



Qualitative Fund Research

AMP Capital Investments (NZ) Global Multi-Asset Fund

September 2018

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\$178 billion in funds under management 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

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 Multi-Asset Fund ("the Fund") provides investors with a diversified mix of growth and defensive assets, using a multi manager approach, to assist in managing risk in the portfolio. The Fund's multi manager approach includes a mix of internal and external fund managers. The Fund's asset allocation is focused around the risk in each of the underlying funds, more so than weights to growth and defensive asset classes. The historic asset allocation is not a guide to the Fund's future asset allocation. The Manager's dynamic asset allocation framework, combined with the underlying manager's ability to move quickly and meaningfully, when changing underlying asset allocations, will impact the growth and defensive asset mix. Accordingly, the Fund has an absolute return focus.

The Manager expects returns to be driven from a variety of sources, with the defensive assets (cash and bonds) providing a steady source of returns.

(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](#):

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

The investment team in New Zealand consists of two, who leverage off AMP Capital's Sydney based investment team. Individual bios are available for the Manager's New Zealand management team [here](#), including the Head of Investment Strategy. The Manager does not provide bios for the full investment team.

Growth assets will generally be biased to companies with sustainable income, with some growth.

The Manager sets a strategic asset allocation (SAA), and selects underlying funds, to generate a target rate of income. The Funds purpose is to allow investors to manage their medium-term income and growth requirements. This complements the Manager's Income Generator Fund's focus and investors' shorter term cash requirements. The Fund is suitable for investors with a minimum investment time horizon of five years.

The Managers' skill will, in part, be reflected in their ability to manage the allocation between underlying funds, and the underlying manager and fund 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 \$22.3 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 30 June 2018 there was \$423.4 million invested in AMP Capital's goals-based strategies.</p> <p>As at 30 June 2018:</p> <table border="0"> <tr> <td>Income Generator Fund</td> <td style="text-align: right;">\$141.8m</td> </tr> <tr> <td>Global Multi Asset Fund</td> <td style="text-align: right;">\$281.6m</td> </tr> <tr> <td>TOTAL:</td> <td style="text-align: right;">\$423.4m</td> </tr> </table>	Income Generator Fund	\$141.8m	Global Multi Asset Fund	\$281.6m	TOTAL:	\$423.4m	<p>The Manager currently offers two goals-based solutions in the New Zealand market place, while AMP Capital Australia offers six funds in three broad categories. FundSource expects more funds to be added to the New Zealand goals-based menu and link these funds to a corresponding category.</p> <p>The Global Multi-Asset Fund (GMAF) was launched on 1 December 2013, being the first goals-based fund offered in the New Zealand market, followed by the Income Generator Fund. FundSource highlights that the goals-based funds have received strong support in the New Zealand market place, confirmed by the reasonable retail funds under management (FUM) growth.</p>
Income Generator Fund	\$141.8m							
Global Multi Asset Fund	\$281.6m							
TOTAL:	\$423.4m							
<p>Who is accountable for managing the Fund and how long has the investment team worked together?</p>	<p>The Global Multi-Asset Fund invests into two Australian Funds – the AMP Capital Multi-Asset Fund, a fund managed by AMP Capital Australia, and the Schroder Real Return CPI +5% Fund, a fund managed by Schroder Investment Management Australia Limited.</p> <p>AMP Capital Multi-Asset Group - Matthew Hopkins, Senior Portfolio Manager, is responsible for the management of the Multi-Asset Fund. He has extensive experience in portfolio construction, risk management, and analysis of alternative assets and strategies. He is supported in the management of the Fund by the AMP Capital Multi-Asset Group and the global investment resources of AMP Capital.</p> <p>Schroders Multi-Asset Team - The Schroders portfolio is managed locally through its Australian Multi-Asset Team which is an experienced investment team of fixed income and multi-asset professionals. Simon Doyle and Simon Stevenson are responsible for managing Schroders Real Return Multi Asset CPI+5% fund.</p> <p>AMP Capital New Zealand - Greg Fleming is Head of Investment Strategy and has responsibility for asset allocation and diversified portfolio management. He has 20 years' experience in investment markets and an in-depth knowledge of asset allocation strategies. Greg joined AMP Capital in September 2016 and previously worked at First NZ Capital.</p> <p>As AMP Capital New Zealand's Head of Investment Strategy, Greg has responsibility for strategic asset allocation and diversified portfolio management in New Zealand, he is also responsible for the dynamic asset allocation (DAA) process. He is part of the New Zealand multi-asset team which specialises in the construction and management of goals-based portfolio solutions.</p> <p>Division of responsibilities - Note that the underlying funds' strategies are fully the</p>	<p>FundSource notes this is a multi-manager fund, drawing on the strengths of AMP Capital Australian based multi asset team, and Schroder Australian based multi asset team. Fleming is responsible for the mix of two underlying Australian Unit Trusts (AUT), the AMP Capital Multi Asset Fund, Schroders Real Return CPI+5% fund, and the cash management for the New Zealand Portfolio Investment Entity (PIE) fund. AMP Capital in New Zealand manages the benchmark asset mix for the Global Multi-Asset Fund and has the discretion to rebalance between the underlying funds, within the given ranges.</p> <p>Hopkins joined AMP Capital in 1989 and is the Senior Portfolio Manager for the AMP Capital Multi-Asset Fund. He is also a portfolio manager for the Total Return Fund, AMP Capital's global hedge fund portfolio. Matthew chairs the working group for the Multi-Asset Fund and is responsible for portfolio construction, risk management, research and hedging.</p> <p>Doyle has over 27 years' investment experience and joined Schroders in May 2003. He has direct responsibility for Schroders' Australian fixed income and multi-asset investment capability, including the Schroder Real Return Strategy. Stevenson has over 23 years' investment experience and joined Schroders in June 2008. He is responsible for research across a broad range of asset classes, and provides input into the global team on asset allocation and strategy issues with a focus on the Asia-Pacific region. Doyle and Stevenson leverage the global capability of Schroder's.</p> <p>Fleming has held senior analyst roles in private wealth management and at global banks. Further information on is available here. Fleming is supported by Investment Research Manager, Daniel Mead. Mead has 19 years' industry experience; eight years has been with AMP Capital.</p> <p>FundSource considers Hopkins, Doyle, Stevenson, Fleming and Mead as solid,</p>						

	<p>responsibility of Matthew Hopkins on the AMPC Multi Asset Fund' side, and of Simon Stevenson and Simon Doyle for the Schroders Real Returns Fund. Greg Fleming ensures the combination of the two funds within the Global Multi Asset Fund architecture continues to offer diversification benefits and an efficient means for NZ investors to access the wide range of diversifying strategies offered by both underlying managers.</p>	<p>methodical, and considered investors. These characteristics are positively aligned to this type of Fund. The mix of AMP Capital and Schroders Multi asset funds is very complementary.</p> <p>FundSource would like to see the Manager provide more information on the investment teams in general, as this is limited to key executives on the website.</p>
<p>What objective is the Manager trying to achieve?</p>	<p>The Global Multi-Asset Fund aims to generate a positive return above inflation and actively respond to changing market conditions with a flexible approach to investing. The investment objective is to generate a gross return of 5.25% pa above inflation on a rolling five year basis.</p>	<p>The Manager incorporates this Fund into its suite of goals-based investment funds. The Manager contends that a goals-based approach changes how financial advice is provided, breaking from the traditional risk profile's theoretical, and complex approach. Goals-based solutions focus on the alignment with what an investor wants to achieve. Goals-based investing is not a new concept, and is linked with the funding of future liabilities and constructing a portfolio to fund those future liabilities. Meeting short-term needs requires high levels of liquidity and focuses on income rather than growth. Medium-term needs to incorporate a balanced mix of liquidity, growth and income. While longer term needs are typically biased to growth assets, attempting to protect the amount of money available. This Fund is aligned with funding an investor's medium-term needs and goals.</p> <p>The Manager has produced a dedicated goals-based website detailing the Manager views on goals-based investing and series of videos and other tools to assist investor education. In addition, the Manager has produced an investor information and education website dedicated to the Global Multi-Asset Fund.</p>
<p>What does the Manager invest your money into?</p>	<p>The Global Multi-Asset Fund invests in the Australian AMP Capital Multi-Asset Fund and the Schroder Real Return Fund. The investment managers of the Australian AMP Capital Multi-Asset Fund and the Schroder Real Return CPI +5% Fund each have the flexibility to significantly change the asset class mix at any time and within broad ranges. The underlying funds provide diversity across asset classes, sectors, geographies and investment managers, and have the ability to change the investment allocations in order to navigate the ups and downs of the investment cycle. Risk mitigation strategies within the underlying funds are designed to lower expected volatility in returns and reduce the impact of market related events.</p>	<p>The Fund invests into three underlying funds, the AMP Capital NZ Cash Fund, AMP Capital Multi-Asset Fund, and the Schroders Real Return CPI +5% Fund. The AMP Capital and Schroder funds, other than the cash fund, will invest across a range of asset classes with a view to achieving a targeted return. The AMP Capital Multi-Asset Fund target a return of 5.5% pa above inflation, via a multi manager strategy, and was inception in December 2010. As the name suggests, the Schroder Real Return CPI +5% Fund targets a return of CPI +5%. Schroder leverages its internal capability, and is therefore a single manager (Schroders') approach. The Schroder Real Return CPI+5% fund commenced in July 2010. Both underlying funds have a seven year history. The combined solution, the New Zealand GMAF is four years, providing investors with some guidance as to how the two funds blended together perform.</p> <p>FundSource highlights that both underlying multi asset funds are Australian Unit Trusts (AUTs). AMP Capital NZ provides the PIE structure, currency hedging overlay, and</p>

		<p>manages the weight of each AUT in the Fund.</p> <p>The Manager employs a strategic asset allocation (SAA) based framework, which sets a benchmark asset allocation for each asset class. This is complemented by a dynamic asset allocation (DAA) framework. DAA is relatively flexible and is used to respond to market events and structural change.</p> <p>While the asset class range available to the Manager is broad, the Manager is not likely to fully utilise the full band width on a month by month basis. FundSource expects the Manager to make small deliberate incremental changes over time. However, there may be periods where the Fund may experience material DAA changes.</p> <p>The Fund is assessed as having a minimum investment horizon of at least five years. Over shorter periods there is potential for movement in the Fund's value 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. The Global Multi-Asset Fund may experience negative returns from time to time and there is no guarantee of capital preservation. Assets with a long-term objective may carry higher levels of short-term risk, particularly if not held for the minimum suggested investment timeframe. In addition, returns are not guaranteed – future returns may differ from past returns, the level of returns and the value of the investment may vary and there may be the risk of loss of invested capital. The Fund will be affected by any risks associated with the securities in which it invests and other investments it makes. These include risks in relation to how those securities or other investments perform, how sustainable their earnings are, and other factors that affect value and performance, as well as risks associated with international investments and liquidity risks.</p>	<p>The Fund is impacted by four key risks, asset allocation, manager selection, underlying manager sector and security selection, and foreign currency exposure.</p> <p>To assist in managing risk the Manager leverages the domestic risk and operations team and the Australian AMP Capital investment, operations, risk and compliance teams. The investment team do not make decisions in isolation, with strong interaction with New Zealand and Australian investment committees. This ensures that decisions around asset allocation, manager selection and mandate controls for external managers are well thought through, prior to being acted on.</p> <p>The underlying managers actively manage their currency exposures, with fixed interest typically fully hedged, while growth assets (including equities) will be actively hedged. For this Fund the Manager hedges the Australian dollar exposure to the two AUTs back to New Zealand dollars. This introduces a small degree of currency risk, from the underlying fund level.</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 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</p>	<p>To date the Manager has equal weighted the two underlying funds, with rebalancing between the two underlying funds and the cash fund being the key driver of turnover in the portfolio. The Manager is not required to maintain an equal weighting, however, they do not intend to materially change the weighting in the short-term. Capital preservation of the Fund and underlying funds are central to the Manager's thinking for this Fund.</p> <p>The AMP Capital Multi-Asset Fund aims to provide superior diversification benefits to those available through traditional diversified funds. This is achieved by</p>

	<p>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>spreading risk exposures across more asset classes and reducing the reliance on listed equities. The underlying fund seeks to achieve diversification across three levels, asset class, source of return, and investment manager. The three levels are intended to assist the underlying manager in meeting their performance objective. FundSource considers these to be the three key areas that will impact an investors experience.</p> <p>The Schroder Real Return CPI +5% Fund does not have fixed strategic asset allocation benchmarks, but implements a forward looking and flexible approach to achieve their stated objectives. Unlike traditional multi-asset investment approaches Schrodgers does not assume that the valuation or relative risk and return of different asset classes are stable through time. Schrodgers uses a multi-faceted risk management framework to mitigate inherent downside risks within the Fund. The resulting Fund is diversified across a broad array of risk premia, assets and securities. This leaves it well placed to achieve its objective in different environments.</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. Our multi-asset funds are 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. These funds aim to provide diversification across asset classes, manager types and manager styles, with the aim of achieving growth with smoother returns by negotiating the ups and downs of the market. While we generally recommend an active management approach, as used for the Global Multi-Asset Fund, we are also able to offer passive solutions should that be more suitable for a client's needs.</p>	<p>The Manager believes in active management, this is at the underlying fund level and the Fund level. Importantly, FundSource notes the small New Zealand based team is supported by AMP Capital Australia, which is viewed favourably as the Fund benefits from an Australasian view to generating income, this is complemented by Schrodgers, whose views may or may not align with AMP Capital's. This extends to executing each underlying manager's ideas in to the portfolio of ideas. Ultimately Fleming is accountable for the GMAF Fund, and maintains a small degree of discretion.</p> <p>To date the Fund has met its performance target with a very consistent profile. In an investment environment dominated by terms such as 'lower for longer' the Manager provides investors with some strong expectation guidance, not typically seen from fund managers. FundSource notes in a 'lower for longer' environment the ability to consistently meet the stated performance objectives may become increasingly difficult. The Manager produces factsheets which clearly shows the fund performance and provides some context around the Fund's performance. 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>The Manager believes that the diverse security and asset types offering income opportunities that it invests in possess different cyclical characteristics, and require active adjustment in response to changes in the economic, interest rate, or equity market outlook. Strategic and dynamic asset allocation capability ensures that the portfolio is managed to capture</p>	<p>The Manager's key decisions, buy or sell, are based around the asset allocation and underlying fund selection. As the Manager invests via a mandate in to each underlying fund, small changes in the asset allocation will lead to buying and selling of physical securities in the underlying funds, rather than units in the Fund itself. Using a mandate structure allows the Manager to</p>

	<p>sustainable yield opportunities as they present themselves, e.g. when yield opportunities are abundant in growth income assets the portfolio will move to capture them, at the expense of its overall allocation to defensive income assets. In relation to the underlying funds, buy or sell decisions are made by the underlying managers in the Fund having regard to the investment guidelines for the individual fund. Monitoring the activities of incumbent fund managers and reviewing their performance along with overall multi-manager portfolio performance is a critical component of AMP Capital's investment process. It provides important feedback and insights about the success of their investment strategies and often provides the catalyst for future modifications. We place great importance on managers remaining 'true to label' in their portfolio construction methods, attributes and performance.</p>	<p>make sure each underlying fund does not breach an AMP Capital NZ prohibited investments, or New Zealand specific requirements.</p> <p>Investors should understand that external funds are managed to a mandate, set by AMP Capital (NZ), and may not fully reflect retail products offered by the mandate manager.</p> <p>Changes to investments made by the underlying managers will also trigger buy and sell decisions. FundSource highlights the process to change an underlying fund manager may be difficult in one instance, as AMP Capital Australia is an internal capability. This is not the case with Schroders Australia, who can be removed under the guidelines of the process. AMP Capital NZ has a duty to ensure research efforts are focused on viable prospects and incumbent managers continue to meet the Fund's requirements. FundSource highlight that there have been no underlying manager changes since the Fund's inception in 2013.</p> <p>The Manager employs a structured and methodical approach to managing the asset allocation and underlying fund decisions. No decisions of note can be implemented by any one individual. All key decisions require investment committee approval, prior to being implemented.</p> <p>The Fund allows the use of derivatives, such as options, futures and credit default swaps. FundSource notes derivatives are used to primarily protect against risk and currency management, however, the Manager can use derivatives to enhance returns and implementation.</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 within New Zealand. This gives staff the opportunity to invest in AMP Capital Investment Funds (including the Global Multi-Asset 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 believe 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. Investing in a fund, 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>Given the risk profile of this Fund, FundSource highlight that it may not align to an investment team members' risk profile. Accordingly, the investment team manage a range of products, from diversified multi manager to single sector funds. Some of these internal investments may be better suited to each individual team member 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>FundSource prefers that investment personnel pay the same fees as other</p>

		investors, to ensure the experience of both parties is symmetrical.														
<p>How much latitude does the Manager have to deviate from the weightings of the Benchmark portfolio?</p>	<p>The Global Multi-Asset Fund adopts a different investment process to our overall process. It focuses on achieving its performance objective of generating a real return of 5.25% above inflation by investing in both traditional and alternative asset classes.</p> <p>The Fund allows the portfolio managers to invest in asset classes where they feel the best opportunities are available to meet the investment objective. Although there is no benchmark, AMP Capital uses a NZ Trimmed Mean CPI +5.25% as a guideline to performance. The annual target volatility of this fund is 4-8%. Underlying funds are selected by the Multi-Asset Group based on a process whereby DAA (or objectives based asset allocation) drive the majority of the returns and an active volatility management and downside risk protection process are integral parts of the future management process. The Fund currently invests into the AMP Capital Multi-Asset Fund and the Schroder Real Return CPI Plus 5% Fund.</p> <table border="0"> <tr> <td>Tracking error</td> <td>n/a</td> </tr> <tr> <td>Cash:</td> <td>0% to 10%</td> </tr> <tr> <td>Benchmark Cash:</td> <td>5%</td> </tr> <tr> <td>Investment Managers:</td> <td>0% to 90%</td> </tr> <tr> <td>Benchmark Invest Manager:</td> <td>47.5%</td> </tr> <tr> <td>Growth Assets:</td> <td>0% to 90%</td> </tr> <tr> <td>Defensive Assets:</td> <td>10% to 100%</td> </tr> </table>	Tracking error	n/a	Cash:	0% to 10%	Benchmark Cash:	5%	Investment Managers:	0% to 90%	Benchmark Invest Manager:	47.5%	Growth Assets:	0% to 90%	Defensive Assets:	10% to 100%	<p>The Manager's process affords Fleming some discretion, but is dominated by a governance and compliance framework that starts at with an investment committee and separate, but internal, compliance and risk management teams. The Manager views the Fund as being a benchmark unaware fund that targets a real return greater than 5% per annum. The real return implies a return that is greater than either a cash rate or CPI, this is the variable component of the performance expectation the Manager has set. The excess return target is in line with the Manager's positioning of the Fund, which is to generate a positive return above inflation and to actively respond to changing market conditions with a flexible approach to investing.</p> <p>Research is fundamental to all investment decisions, and accordingly, can be impacted by asset allocation changes, both at the SAA and DAA level. FundSource believes the investment team has strong and relevant experience in investment markets and asset allocation strategies and is aware of the consequences of portfolio decisions. This includes working closely with the Australian multi-asset investment team to share research, knowledge and insights. Ultimately, economic and investment strategy decisions are made by the New Zealand based team.</p> <p>FundSource notes the underlying funds are actively managed, and the investment managers each have the flexibility to rebalance the asset allocation mix within broad ranges. The Fund may also hold cash and cash equivalents via investment in the AMP Capital NZ Cash Fund for liquidity purposes. The actual weight to each underlying fund is not expected to vary significantly.</p>
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<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 by investors. 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.</p>	<p>FundSource notes there are 34 funds in the FE Analytics NZMI Alternative sector. The FE Analytics sector consists of absolute return, long short, global macro, commodities trading strategies, multi strategy, and multi asset funds. FundSource highlights this is the only fund in this FE Analytics sector that is aligned to a goals-based strategy. FundSource notes the GMAF fee is below the average fee of the FE Analytics 34 peer funds.</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>The Manager has a good 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 types of committees employed by the Manager are in line with industry practice. The additional oversight provided by reporting through to Australia is viewed positively.</p> <p>FundSource notes that oversight is also provided by AMP Capital Australia. AMP Limited has achieved aspirational targets, such as female representation on its board, and this has been transferred to AMP Capital leadership teams in Australia and New Zealand.</p> <p>FundSource commends the Manager's approach to corporate responsibility, 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 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>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 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>

Conclusion and Rating

This Fund provides an investor with exposure to a diversified basket of investments, with a strong focus on generating a positive return above inflation and to actively respond to changing market conditions with a flexible approach to investing. This is achieved via investing in two underlying funds that have very flexible mandates, allowing them to invest differently to a traditional diversified fund, and remain responsive to market conditions. FundSource believes this is a point of differentiation for the Manager and this Fund. Accordingly, this Fund builds a direct linkage to the Manager's goals-based solution and should be matched with complimentary goals-based investments.

The Manager believes the asset allocation is the primary driver of returns, this is also the case with the underlying funds. The combination of strategic longer term asset allocation and dynamic shorter term asset allocation, assumptions, and views. The Managers core focus outside of asset allocation is identifying and optimising external fund managers. Since inception this has been achieved using an internal AMP Capital Australia multi manager investment, and Schroders Australian multi asset investment capabilities. FundSource believes the process to be sound, replicable, and in line with global peer funds.

FundSource observes the mix of AMP Capital Australia, Schroders, and AMP Capital New Zealand produces a very strong team, which is

underpinned by strong industry experience, and manager tenure. FundSource believe the investment teams are adequately resourced, based on the broader investment team in New Zealand and Australia and investment committee structures. Key person risk and Fleming's short tenure at AMP Capital NZ is mitigated to a large degree, in that the two underlying managers make the asset class and security decisions, not Fleming.

The Manager's basic fee is below the peer average in the FE Analytics Alternative sector. No performance fees are charged, unlike 22 other sector peer funds that do charge performance fees.

To date the Fund has met its stated real return +5% target, based on the fund profiles on the Manager's website. FundSource notes AMP Capital Australia has been managing components of the goals-based strategy since 2010. The AMP Capital Australia Multi-Asset Fund, and the Schroder Real Return CPI +5% Fund were established in 2010. The Multi-Asset Fund and GMAF are an important part of a wider AMP Capital goals-based investment initiative.

FundSource recommends that investors carefully consider the Managers flexible mandate and approach to asset allocation matches with their risk profile, investment needs, and objectives.

FundSource Rating: **AAA**

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%	4.40 / 5
People	25%	4.33 / 5
Portfolio Construction & Implementation	15%	4.17 / 5
Risk Management	15%	4.40 / 5
Investment Fees	10%	3.86 / 5
Overall Average Score:		4.27 / 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

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