



Qualitative Fund Research

AMP Capital Global Companies Fund

March 2019

About the Manager

The AMP group is an Australian Stock Exchange (ASX) listed company (ASX: AMP). AMP Capital Investors (New Zealand) Limited (the Manager) is a majority owned AMP entity and shares a history that dates back to 1849. AMP Capital is a specialist investment manager in New Zealand. The Manager has been able to leverage its home strength in Australia and New Zealand to grow internationally, and today it has operations in Dubai, China, Hong Kong, India, Ireland, Japan, Luxembourg, the United Kingdom and the United States. The Manager invests over A\$187.2 billion in funds under management (as at 31 December 2018) on their behalf, across a range of single sector and diversified funds. The Manager has provided a brief profile available [here](#).

AMP Capital believes being a trusted partner, delivering outstanding investment opportunities and understanding clients' needs are important to developing contemporary investment solutions. AMP Capital clearly points out its views on responsible investing, available [here](#), which incorporates environment, social and governance

(ESG) aspects into its investment philosophy and process.

AMP Capital offers 25 investment funds in New Zealand, one of the broadest ranges available in the market. AMP Capital does not manage all funds internally, and can employ the services of other fund managers, where an internal capability is not available.

AMP Capital has focused the FundSource research on their [goals-based investment solutions](#) and [global companies](#).

- AMP Capital Global Multi-Asset Fund
- AMP Capital Income Generator Fund
- [AMP Capital Global Companies Fund](#)

The investment team of four reside in Australia, UK, and Hong Kong New Zealand. Individual bios for the geographically diverse team are available [here](#).

Using this Fund

This is General Advice only and should be read in conjunction with the Disclaimers, Disclosures and Warnings at the end of this document.

The AMP Capital Global Companies Fund ("the Fund") provides investors access to a concentrated portfolio of what the Manager believes to be exceptional global companies with strong wealth creation credentials. The Fund is expected to be fully invested. The Fund will generally sit within the growth component of a balanced portfolio.

The Fund is subject to equity market risk and movements (both positive and negative) in the share prices of the underlying securities in the portfolio. Accordingly, investors should therefore be aware that the Fund may experience periods of

negative returns and that there is a risk of potential capital loss being incurred on their investment. The Fund is suited to investors with a minimum investment time frame of seven years.

The Fund is actively managed, while being benchmark unaware. The Fund may exhibit material departures from the sector weights compared to the performance reporting benchmark. The Fund's asset allocation decisions can have a material impact on performance, as well as security selection.

The Fund is a Portfolio Investment Entity (PIE) structure and does not pay any distributions. Any income earned is reflected in the unit price of the Fund.

Question	What the Manager says	What FundSource think								
<p>What are the Manager's assets under management - in total and in this Fund?</p>	<p>AMP Capital is one of New Zealand's largest investment managers and currently has over \$21.7 billion funds under management. It manages funds on behalf of around 100 institutional clients and provides investment management services to a range of New Zealand entities, including superannuation schemes, corporate KiwiSaver providers, charities, iwi, life and general insurers, councils and incorporated societies. As at 31 January 2019 FUM were \$3.94 billion in active global equities and \$566.2 million in passive global equities strategies. The AMP Capital Global Companies Fund is a new strategy and currently has \$16.9 million FUM in New Zealand.</p> <p>As at 31 January 2019:</p> <table border="0"> <tr> <td>Income Generator Fund</td> <td style="text-align: right;">\$138.9m</td> </tr> <tr> <td>Global Multi Asset Fund</td> <td style="text-align: right;">\$260.8m</td> </tr> <tr> <td>Global Companies Fund</td> <td style="text-align: right;">\$16.9m</td> </tr> <tr> <td>TOTAL:</td> <td style="text-align: right;">\$416.6m</td> </tr> </table>	Income Generator Fund	\$138.9m	Global Multi Asset Fund	\$260.8m	Global Companies Fund	\$16.9m	TOTAL:	\$416.6m	<p>The Manager currently offers a large number of retail funds to the New Zealand market. FundSource expects this will likely grow and/ or change as AMP Capital New Zealand ensures its product suite meets the needs of investors.</p> <p>The Global Companies Fund Portfolio Investment Entity (PIE) was launched on 1 November 2018; FundSource notes the Fund has attracted wholesale investment of \$16.9 million, which is a positive start. The strategy has been operating since March 2017.</p>
Income Generator Fund	\$138.9m									
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TOTAL:	\$416.6m									
<p>Who is accountable for managing the Fund and how long has the investment team worked together?</p>	<p>Simon Steele is the Head of Global Equities and designated investment manager. He heads a team of Investment Managers that includes Andy Gardner, Neil Mitchell, and David Naughtin, and Associate Investment Manager Heshani Munasinghe. The team of five operates as a collaborative and philosophically aligned partnership in which all members are considered investment managers/analysts.</p>	<p>The Global Companies Fund investment team has recently come together to specifically manage this fund, therefore they have worked together for less than two years. Both Steele and Mitchell joined AMP Capital in June 2016 as part of the project that gave rise to this Fund and have worked together on the project for almost 3 years. FundSource notes Steele and Mitchell have worked together for over 10 years adopting a similar philosophy and approach at Sarasin, CCLA, and RBS Wealth. Accordingly, Steele and Mitchell are considered key people for the Fund. Due to the small team, this extends to all team members. Gardner has the longest manager tenure at over five years, having previously worked in the Australian equities team at AMP Capital, based in Sydney. FundSource notes that industry experience for the team is solid at over 16 years on average.</p> <p>Noticeably the investment team is geographically diverse, with Steele, Mitchell and Munasinghe based in London, while Gardner is Sydney based, and Naughtin is Hong Kong based. FundSource believes this adds another layer of complexity for a small team, but also provides the ability to view the portfolio while most markets are open from trading. FundSource has met with Gardner, who showed a very strong understanding of the process, how that has led to stock positions within the portfolio.</p> <p>The investment team jointly takes responsibility for due diligence, which includes multiple interviews with company management and a range of industry experts (i.e. customers, competitors, and suppliers).</p> <p>FundSource notes there is several risks based around the team, this is underpinned by the short time the team</p>								

		<p>has worked together, key person risk due to the small team size, the geographic diversity, and the short timeframe this Fund has been operating for, as the parent strategy and in a PIE format. Any changes in investment personnel would be viewed negatively and result in material change to some rating factors, particularly relating to People. FundSource would like to see the investment team add resources as the Fund grows, this is mostly to ensure succession planning commences sooner than later, this will also assist in support the geographic development of the team.</p>
<p>What objective is the Manager trying to achieve?</p>	<p>The AMP Capital Global Equities capability seeks to deliver a compound rate of return greater than 10% per annum after fees over the long-term (typically 5-7 years). We expect the Fund will exhibit lower risk of capital loss than broader global equity markets over the long-term.</p>	<p>The Global Equities team commenced this Fund with a blank canvas allowing the Manager to create a product unencumbered by historical norms. The Manager states the Fund has designed the capability specifically to deliver on client objectives (rather than benchmark) and capitalise on the investment team's edge and experience. This has resulted in a fund that seeks an absolute return of 10% per annum. Investors should not read this as being the minimum performance achieved each year, rather it is the average over the course of the 5-7 cycle. The Fund may endure periods of underperformance, in absolute terms and against its performance reporting benchmark, the MSCI All Country World ex Tobacco Index (in NZD), as per the Disclose website.</p> <p>The Manager has deliberately chosen an absolute return basis, this is due to the Manager's belief that client' risk tolerances and return objectives are typically absolute, not relative to a benchmark.</p> <p>The Fund is expected to achieve outperformance through most stages of the economic cycle. During a downturn the Fund is expected to benefit from the stability of cash flows of the companies that meet the Manager's definition of an exceptional company. The Fund is expected to underperform in the early stages of a market recovery, this is where the Manager believes highly cyclical and operationally / financially levered companies tend to lead.</p>
<p>What does the Manager invest your money into?</p>	<p>The Fund invests in what we consider to be 25 to 35 exceptional global companies with strong wealth creation credentials. We believe that exceptional companies, those that are capable of generating a persistent and increasing economic profit over and above the cost of capital and over the long-term, are not defined by sector, geography or market capitalisation. The characteristics of an exceptional company are instead defined by the three pillars of our wealth creation framework – competitive advantage, capital allocation and pathways to growth. The Fund's investable universe consists of ~2,000 global companies subject to our liquidity threshold: 80% liquidated within 21 days, further 10% free float greater than \$5bn or</p>	<p>The Manager seeks to identify and invest in companies that can persistently create wealth over the long term. This is achieved using the Fund's wealth creation framework.</p> <p>The Manager believes persistent wealth creation is underpinned by long-term cash flow compounder companies that deliver:</p> <ul style="list-style-type: none"> • Consistent and reliable generation of returns over and above all costs, including the full opportunity cost of borrowing capital from equity investors; • Are underpinned by long-term growth trends that permit the reinvestment of excess returns; and are; • Profitable and high-return redeployment of those excess cash flows.

	<p>90 days Average Daily Volume (ADV) and a further 10% with a free float greater than \$3bn or 180 ADV.</p>	<p>The Manager's approach has been designed to be simple in principle, logical, intuitive, and importantly supported by empirical evidence. FundSource believes extracting value from the Fund's philosophy requires the investment team to maintain discipline, leverage experience, and be driven by a strong investment governance framework.</p> <p>FundSource believes the Fund has the potential to compliment other global equity funds due to the likely difference in portfolio holdings, as a part of a well-diversified portfolio. The Manager applies few constraints to the investment universe, filtering initially for capacity and liquidity considerations. The Manager does not expect the Fund to be invested in the following sectors; Financial, REITS, Energy and Mining.</p> <p>FundSource believes investors should have a minimum investment time horizon of at least five years. Over shorter periods there is potential for underperformance, that may lead to a loss of capital.</p>
<p>What are the inherent risks imbedded in the Fund?</p>	<p>All investments carry risk. Concentration risk is of significance to the Global Companies Fund as the fund holds only a small number of securities. In addition, the Fund will be affected by any risks associated with the securities in which it invests and other investments it makes, as well as risks associated with international investment (e.g. currency risk) and liquidity risk. In terms of the Global Companies Fund, we believe risk is best described as the risk of permanent capital loss, or risk of not meeting our long-term expectations. We want to deliver absolute returns, so we rank and size positions according to their contribution to risk and contribution to return, NOT relative to their weight in an index. We are guided by the risk inherent in our fundamental scenarios first and foremost, and market derived measures of risk as a secondary sense check and lens into unintended risks we need to manage.</p>	<p>The Manager considers risk to be the Fund not achieving returns that meet an investor's or the Manager's expectations, and the absolute and permanent loss of capital. Risk is assessed and managed from a business owner's perspective, focusing first on the potential for absolute loss of capital resulting from a future negative business or investment outcome that destroys value.</p> <p>Diversification of companies and sectors is a key strategy used by the Fund to assist in managing individual risk characteristics of portfolio holdings, within a concentrated fund, and absolute return framework. Through diversification the Manager seeks to produce a portfolio of low correlation companies. That is, ensuring the Fund consists of companies that have different competitive advantages, capital allocation models, and growth exposures.</p> <p>The Fund focuses on minimising company-specific risk, or idiosyncratic risk, across the 25 and 35 companies, that typically comprise the portfolio. The Manager does not reference a benchmark or index to determine the portfolio holdings compared to their index positioning. FundSource highlights the Manager believes traditional approaches to risk management introduce bias and limitations that are inconsistent with our investment principles and investment objectives of the Fund.</p> <p>The underlying unit price for the PIE fund is in NZD, however, the fund's foreign currency exposures are not hedged back to New Zealand dollars.</p>
<p>Why does the Manager believe the future prices of the Fund's investments will vary?</p>	<p>The assets of the Fund are market linked, and therefore are susceptible to general</p>	<p>Financial screens and industry reviews are productivity tools that help the Manager</p>

	<p>market fluctuations and individual security price fluctuations. The performance of the Fund can be influenced by many general factors impacting on markets in which it invests, including inflation, interest and growth rates, changes in government policy and tax laws, political events, changes in investor sentiment, performance of the underlying assets, and in the case of the global funds, currency fluctuation. The unit price of the Fund reflects the value of the underlying assets of the Fund and will change as the market value of the Fund's assets changes. Key factors that determine the unit price and income distributions include market fluctuations in the value of Fund investments and the income received on them, tax and fees.</p>	<p>reduce the investable universe down to a refined universe of possible portfolio candidates. This allows the Manager to conduct targeted due diligence to uncover which of these potential candidates can genuinely and reliably create wealth in the future. The Manager believes more seemingly high quality (and often well-known) companies fail to make the cut in the qualitative process.</p> <p>The Fund aims to offer clients capital growth, global diversification, lower capital risk, and capital preservation through the investment team's deep understanding of how companies create (or destroy) value over the long term across the three pillars of our wealth creation framework as outlined below</p> <p>The investment team consistently assess each company and the prevailing market behaviours to determine if there is an immediate impact (both positive and negative) to the Manager's understanding, assessment and measurement of risk and return in the portfolio. Therefore, this seeks to identify any price behaviour that cannot be explained by changes in company fundamentals or valuation.</p> <p>This leads the Manager to produce research on a narrow focus list of typically 40-45 companies. This list of provides some potential candidates should the Manager seek to add or exit a company in the portfolio.</p>
<p>Why does the Manager believe you should give them your money rather than to someone else or to an inexpensive index fund?</p>	<p>AMP Capital's core expertise is managing assets and portfolios. We seek added value from active management where this can be identified and have achieved excellent levels of value add, after fees, for our clients. The AMP Capital's core expertise is managing assets and portfolios. We seek added value from active management where this can be identified and have achieved excellent levels of value add, after fees, for our clients. The Global Companies Fund is actively managed, which means we are constantly assessing and implementing new opportunities that have the potential to improve the risk and return outcomes of clients' portfolios. A long-term focus enables us to focus solely on the long-term fundamental compounding of cash flows and explains the clear majority of an investor's long-term total return. We are constrained by nothing other than our philosophical beliefs and long-term wealth creation framework, and this gives us an exploitable edge.</p>	<p>The Fund aims to offer clients capital growth, global diversification, lower capital risk, and capital preservation through the investment team's deep understanding of how companies create (or destroy) value over the long term.</p> <p>Steele is the Head of Global Equities and designated investment manager; however, the team operates collaboratively, as a philosophically aligned partnership in which all investment team members are considered investment managers/analysts.</p> <p>FundSource notes the Manager believes the collaborative approach enables the investment team to focus on the long-term fundamental compounding of cash flows. The Manager believes a long-term mindset provides the Fund's exploitable edge. The investment team leverages their purpose-built portfolio and risk framework to support team-based decision making and long-term fundamental investing.</p> <p>The Manager states it believes in an open, honest, and transparent long-term relationship with investors, aiming to provide regular full disclosure and insightful discussion around positions, portfolio exposures, risks, fundamental and NAV performance against expectations. The Fund's history is too short for any</p>

		<p>meaningful evaluation to be provided. The Manager produces a series of documents and factsheets to support the Fund. Further performance data is available via the Disclose website and FundSource.</p>
<p>How does the Manager decide to buy or sell investments?</p>	<p>A company can only enter the portfolio when certain conditions are met. First and foremost, the company needs to pass through the wealth creation framework, which is the deep qualitative due diligence performed collaboratively by the investment team. We then model the company using a consistent approach and producing three scenarios: bull, base, and bear case, which are a quantitative representation of our qualitative due diligence. The potential candidate will be compared to existing holdings to assess the contribution to both fundamental and market derived measures of risk-adjusted return in both absolute terms and relative to the portfolio. We will also check for impacts on the portfolio of diversification (of cash flows), correlations (price), geographical or industry concentrations, and other market-derived views of stock-specific and portfolio risk before purchasing a stock. In contrast, an existing position is likely to be sold for one of two main reasons: (1) the company no longer meets any one or more of the three pillars of our wealth creation framework, or (2) the contribution to diversified risk or return is no longer attractive, because of either substantial price appreciation or a reduction in fundamentals (cash flows) which impacts the total return we expect to receive.</p>	<p>The Manager believes the ability to outperform or produce alpha stems from inefficiency between long-term fundamentals (cashflows) and short-term pricing. That is, markets tend to mark-to-market rather than price for longer term outcomes. This is seen in the relationship between short-term earnings forecasts and share prices. As long term, fundamental, unconstrained investors, the Manager does not manage the portfolio to any benchmark. Investment decisions are based around the prospect for improvement or deterioration in long-term cash flows.</p> <p>Exceptional companies benefit from high or improving economic returns and display better than average operating metrics. These companies are less reliant on outside capital to generate healthy cash returns on equity. They also reinvest for their future growth and prosperity.</p> <p>This Manager's view on a company is underpinned by the investment team's fundamental, research, long-term philosophy, and absolute return focus. The investment process focuses on the power of compounding cash flows, and its link to long-term total shareholder returns. High incremental profitability is the initial source of excess cash flow that begins the journey to successful cashflow compounding. This is seen as a key driver of long-term share prices.</p>
<p>Has the CIO/ Portfolio Manager personally invested in the Fund? If so, paying the same fees as other investors?</p>	<p>AMP Capital has a Staff Investment Programme which is available to all AMP staff and their families. This gives staff the opportunity to invest in AMP Capital Investment Funds (including the Global Companies Fund) at wholesale rates and reduced minimum investment amounts. All staff need pre-approval to invest in or withdraw from AMP Capital Funds.</p>	<p>FundSource believes that managers 'eating their own pudding' is important and should be an aspect a potential investor should consider, when deciding to invest in any financial product. When investment teams invest alongside investors, aligns the interests of investment personnel with those of the investors. When investment personnel are significantly invested in a fund they are managing, and at the same fees, FundSource views this as a strong alignment.</p> <p>FundSource highlights that AMP Capital offers a broad range of funds, and the investment team may diversify their investments across AMP Capital investment products, to better align to their personal risk profile. The investment team requirement to seek approvals to buy and sell is considered standard practice globally, be it internal or external.</p>
<p>How much latitude does the Manager have to deviate from the weightings of the Benchmark portfolio?</p>	<p>As long-term, fundamental, unconstrained investors, we do not manage the portfolio to any benchmark. We believe alpha stems from the long-term market inefficiency between long-term fundamentals (cashflows) and short-term pricing. Markets</p>	<p>The Fund is not managed to a benchmark, nor to any geographic or sector constraints. The Fund focuses on the long-term absolute return requirements and diversification of cashflows it is exposed to.</p>

	<p>tend to mark-to-market rather than price for longer term outcomes as evidenced by the close correlation between shorter term earnings forecasts and share prices, and indeed the significant reduction in the number of long term earnings estimates (five years) vs shorter term ones. Most investors focus on the short-term, and investors with a long-term mindset can take advantage of the prevailing long-term inefficiency that our process seeks to exploit.</p> <p>Tracking error: n/a Cash: 0% to 20% Single Security: 0% to 10% Sector Limits: n/a Regional Limits: 20% China A Shares Typical Holdings: 25-35</p>	<p>The investment team focus on companies it believes offer persistent and increasing economic profit over and above the cost of capital and over the long term. The Manager is not concerned with pigeon holing companies by sector, geography or market capitalisation. The characteristics of an exceptional company are defined as Competitive Advantage, Capital Allocation and Pathways to Growth. Most ranges, other than Cash, are soft in nature. The Fund is not required to trim or sell down a company if a limit is breached. Rather, the Manager will re-evaluate the company to ensure conviction in the company remains and does not add excessive risk to the portfolio.</p> <p>Regional and country allocations are a function of the earnings exposures of the portfolio's companies. Any unintended consequences such as geographic or industry concentration are removed in the portfolio construction process. All remaining exposures are intentional.</p>
<p>On what basis does the Manager believe the fees they charge are justified?</p>	<p>Active managers typically charge higher management fees for their expertise. The basic premise of active management is that pricing anomalies exist in the market and these can be exploited, as markets are not always efficient. With the right research and methodology, a good manager can identify undervalued securities to invest in, thereby adding excess return over the performance benchmark. A good manager also needs to be flexible enough to adapt to the changing market environment without compromising its fundamental investment philosophy and/or the integrity of its investment process. The strategy is expected to achieve outperformance through most stages of the economic cycle and during a downturn due to the stability of cash flows of the companies that meet our definition of an exceptional company.</p>	<p>FundSource notes there are 155 funds in the FE Analytics NZMI Equity Global sector. This Fund is not currently included in this FE Analytics universe. However, this does not prevent comparative analysis from being completed, from a fees perspective. The manager basic fees for this Fund are in line with the FE Analytics sector average.</p> <p>FundSource highlights this Fund charges a performance fee. When performance fees are charged FundSource prefers to see a commensurate reduction in the manager basic fee. Performance fees are subject to set criteria and conditions. The fund will record a performance fee accrual in the unit price during the performance fee period. However, the investment manager will not be entitled to receive payment of that performance fee until the end of the performance fee period and only if the payment condition has been met. If the payment condition is not met for any performance fee period, the performance fee accrual will be carried forward as a liability of the fund to the next performance fee period. The Fund does not cap performance fees, and there is no high-water mark. FundSource believes high-water marks are relevant when it comes to calculating performance fees. However, FundSource notes the performance fees are linked to long-term horizons for this Fund.</p> <p>The Fund has a complex formula from which the performance fee is calculated, which involves a 7% payment hurdle. The Manager believes 7% reflects the expected long-term performance expectation for equities. Performance fees are calculated based on the Fund's performance compared to the MSCI All Country World (ex Tobacco) Index (net dividends reinvested).</p>

		<p>FundSource notes the Manager fees are disclosed in the Product Disclosure Statement (PDS), which includes an indicative performance fee calculation. The Disclose website provides an alternative source for details on fees.</p>
<p>How would you describe the quality of your organisational and investment governance processes?</p>	<p>AMP Capital has a sound management structure in place in New Zealand, supported by a Board of Directors, which is responsible to the shareholder, AMP Capital Holdings Limited and its ultimate shareholder AMP Limited, for the overall governance and performance of the company and its associated companies. AMP Capital in New Zealand operates a number of management and governance committees, some of which report to relevant committees in the AMP Capital Group. There are reporting and escalation processes between Australia and New Zealand to ensure each risk area is appropriately managed across the AMP Capital Group. A risk management framework is used to manage risk within AMP Capital. The framework aligns risk management with good corporate governance and embeds internal control within the business. The framework considers the elements of risk and control assessment, policy and compliance management, incident management including breach reporting, governance and reporting to risk committee and leadership teams.</p>	<p>AMP Capital has a solid governance framework, which is internally staffed. FundSource views the appointment of independent members to key committees as a key aspect of strong corporate governance frameworks.</p> <p>The Manager believes shareholder wealth creation and effective environmental, social and governance (ESG) management are intrinsically linked. The Manager assesses and captures a holistic view of corporate sustainability including ESG. AMP Capital has a team of dedicated in-house ESG research professionals who undertake ESG research for the listed equities investment teams. These specialists work collaboratively with each other as well as non-dedicated resources to integrate ESG considerations across the business.</p> <p>Trades are executed when orders have been fully entered into the firm's order management system (Charles River) and all pre-trade mandate compliance checks have been performed. All trades are executed on a fully unbundled, best execution basis and trading costs are calculated by an independent 3rd party and reviewed daily by investment teams and on a quarterly basis by the Global Equities Investment Committee.</p> <p>AMP Limited has undergone significant structural change over the 2018 calendar year. This has not been the case for AMP Capital in Australia, while AMP Capital NZ has seen a change in Managing Director, due to internal promotions, this is viewed positively, and a natural progression in business operations. There is potential change on the horizon due to AMP Capital exiting its New Zealand wealth management and advice businesses in 2019. FundSource notes AMP Capital NZ, post any change in ownership, will likely remain a significant New Zealand fund manager.</p> <p>FundSource commends the Manager's approach to corporate responsibility, culture and diversity, corporate governance, responsible investment, and commitment as a signatory to the UNPRI. These clear statements enable an investor to make an informed choice as to whether the Manager is aligned with their beliefs.</p>
<p>Is there alignment of interests through; ownership of the Manager, and remuneration of the investment team?</p>	<p>In 2016, AMP Capital implemented a comprehensive review of its remuneration framework to ensure the alignment of interests between our clients, staff and business. The remuneration schemes for</p>	<p>FundSource observes that to preserve capital and generate a long-term positive return for investors, the Manager must remain operational. The ownership and total funds under management of AMP</p>

	<p>staff have been designed to ensure they are competitive, maximise staff retention and reward high performance. AMP Capital's remuneration packages provide an appropriate mix of fixed pay and short and long-term incentives appropriate to the level of seniority and type of role. Base salaries are agreed on an individual basis and negotiated on the skills, experience and role of each individual. Salaries are reviewed annually.</p> <p>In addition, AMP Capital has an incentive scheme which is comprised of two components: Team bonus - all permanent staff are eligible to participate in a team bonus, which is determined based on the performance of the team against relevant key performance objectives; firm profit share - in addition to the team bonus, all staff participate in a Firm Profit Share that aims to build cross-organisational collaboration and align staff to AMP Capital goals.</p>	<p>Capital (NZ) mitigates the Manager or this Fund being at risk.</p> <p>Remuneration structures are as expected for an institutional fund manager, predominantly base salary, with a variable component. The Manager, through its ownership, ultimately works for the benefit of shareholders. Despite this, FundSource believes that the investment team are focused on delivering positive investor experiences.</p>
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Conclusion and Rating

The Fund provides an investor with exposure to a concentrated global equity portfolio that is focuses on globally listed companies, including companies listed in emerging markets. The Manager benchmark is agnostic with respect to investment decisions. However, the Fund does use a reference benchmark for performance reconciliation and performance fee calculations. The Fund is expected to be reasonably diverse, however it can have large sector allocations. FundSource believes this Fund is likely to add diversification and correlation benefits to an investor's global equity portfolio, due to the Fund typically holding different companies to most global equity funds.

FundSource notes that the Fund states an expected performance objective. FundSource notes this is one of the few NZ PIE funds that sets a performance expectation. FundSource views this positively, as it provides investors with reference point, they can hold the Manager accountable to.

FundSource's conviction in the Manager is underpinned by several factors, which FundSource expects will contribute positively to an investor experience. The investment team have an all in collaborative approach to selecting companies, and constructing the portfolio, where all investment views are considered prior to investing. However, the team has a short history working together, and geographic diversity presents opportunities and threats to the team functioning cohesively. The investment team can leverage resources around the AMP Capital group, particularly for macro inputs and additional analysis and insights. Risk management, compliance and governance

oversight is very strong, and embedded in to the culture of AMP Capital. AMP Capital is well resourced in the Australasian region, and the investment teams can, and do, communicate ideas. There is a good mix of local expertise to make global capabilities available to New Zealand investors.

The Manager's basic fee is in line with the peer average in the FE Analytics NZMI Equity Global sector. Where performance fees are charged, FundSource would prefer to see a lower than average basic management fee being applied. FundSource highlights the calculation methodology of performance fees is complex but is aligned with a long-term equity risk premium. FundSource would also prefer that high-water marks were applied to performance fee calculations, as this aligns to an investor's experience. The performance fee is required to meet several hurdles over a five-year period, which mitigates the lack of high-water mark to a small degree.

FundSource recommends that investors carefully consider that the Manager's benchmark unaware, focused, global and high conviction approach to managing global equities meet their investment needs and objectives.

FundSource Rating: **AA**

Fund ratings are current as at the date of publication of this report. FundSource reserve the right to review and update fund ratings from time to time.

Research Factor Weighting

Research Process Category	Model Factor Weight	Analyst Average Score
Corporate & Investment Governance	15%	4.25 / 5
Investment Philosophy & Process	20%	4.00 / 5
People	25%	3.00 / 5
Portfolio Construction & Implementation	15%	3.83 / 5
Risk Management	15%	4.20 / 5
Investment Fees	10%	2.86 / 5

Overall Average Score: **3.68 / 5**

FundSource Rating Guide

The qualitative rating of a fund is a function of the FundSource Research Factor Weighting process, which is built around the six core qualitative research process categories. The weighted scores result in an overall score, out of five, which is then matched to the following rating:



AAA: Highly Recommended

Funds that have superior average scores in all six underlying qualitative factors. This recognises aspects about the Manager and Fund in question that includes, but is not limited to, significantly experienced and stable senior personnel, a sound track record over a full market cycle, a clearly defined investment philosophy and process, and a portfolio consistent with that philosophy and process. The management company will also have established effective controls to maintain that philosophy.

AA: Recommended

Funds that have strong average scores in all six underlying qualitative factors. This recognises aspects about the Manager and Fund in question that includes, but is not limited to, experienced and stable personnel, a sound track record over a full market cycle, a clearly defined investment philosophy and process, and a portfolio consistent with that philosophy and process. The management philosophy must be coherent and consistent with existing portfolios and processes.

A: Investment Grade

Funds that have good average scores in all six underlying qualitative factors. This recognises aspects about the Manager and Fund in question that includes, but is not limited to, experienced personnel, a sound track record a defined investment philosophy and process, and a portfolio consistent with that philosophy and process.

FW: Fund Watch

There has been a material change with either the manager, this may include, but is not limited to, departures, new hires, process changes, changes to the investment philosophy. This is considered to be an interim measure, to enable further investigation, re-evaluation and an appropriate course of action to be determined.

S: Sell

This category covers previously recommended funds that are no longer recommended because of some material change. Removal from recommended status might be for a variety of reasons such as a fundamental change in the fund management company or in the manager's investment strategy, or because a fund did not meet its original expectations. The implications for ongoing service are that the fund should be reviewed on an individual client basis to ensure it still matches their original investment objective.

NR: Not Rated – Screened/ Not Rated

Funds in the Not Rated – Screened category have provided information and/or FundSource has conducted an initial analysis of the fund, but has chosen not to provide a recommendation at this stage. FOR Not Rated funds the manager may have provided information, but no review meeting has been conducted

Disclaimers, Disclosures and Warnings

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