

AMP CAPITAL AUSTRALIAN SMALL COMPANIES FUND

APIR: AMP0446AU (ON PLATFORM) | ARSN: 089 596 645

20 FEBRUARY 2019

Fund changes following a change to the underlying manager

AMP Capital Funds Management Limited, the Responsible Entity (RE, we, us) of the AMP Capital Australian Small Companies Fund ('Fund'), is writing to inform you that we are making some changes to the way your investment is made.

A summary of the changes, which will be effective on 1 April 2019, is shown below:

What are the changes?

- The Fund's underlying investment manager will no longer be UBS Asset Management (Australia) Ltd ('UBS').
- The Fund will invest into the AMP Capital Specialist Australian Small Companies Fund ('Specialist Fund'), which is managed by AMP Capital's Multi-Asset Group. The Specialist Fund is actively managed, and it adopts a multi-manager investing approach.
- The Fund will aim to provide a distribution half-yearly (after June and December), whereas previously it aimed to distribute on a quarterly basis.
- There is no increase to the management fees payable by the investors, however the overall management costs of the Fund (which includes performance based fees) may change due to differences in the performance based fees payable to the outgoing investment manager UBS and the underlying investment managers of the Specialist Fund.

A summary of changes in the Fund's key features is set out below for your reference on page 2.

Why are these changes being made?

UBS, the underlying manager of the Fund, has decided to take its management of Australian shares in a new strategic direction. Due to this decision, UBS will cease managing your Fund's investments. As a result of our review of the Fund, we have decided that it is appropriate to adopt a multi-manager investment approach which will be achieved via investment into another fund - the Specialist Fund.

What is a multi-manager fund?

Multi-manager funds comprise a range of specialist investment managers which are blended (or combined) in a single fund. This type of fund aims to provide diversification across manager types and investment styles (for example, value and growth), with the aim of achieving the fund's objectives with smoother returns across different phases of the market cycle.

What are the benefits of this change?

We believe that a multi-manager approach provides diversification across a number of investment styles and managers. Investors may benefit from this approach which aims to deliver more stable and consistent returns over time with lower overall risk, as a multi-manager approach has more sources for returns compared to a single manager.

AMP Capital has a robust capability in managing multi-manager funds, and a well-resourced investment team.

How are the underlying investment managers determined?

The Fund's new investment strategy via its investment in the Specialist Fund is designed to blend different investment managers that specialise in managing the shares of small Australian companies with the aim of maximising returns and managing levels of risk. In structuring the investments of the underlying Specialist Fund, our investment team takes a four-stage investment approach:

- Setting objectives and asset allocation
- Targeted manager selection, based on each manager's capability
- Portfolio construction and implementation
- Ongoing portfolio and manager review

Investment managers can be added, replaced or removed from the Specialist Fund without prior notice to investors. A list of current investment managers can be obtained online at www.ampcapital.com or by contacting us.

Key features

The table below is a comparison of the key features of the Fund as it currently exists and as it will change:

Fund Feature	Current	New																					
	AMP Capital Australian Small Companies Fund	AMP Capital Australian Small Companies Fund																					
Investment objective	The Fund aims to provide a return after costs and before tax, higher than the return from the S&P/ASX Small Ordinaries Accumulation Index, measured over rolling five-year periods.	The Fund aims to provide a return after costs and before tax, higher than the return from the S&P/ASX Small Ordinaries Accumulation Index, measured on a rolling three-year basis.																					
Suggested minimum investment timeframe	7 years	7 years																					
Relative risk	7 / Very high	7 / Very high																					
Investment approach	Single manager (UBS)	Multi-manager investing, via investment in an underlying fund																					
Investment strategy	<p>The Fund comprises securities listed on recognised exchanges in Australia and New Zealand, or those that the investment manager reasonably expects to list within six months.</p> <p>The Fund may also invest indirectly in listed Australian and New Zealand securities through investments in other relevant UBS funds. The Fund may invest in financial derivatives to gain exposure to the Australian sharemarket or to manage investment risk. Normally the Fund will hold between 30 and 60 stocks in companies and sub funds with the majority of investments to be made in securities not in the S&P/ASX 100 index.</p> <p>The Fund's asset allocation is shown in the table below:</p> <table border="1"> <thead> <tr> <th>Asset class</th> <th>Benchmark (%)</th> <th>Ranges (%)</th> </tr> </thead> <tbody> <tr> <td>Listed Australian and New Zealand shares</td> <td>100</td> <td>88-100</td> </tr> <tr> <td>Unlisted Australian and New Zealand shares</td> <td>0</td> <td>0-5</td> </tr> <tr> <td>Cash</td> <td>0</td> <td>0-12</td> </tr> </tbody> </table>	Asset class	Benchmark (%)	Ranges (%)	Listed Australian and New Zealand shares	100	88-100	Unlisted Australian and New Zealand shares	0	0-5	Cash	0	0-12	<p>The Fund invests in small companies listed on the ASX, where small companies are considered to be those outside the top 100 listed companies (by market value).</p> <p>Up to 20% of the portfolio may be invested in unlisted companies that the investment manager believes are likely to be listed in the next 12 months, or in companies between the top 50 and 100 listed on the ASX.</p> <p>The Fund's asset allocation is shown in the table below:</p> <table border="1"> <thead> <tr> <th>Asset class</th> <th>Benchmark (%)</th> <th>Ranges (%)</th> </tr> </thead> <tbody> <tr> <td>Australian shares</td> <td>100</td> <td>85-100</td> </tr> <tr> <td>Cash</td> <td>0</td> <td>0-15</td> </tr> </tbody> </table>	Asset class	Benchmark (%)	Ranges (%)	Australian shares	100	85-100	Cash	0	0-15
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Management fees and costs	<p>Management fee: 1.0237% pa</p> <p>Estimated indirect cost: 0.04% pa</p>	<p>Management fees will remain the same, however the overall management costs (which includes performance based fees) may change due to differences in the performance based fees payable to the outgoing investment manager UBS and the underlying investment managers of the Specialist Fund.</p> <p>Estimated indirect cost: 0.03% pa</p>																					

Performance based fees	A performance based fee may apply when the underlying manager exceeds their performance benchmark. Estimated performance based fee: 0% pa	The Fund's underlying investment managers charge a performance based fee when they exceed their performance benchmarks, and there is potential for higher performance based fees payable to underlying investment managers. Estimated performance based fee: 0.12% pa
Distribution frequency	Aims to distribute on a quarterly basis.	Aims to distribute on a half-yearly basis (after June and December)
Portfolio manager	UBS	AMP Capital's Multi-Asset Group (responsible for selecting and managing the underlying investment managers)
Underlying investment managers	UBS	A list of current investment managers can be obtained online at www.ampcapital.com or by contacting us.

How will the change occur?

To effect the change, the Fund will divest its current investments and re-invest in the Specialist Fund. The transition will be managed by our experienced Operations team to minimise disruption. However, as a result of the change the Fund will incur costs and crystallise tax positions.

Any net capital gains realised from the divestment may be distributed to you and may form part of the taxable income attributed to you at the end of the financial year – details of which will be contained in your annual tax statement, now known as an AMIT Member Annual Statement (AMMA Statement). We recommend you consult with your professional tax adviser should you require further information around how attributed taxable income will impact your personal tax position.

Is any action required by investors?

No action is required if you choose to remain invested in the Fund. You may wish to consult with your financial adviser to determine whether the new investment strategy of the Fund is still suited to your portfolio and long-term investment objectives.

Those who do not wish to remain invested in the Fund have the option to redeem before the change takes place (the redemption request must be received before 1pm Sydney time on Friday 29 March 2019) or any time after the change takes place. In doing so, it is important to note that redemptions incur buy-sell spread costs, as outlined in the PDS. There may also be tax implications associated with redeeming from the Fund. We advise you to seek professional advice, as the taxation treatment will be specific to your circumstances.

Further information

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

Yours sincerely,



David Richardson

Global Head of Client Services and Business Improvement

AMP Capital Investors Limited

Important note: AMP Capital Funds Management Limited (ABN 15 159 557 721, AFSL 426 455) is the responsible entity of the Fund and the issuer of units in the Fund. Neither AMP Capital, nor any other company in the AMP Group guarantees the repayment of capital or the performance of any product or any particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance. While every care has been taken in the preparation of this document, AMP Capital makes no representation or warranty as to the accuracy or completeness of any statement in it including without limitation, any forecasts. This letter has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. Investors should, before making any investment decisions, consider the appropriateness of the information in this letter, and seek professional advice, having regard to their objectives, financial situation and needs.