

# GLOBAL SHARES UPDATE

## RESPONSIBLE INVESTMENT LEADERS GLOBAL SHARES FUND

28 AUGUST 2018

This is to update you on some changes to the AMP Capital Responsible Investment Leaders (RIL) Global Shares Fund (the “Fund”). AMP Capital Australia have recently reviewed the investment strategy for the Responsible Investment Leaders (RIL) International Share Fund, the underlying fund into which the Fund invests. As a result of this review, AMP Capital Australia have made a number of manager changes to improve overall portfolio diversification and increase the robustness of the portfolio through the different market cycles. These changes also deepen the RIL International Share Fund’s integration of environmental, social and governance (ESG) issues and strengthen its engagement activities to drive positive change on behalf of investors. The transition to the new managers has been completed effective 10 August 2018.

### Background

AMP Capital Australia review the investment strategy of the RIL International Share Fund from time to time to ensure that it continues to be appropriate in the prevailing market environment while still meeting the dual objective of driving positive change. The existing strategy has performed well over the long term, however AMP Capital Australia believe by increasing the investment style diversification within the RIL International Share Fund, they can improve the performance consistency at market inflection points. Additionally, as more managers are embracing ESG in their investing process, the opportunity set of investment managers that meet Responsible Investment Leaders’ mission of investing to make a difference has increased over time. AMP Capital Australia has taken this opportunity to introduce two high calibre managers with strong ESG and engagement practices to replace one existing manager in the RIL International Share Fund.

### Changes

The following changes have been made:

- > Termination of the Investec 4Factor Global Equity strategy. We retain Investec 4Factor Emerging Markets Strategy.
- > Appointment of Boston Partners Global Equity strategy (customised ESG mandate incorporating an ESG score from RobecoSAM, a specialist in sustainable investing)
- > Appointment of C WorldWide (previously known as Carnegie) Global Ethical strategy
- > Expansion of Lazard’s mandate to include emerging markets and amending the benchmark to MSCI All Country World Index (this will be introduced over time to minimise the impact on the fund)

The table below shows the managers’ allocation in the RIL International Share Fund following the changes:

Manager	Weight %
Lazard	40.0
Boston Partners	35.0
C WorldWide	15.0
RIL EM – Investec 4F GEM	10.0
RIL EM – CFS (Stewart Investors)	
<b>Fund</b>	<b>100.0</b>

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Further information on each of the underlying fund managers is set out in Appendix A.

### **Benefits of the revised strategy**

The benefits of the revised strategy are:

- > Manager alpha remains lowly correlated.
- > Dedicated relative value exposure through appointment of Boston Partners.
- > The introduction of a new ethical strategy through highly regarded thematic growth manager - CWorldWide.
- > Expanding Lazard's mandate to include emerging markets allows the manager to apply its quantitative strategy to a broader investment universe, as well as taking advantage of their proven track record in emerging markets investing.
- > Deeper ethical and ESG integration in the manager line-up, with stronger engagement practices to drive positive change on our clients' behalf.

### **Transition**

The transitioning of the assets from Investec to Boston Partners and C WorldWide has been completed effective 10 August 2018. The expansion of Lazard's mandate to include emerging markets will occur over time.

### **Further information**

If you have any questions or concerns about this fund update or your AMP Capital investment funds, please contact your relationship manager.

Yours sincerely,



Rebekah Swan  
**Head of Distribution**  
**AMP Capital**

## FUND MANAGER PROFILES

### DEVELOPED MARKETS

#### Lazard Asset Management

*Style/focus – Quantitative Core*



Lazard Asset Management is a quantitative manager that aims to build a core portfolio by avoiding biases toward any specific risk factors such as investment style, market capitalization, geography and sector. The team has created proprietary ESG ratings for most of the companies in their investment universe by drawing inputs from various leading ESG providers where the weight of each of the E, S & G components is modified according to its respective importance within the industry. These ESG scores are integrated in their investment process. A judgmental overlay is applied to Lazard's quantitative investment process, which considers market themes and risk in particular, alongside ESG issues. The investment team likes Lazard's unique approach to risk management, which sees it adjust its model to make specific prevailing risks more directly controllable. The manager's high quality, stable investment team operates within a robust governance framework is highly desirable.

#### Boston Partners

*Style/focus – Fundamental Relative value*



The Boston Partners global equity strategy is an actively managed diversified portfolio with 75-130 names that has the "three circle" characteristics – valuation, business fundamentals and business momentum. The strategy utilises bottom-up fundamental analysis in conjunction with a robust and proprietary quantitative screening process across the entire universe of global equities to construct a diversified portfolio. Boston Partners incorporates ESG analysis from its sister company, RobecoSAM, in its proprietary quantitative screen. RobecoSAM is an investment specialist focused exclusively on sustainability investing with market leading engagement work and unique insights in the investment implications of ESG issues.

#### C WorldWide Asset Management

*Style/focus – benchmark unaware, concentrated, thematic growth*



The C WorldWide investment team seeks to find companies that are stable, unregulated oligopolies with pricing power that benefit from long structural cycles and strong governance practices. The team conduct fundamental research on companies that fit their long term themes with sustainable competitive advantage, supported by valuations. A concentrated portfolio of 30 companies is constructed based on the investment team's conviction. For the global ethical strategy, additional screens are implemented to ensure that the portfolio avoids stocks with negative social harm and tilts to the better end of the universe on ESG grounds. The investment team likes the highly experienced, long-tenured team working together in a collaborative manner with proven track record over multiple market cycles. C WorldWide works with market leading engagement provider GES on targeted engagement activities to drive positive social change on behalf of investors

## EMERGING MARKETS

### Investec Asset Management

*Style/focus – Fundamental Core*



Investec Asset Management is a fundamental manager utilising their proprietary 4Factor quantitative screen to focus their in-depth fundamental research on the companies that meet the characteristics that can drive long term outperformance. The 4Factor screen can be broadly divided into traditional factors and behavior factors that encompass quality, value, growth, sentiment and momentum factors. Following the fundamental analysis, a core, risk-aware portfolio of 70-90 stocks is constructed based on their best ideas. Investec investment team, working with their internal ESG team, formally incorporates ESG research in their investment analysis and runs company-specific engagement activities on stocks it holds as well as thematic engagement activities on issues including climate change and economic inequality.

### Colonial First State (Stewart Investors)

*Style/focus – quality growth*



The Colonial First State (CFS) emerging markets portfolio (managed by Stewart Investors investment team) is built from bottom-up stock selection, with the team employing a robust buy-and-hold process that looks for stocks on the basis of quality and an ability to deliver sustainable and predictable growth. The team evaluates stocks from three distinct angles – quality, earnings growth and valuation. The focus is on absolute rather than relative returns. This strategy is underpinned by a strong governance framework and is managed by a specialist Responsible Investment team. The focus is on positive screening, investing in sustainability innovators, and the strategy targets renewable energy, energy efficiency, waste management and environmentally aware products and services.

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