

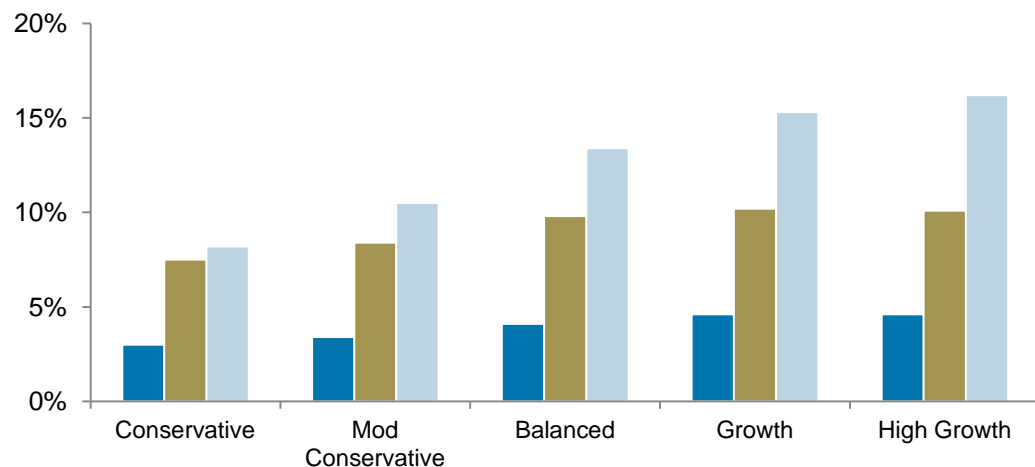
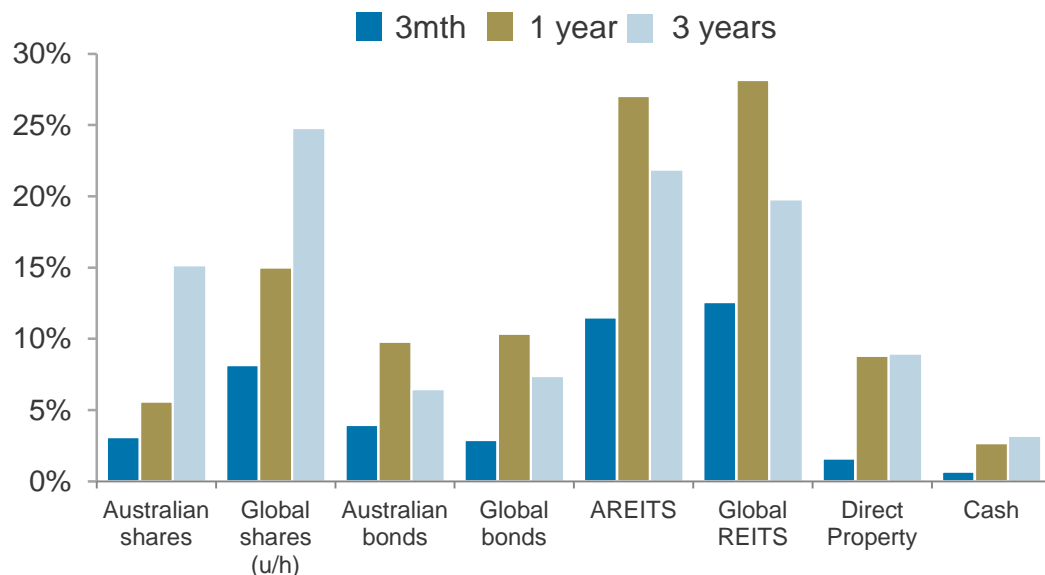
AMP CAPITAL
RIL DIVERSIFIED FUNDS INVESTMENT UPDATE
DECEMBER QUARTER 2014





MARKET + ECONOMIC OVERVIEW

WHAT HAPPENED IN ASSET MARKETS?



SOURCE: AMP CAPITAL, CHANT WEST. ALL RETURNS TO DECEMBER 2014. RETURNS REPRESENT THE MEDIAN MANAGER. FUND RETURNS AFTER TAX AND INVESTMENT FEES.

Market dynamics over the *QUARTER*

- > Collapse in oil impacts commodities, currencies, US high yield energy spreads spiked
- > Weakness in commodity prices saw downward pressure on AUD + Australian shares
- > Global shares delivered solid returns amid geopolitical tensions; positive US earning season drove global markets, as did expectations of European QE
- > Emerging markets affected by Russian/Ukraine political risk + weaker commodity prices

Market dynamics over the *CALENDAR YEAR*

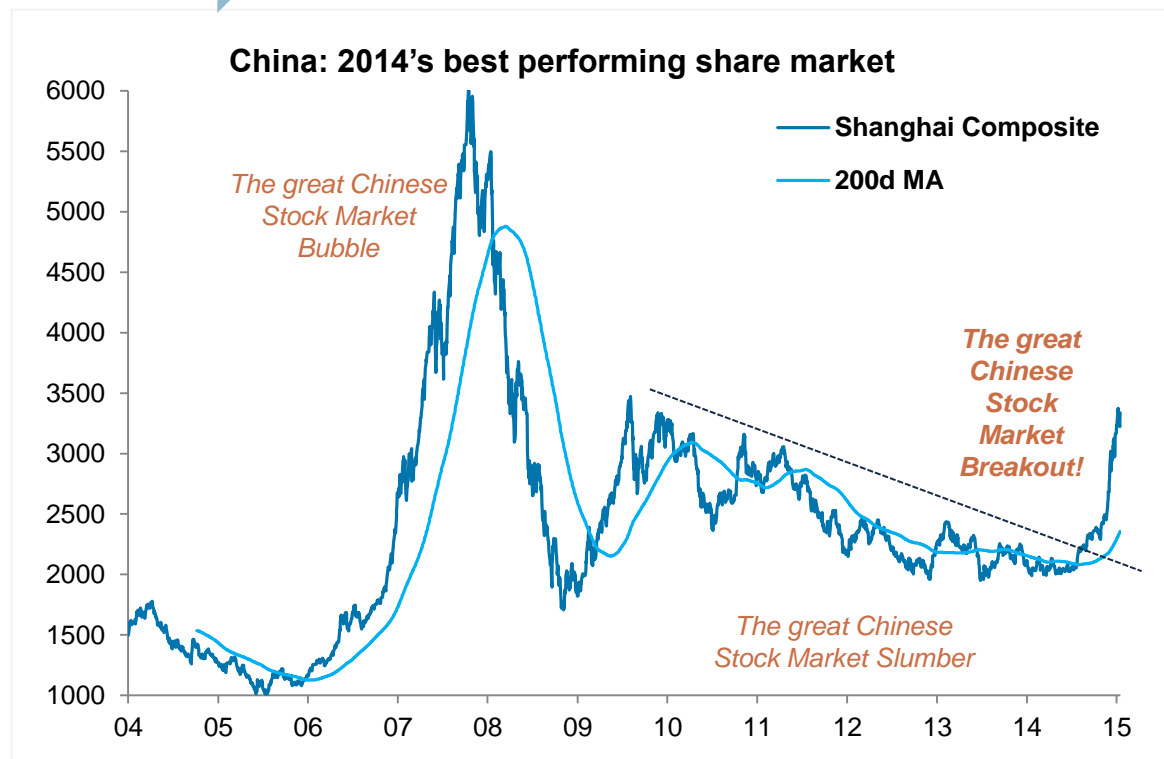
- > 2014 saw another year of solid returns across asset classes, particularly listed property
- > US shares outperformed driven by profit growth, Europe lagged
- > Bond yields surprised, moving back towards all time lows
- > Oil price crash, USD strength, commodity softness dominated
- > Australian shares lagged global

2014 YEAR IN REVIEW

COMPARING REGIONAL SHARE MARKETS

KEY SHARE MARKETS 2014 RETURN (%)

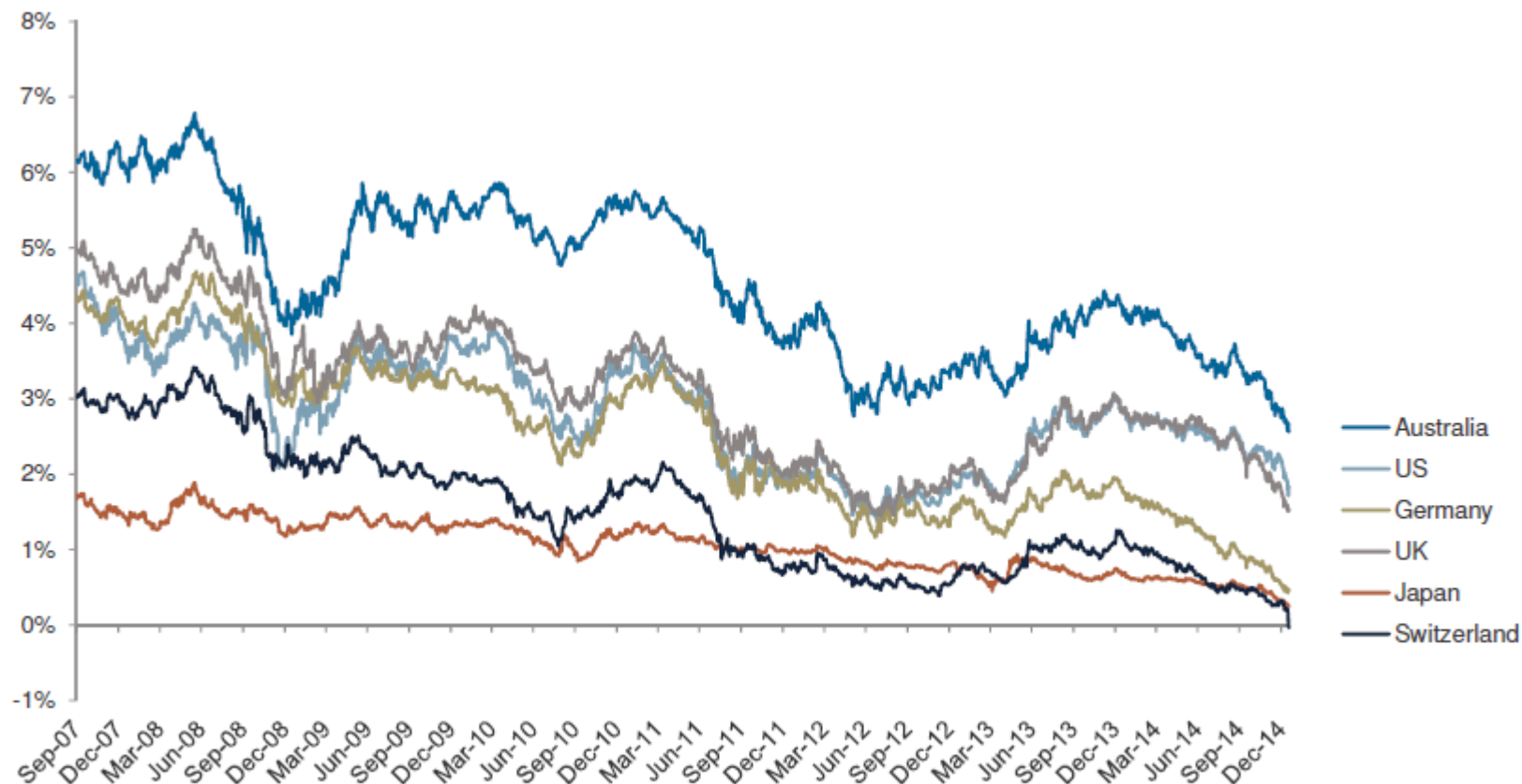
KEY SHARE MARKETS	2014 RETURN (%)
China (Shanghai SE Composite)	53.1
US (S&P 500)	13.7
MSCI World (ex Australia)	10.0
Japan (Topix)	8.1
MSCI Emerging Markets	5.2
Australia (S&P ASX 200)	5.6
Germany (DAX)	2.7
France (CAC 40)	2.7
UK (FTSE 100)	0.7



SOURCE: AMP CAPITAL AND USING TOTAL RETURNS (ACCUMULATION) FOR THE YEAR ENDING 31 DECEMBER 2014. PERFORMANCE SHOWN IN LOCAL CURRENCY TERMS.

10 YEAR GLOBAL YIELDS

RACE TO THE BOTTOM



SOURCE: BLOOMBERG, AMP CAPITAL AS AT JANUARY 2015



PORTFOLIO POSITIONING & OUTLOOK

INVESTMENT OUTLOOK FOR MAJOR ASSET CLASSES

AND HOW WE'RE POSITIONED FOR THIS

TOTAL RETURN (%)	2013	2014	ASSET CLASS	2015 OUTLOOK	PORTFOLIO PREFERENCE
Global shares (AUD)	48.0	15.0	Global shares	<ul style="list-style-type: none"> Cyclical bull market in shares has further to go but volatility expected. Earnings will be the key driver of returns 	<ul style="list-style-type: none"> Neutral to slight positive Buy on weakness Prefer Europe
Global shares (LC)	29.2	10.0			
Asian shares (LC)	5.8	5.8	Emerging market shares	<ul style="list-style-type: none"> China + Asia continue to appeal Laggards likely to be commodity producers + areas affected by political risk 	<ul style="list-style-type: none"> Maintain overweight to China + Asia
Emerging market shares (LC)	3.4	5.2			
Australian shares	20.2	5.6	Australian shares	<ul style="list-style-type: none"> End of the commodity super-cycle means Australia likely to underperformed for some time May see short-term support as RBA cuts interest rates 	<ul style="list-style-type: none"> Underweight to remain until monetary conditions loosen further
Global bonds (AUD hedged)	2.3	10.4			
Australian bonds	2.0	9.8	Australian + international bonds	<ul style="list-style-type: none"> Expect bond yields to gradually rise as US economy remains robust and Fed edges towards rate hike 	<ul style="list-style-type: none"> Remains our largest underweight positions
Global REITs (AUD hedged)	5.8	28.2			
Australian REITs	7.1	27.0	Property + infrastructure	<ul style="list-style-type: none"> Continue to benefit from ongoing search for yield 	<ul style="list-style-type: none"> Look to increase direct assets
Direct commercial property	8.8	8.5			
Direct infrastructure*	9.0	12.0	Currencies	<ul style="list-style-type: none"> AUD likely to see continued weakness towards USD0.75 	<ul style="list-style-type: none"> Remain overweight foreign currency Prefer USD
Australian residential property*	14.5	9.0			
Cash	2.9	2.7	Risks to watch	<ul style="list-style-type: none"> Timing of Fed rate hike Geopolitical – ISIS, Ukraine Chinese property market Political risk in Europe 	

SOURCE: AMP CAPITAL, THOMSON REUTERS AND MORNINGSTAR, REIA. *ESTIMATE.

CURRENT ASSET ALLOCATION

RIL Balanced Fund (%)	SAA %	Current target %	Dynamic tilt %	Actual %
Growth assets	69.0	70.5	+1.5	71.3
Australian shares	32.0	30.0	-2.0	30.0
International shares	23.0	26.0	+3.0	26.7
Emerging markets	2.0	3.5	+1.5	3.3
Global listed property	4.0	4.0	-	4.3
Direct property	6.0	5.0	-1.0	4.7
Infrastructure	1.0	1.0	-	1.2
Growth alternatives	1.0	1.0	-	1.1
Defensive assets	31.0	29.5	-1.5	28.7
Australian government bonds	13.0	11.0	-2.0	11.0
Int'l government bonds	4.0	3.0	-1.0	2.7
International IG credit	9.0	6.0	-3.0	5.9
Cash	5.0	9.5	+4.5	9.2
Foreign exchange	20.0	23.0	+3.0	

Reduced Aust. shares; increased global shares

Maintaining underweight sovereign bonds and credit

Remain underweight AUD, overweight USD



PERFORMANCE & ATTRIBUTION

PERFORMANCE

Performance before tax and fees

	3 months (%)			1 year (%)			3 years (% p.a.)			5 years (% p.a.)			7 years (% p.a.)		
	Fund	SAA	Excess	Fund	SAA	Excess	Fund	SAA	Excess	Fund	SAA	Excess	Fund	SAA	Excess
RIL Conservative	3.3	3.4	-0.0	8.2	8.6	-0.3	9.5	9.1	+0.4	7.5	7.3	+0.2	6.1	5.8	+0.3
RIL Balanced	4.4	4.1	+0.3	9.7	9.4	+0.3	15.2	14.0	+1.3	9.0	8.5	+0.5	5.1	4.4	+0.7
RIL Growth	5.2	5.1	+0.1	10.8	10.3	+0.6	18.5	16.9	+1.6	9.8	9.3	+0.5	4.8	3.9	+0.9

Performance versus peers (after tax and fees)

	3 months (%)			1 year (%)			3 years (% p.a.)			5 years (% p.a.)			7 years (% p.a.)		
	Fund	Med	Quart	Fund	Med	Quart	Fund	Med	Quart	Fund	Med	Quart	Fund	Med	Quart
RIL Conservative	2.8	2.1	1 st	6.9	6.3	1 st	7.9	7.8	2 nd	6.2	6.5	3 rd	4.9	4.8	2 nd
RIL Balanced	4.1	3.4	1 st	8.7	8.5	2 nd	13.5	12.7	1 st	8.0	8.2	3 rd	4.4	4.3	2 nd
RIL Growth	4.6	3.7	1 st	9.6	8.8	1 st	16.3	14.6	1 st	8.7	8.7	2 nd	4.2	3.9	2 nd

SOURCE: INTERIM CHANT WEST MULTI-MANAGER QUARTERLY SURVEY, DECEMBER 2014.
RETURNS AFTER TAX AND AFTER INVESTMENT FEES. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

KEY DRIVERS OF PERFORMANCE

RIL BALANCED AS AT 31 DECEMBER 2014

4th Quarter

vs. peers	vs. benchmark
<ul style="list-style-type: none"> > O/W Equities: Aust, global and GREITs > O/W Australian bonds > U/W Unlisted assets and Alternatives 	<p>Manager performance (approx. +0.35%)</p> <ul style="list-style-type: none"> + Good performance from Australian and emerging markets equity managers <p>Asset allocation (approx. -0.10%)</p> <ul style="list-style-type: none"> + O/W international shares + U/W Australian shares - U/W fixed income in favour of cash

1 Year

vs. peers	vs. benchmark
<ul style="list-style-type: none"> > O/W Australian equities > U/W Unlisted assets and Alternatives 	<p>Manager performance (approx. +0.15%)</p> <ul style="list-style-type: none"> + Strong performance from global developed and emerging markets equity managers - some underperformance from fixed income and property managers <p>Asset Allocation (approx. +0.10%)</p> <ul style="list-style-type: none"> + O/W international shares + U/W Australian shares + O/W foreign currency - U/W fixed income in favour of cash

SOLID ASSET CLASS PERFORMANCE

	<u>QTR (%)</u>			<u>1 YEAR (%)</u>			<u>3 YEARS (% p.a.)</u>		
	Fund	Excess	v. Bench	Fund	Excess	v. bench	Fund	Excess	v. bench
Australian shares	4.4	1.3	✓	5.6	-	✓	16.9	1.7	✓
International shares	7.0	-0.4	✗	15.1	1.3	✓	24.9	1.9	✓
Emerging markets	4.3	2.2	✓	10.9	3.9	✓	18.9	6.7	✓
Diversified fixed income	3.1	-0.4	✗	9.8	-0.5	✗	7.1	-	✓
Global listed property	12.0	-0.3	✗	27.1	-0.8	✗	21.5	1.5	✓

SOURCE: AMP CAPITAL, AS AT 31 DECEMBER 2014. RETURNS BEFORE TAX AND FEES. EXCESS RETURNS ARE COMPARED TO EACH FUND'S BENCHMARK. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.



RECENT ESG ACTIVITY

INVESTMENTS IN LINE WITH RIL CHARTER

Stock reviews

- > Sampling of companies to check compliance with the RIL charter.
 - RIL ethics committee may decide on a) engagement or b) “grey listing”

Reviews for RIL Ethics Committee Meeting 10 December:

- > *December*: Airbus, Apollo Tyres, Pepsico, Verizon Communications, Thermo-Fisher Scientific, St Jude Medical, Occidental Petroleum, Precision Drilling, H&M, Amgen, Gamestop Corp, Mondi, Choppies, Tiger Brands.



Greylist:

- Exxon
- Freeport McMoran
- Anadarko Petroleum
- Newscorp and 21st Century Fox
- Woolworths
- Sinopec
- Triumph Group
- *Airbus Group (new)*
- *AbbVie (new)*
- *Transfield (new)*

Engagements

- a) Company specific engagements
 - Examples: Orica, Transfield, Westpac
- b) Thematic engagements
 - Supply chain risk management / labour rights
 - Coal seam gas
 - Improved ESG disclosure
 - Climate change
 - Corporate governance

ESG UPDATES

Thematic ESG engagements

> Supply chain risk management

- *Human rights issues in the supply chain – too much focus on the cheapest labour cost can backfire.*
- Previous engagement focus: make retailers sign the Bangladesh Accord (major progress to date)
- New focus: capitalising on insights learned in Bangladesh –encouraging industry best practice on supply chain management on key issues identified.
 - **Engagements with listed Australian retailers**
 - Management meetings during reporting season, e.g. Pacific Brands, Woolworths
 - Presentation to 400 leaders at Wesfarmers at its annual leadership conference
 - **Industry engagement**
 - Presentation of shareholder perspectives on supply chain management at Australia's Sustainability in Business Conference.
 - Presentation at supply chain forum hosted by Banarra.
 - **Continued investor education**
 - RIAA Webinar on supply chain issues in Bangladesh
 - Report from Bangladesh trip
 - **Continued collaborative engagements through ICCR (Investor Statement on Bangladesh)**
 - Distribution of insights from Bangladesh trip + suggesting living wage issue / freedom of association as key engagement areas going forward.

> Coal seam gas

- **Collective engagement**
 - Collective engagement through UN PRI working group
- **Engagement with listed companies**
 - Continuous dialogue with companies, e.g. AGL, Santos



Photo from AMP Capital's visit to Bangladesh 2014. Garment workers on their way to work (above) and photo from site trip to Narrabri (below).



ESG UPDATES

> Improved ESG disclosure

- Collaborative engagement
 - International Integrated Reporting Council's Investor Network
- Company / industry engagement
 - Direct feedback to companies on their sustainability reporting, e.g. NAB, Suncorp, BHP, Amcor, Kmart
 - Presentation on ESG disclosure at Australia's Sustainability in Business Conference

> Climate change

- Collaborative engagement
 - Continued engagement through IGCC, e.g. letter to Prime Minister on the Renewable Energy Target
- Company / industry engagement
 - Discussions with BHP on how climate change is incorporated into strategy and investment decisions.
 - Media discussions on the RIL Fossil Fuel policy

> Corporate governance

- New corporate governance report (August 2014)
- Presentations at several AICD lunch forums on shareholder activism, short-termism and future of boards.
- Participation in Diversity forums
- Significant number of governance meeting leading up to the proxy voting season
- Proxy voting

Research / other

- > New banking sector framework for engagements
- > New major ESG review of food & beverage sector (Australia & NZ)
 - > RIL specific section with suggested areas and objectives for engagements

SOURCE: AMP CAPITAL



AMP Capital's latest corporate governance report was published in August 2014.



APPENDIX

RIL CONSERVATIVE FUND ASSET ALLOCATION

RIL Conservative Fund (%)	SAA	Current target	Dynamic tilt
Growth assets	27.0	27.5	+0.5
Australian shares	15.0	13.0	-2.0
International shares (ACWI)	7.0	10.5	+3.5
Global listed property	5.0	4.0	-1.0
Defensive assets	73.0	72.5	-0.5
Australian government bonds	24.0	21.5	-2.5
Int'l government bonds	7.0	4.0	-3.0
International IG credit	17.0	14.0	-3.0
Cash	25.0	33.0	+8.0
Foreign exchange	7.0	10.5	+3.5

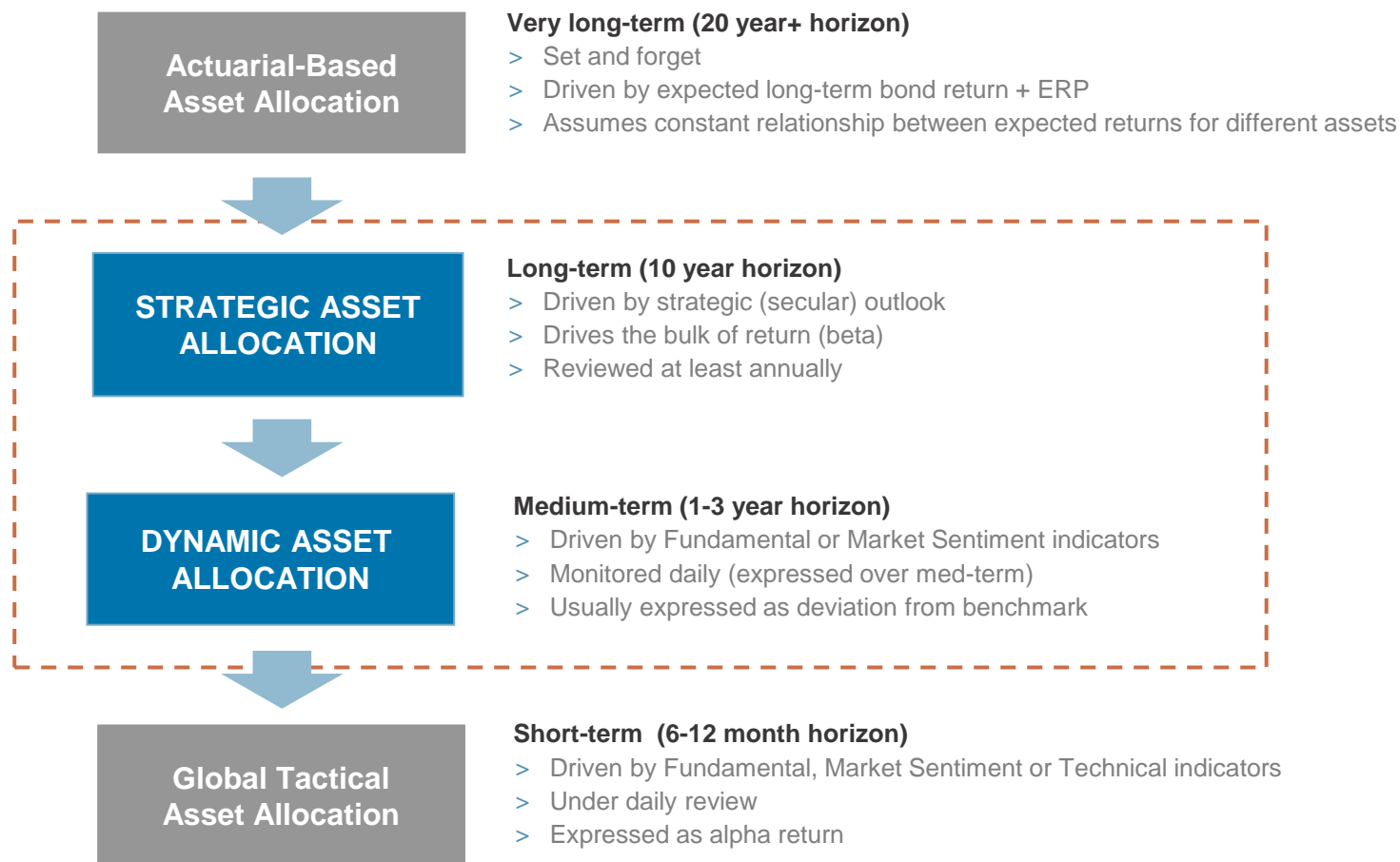
SOURCE: AMP CAPITAL, AS AT 31 DECEMBER 2014.

RIL GROWTH FUND ASSET ALLOCATION

RIL Growth Fund (%)	SAA	Current target	Dynamic tilt
Growth assets	86.0	86.0	-
Australian shares	42.0	40.0	-2.0
International shares (ACWI)	36.0	40.0	+4.0
Global listed property	8.0	6.0	-2.0
Defensive assets	14.0	16.0	-
Australian government bonds	5.0	4.0	-1.0
Int'l government bonds	2.0	1.5	-0.5
International IG credit	4.0	3.0	-1.0
Cash	3.0	5.5	+2.5
Foreign exchange	27.0	31.0	+4.0

SOURCE: AMP CAPITAL, AS AT 31 DECEMBER 2014.

ASSET ALLOCATION AT THE DIVERSIFIED FUND LEVEL



SAA BENCHMARK

WEIGHTED MIX OF UNDERLYING INDICES

ASSET CLASS		BENCHMARK
Growth	Australian shares	S&P/ASX 200
	International shares	MSCI All Country World
	Emerging markets	MSCI Emerging Markets
	Global listed property	FTSE EPRA NAREIT Developed Rental
	Direct property	Mercer/IPD Australian Pooled Property Fund
	Infrastructure	10 Year Australian Bond Yield +4%
	Private equity	10 Year Australian Bond Yield +3%
	Opportunistic alternatives	10 Year Australian Bond Yield +3%
Defensive	Cash	Bloomberg AusBond Bank Bill
	Australian bonds	85% Bloomberg AusBond Government Bond 0+Yr 15% Bloomberg AusBond Inflation Bond 0+Yr
	International bonds	30% Barclays Global Treasury GDP Weighted by Country (\$A hedged) 70% Barclays Capital Global Aggregate Credit

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