also drive a structural underweight or nil exposure to segments of the market leveraged to negative social impacts, namely the gaming and food and beverage sectors (given their exposure to gambling, tobacco and alcohol). While the portfolio is overweight listed property (REITS) it is underweight other interest rate-sensitive sectors such as infrastructure and utilities through the major greenhouse gas-emitting utilities. The portfolio also remains structurally underweight gold due to the generally poor ESG characteristics of companies within this sector. It is also underweight the mining sector, with the exception being some exposure to large diversified miners with proven and demonstrable track records of appropriately managing ESG and sustainability risks.

Environmental, Social and Governance (ESG)

The loss of client and other stakeholder personal data represents a significant threat to corporate earnings as measures to correct systems, compensation to those affected and regulatory sanction are likely to be material. Moreover the impact on brand equity as company reputations are diminished may well impose an even more severe loss to shareholder value.

Therefore AMP Capital has joined the Principles of Responsible Investment Cyber Security Engagement Group, which currently consists of 43 signatories representing more than USD 10 trillion in AUM to address the issue.

The data and privacy issues currently impacting Facebook has captured much of the media attention on this subject; however companies should be focussing on the Notifiable Data Breaches Bill which has now passed the Senate and will be implemented in 2019. This places an obligation on companies to notify individuals when they are victims of a data breach that is likely to result in serious harm. This is intended to provide victims with the opportunity to re-secure their data and also to encourage businesses to adopt more robust information security practices. Corporate penalties for non-compliance can be as high as $1.8 million.

AMP Capital is actively engaging with boards and executive management of companies in order to better understand the measures that are being taken in order to safeguard shareholders from these cyber security risks. In particular the ESG team discussed these issues with Goodman Group that is well exposed to the growth in e-commerce and demand for 'last mile' services, IAG which requires significant data for many underwriting decisions and ANZ which as a bank is already subject to high-profile scrutiny of its personal data management.

AMP Capital is working hard to ensure that companies within the portfolio fully understand their obligations under the NDB scheme and the risks of non-compliance. It is also analysing the extent of management focus, employee training, back-up plans and board oversight of the cyber security risk-mitigation approach.

Investment objective

To provide total returns (income and capital growth), after costs and before tax, above the Fund's performance benchmark on a rolling 5 year basis.

Facts

Fund size	$55.18 million
Minimum suggested time frame	5 years
Minimum initial investment	$10,000
Buy/sell spread	+0.25/-0.25

Distribution frequency	Half Yearly
Date of last distribution	Dec 2017
Distribution cents per unit	1.59

For more information

T: 1800 658 404

F: 1800 188 267

W: www.ampcapital.com.au

Or your financial advisor

APIR Code AMP1100AU

AMP Capital Investors Limited

ABN 59 001 777 591, AFSL 232497

Appropriate data security measures can be a key determinate of shareholder value. AMP Capital recognises that a thorough understanding of the management of cyber security risk at a company level will inform better investment decision making and consequentially superior risk-adjusted returns to investors over the long term.

Outlook

Top-line growth remains elusive for Australian shares, with many companies still focussing on cost-cutting. Whilst the recent corporate reporting season was more encouraging, with many companies flagging increased investment in order to drive growth over the medium term, banking profitability is likely to continue to be stifled by capital-holding requirements. The mining sector remains highly susceptible to any pause in activity from China. Defensive companies that historically have offered high and stable dividends are likely to continue to underperform in a rising US interest rate environment, so investors should benefit by being highly selective and focussing on businesses that are more cyclical which tend to perform well as global economic activity picks up.

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