AMP Capital Funds Management Limited
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AMP Capital China Growth Fund

Quarterly Report

The AMP Capital China Growth Fund is listed on the Australian Securities Exchange under the Code AGF

JUNE 2014

Investment objective

The AMP Capital China Growth Fund aims to: achieve long-term capital growth with a focus on investing in China A shares, which are shares in companies listed on China's Shanghai or Shenzhen stock exchanges; and outperform the S&P/CITIC 300 Total Return Index (expressed in Australian dollars). The objectives do not include the payment of regular income to investors.

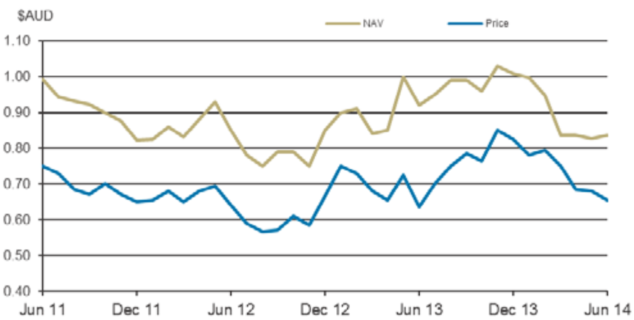
Net Asset Value (NAV) per unit as at 30 June 2014	$0.84

AMP Capital China Growth Fund performance (in AUD) for the period ended 30 June 2014

	1 mth return	3 mth return	6 mth return	1 yr return	3 yr return (annualised)	Return since investment* (annualised)
AMP Capital China Growth Fund (Net)**	0.91%	0.0%	-15.1%	-6.6%	-2.6%	2.4%
AMP Capital China Growth Fund (Gross)***	1.09%	0.6%	-14.3%	-4.9%	-0.8%	4.2%
Benchmark (S&P/CITIC 300 Total Return Index)	0.90%	0.7%	-12.0%	-1.2%	-2.6%	2.4%

Source: AMP Capital. These returns assume distributions are reinvested. Past performance is not a reliable indicator of future performance.
* 10 January 2007.
** Net performance is calculated after fees, expenses and taxes.
*** Gross performance is calculated before fees, expenses and taxes.

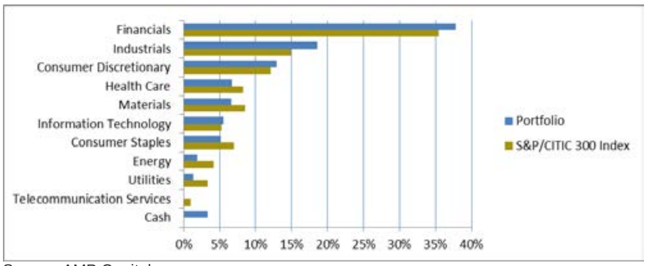
AMP Capital China Growth Fund NAV and share price



Source: AMP Capital, Bloomberg. NAV figures are ex-distribution.

See over page for quarterly Fund performance and market commentary

Sector allocation – % of total equity investments at 30 June 2014



Source: AMP Capital

Twenty largest stock positions as at 30 June 2014

Stock	Sector	Industry	Weight (%)
China Vanke Co Ltd	Financials	Real Estate Mgt & Development	4.75
Ping An Insurance Group Co of China Ltd	Financials	Insurance	4.75
China Merchants Bank Co Ltd	Financials	Commercial Banks	3.59
China Minsheng Banking Corp Ltd	Financials	Commercial Banks	3.48
CITIC Securities Co Ltd	Financials	Capital Markets	3.42
Shanghai Pudong Development Bank Co Ltd	Financials	Commercial Banks	3.42
Kweichow Moutai Co Ltd	Consumer Staples	Beverages	3.01
Gree Electric Appliances Inc	Consumer Discretionary	Household Durables	2.65
Ping An Bank Co Ltd	Financials	Commercial Banks	2.42
Anhui Conch Cement Co Ltd	Materials	Construction Materials	2.20
Zhengzhou Yutong Bus Co Ltd	Industrials	Machinery	2.16
Poly Real Estate Group Co Ltd	Financials	Real Estate Mgt & Development	2.15
Siasun Robot & Automation Co Ltd	Industrials	Machinery	2.04
Byd Co Ltd	Consumer Discretionary	Automobiles	1.97
BesTV New Media Co Ltd	Consumer Discretionary	Household Durables	1.75
Tasly Pharmaceutical Group Co Ltd	Health Care	Pharmaceuticals	1.62
Beijing Originwater Technology Co Ltd	Industrials	Commercial Services & Supplies	1.50
China Avic Electronics Co Ltd	Industrials	Aerospace & Defense	1.45
Sealand Securities Co Ltd	Financials	Capital Markets	1.44
China CSSC Holdings Ltd	Industrials	Machinery	1.42
Total			**51.19**

Source: AMP Capital

Fund performance

The China A share market rose by 0.7% in Australian dollar terms during the second quarter of 2014 after several targeted economic stimulus measures issued by the Chinese Government. During the quarter, the Fund underperformed the benchmark by 0.1% (before fees).

After a big retreat in the A-share market during the first quarter of the year, the local bourse started the second quarter quietly but the market gradually traded higher on improving purchasing managers' indices data as well as the Chinese Government's mini stimulus policies and targeted stimulus measures.

ChiNext, a Nasdaq-style board of the Shenzhen Stock Exchange, posted a strong rally on increasing risk appetite for certain high-growing sectors.

The key contributing sector for this quarter was industrial and our exposure in automation stocks, such as Siasun Robot, had a great run amid strong demand on automation machines. Also helping performance was our underweight position on coal names, which were soft on persistent low coal prices domestically.

The environmental sector was beefed up on renewed emphasis of clean water from government officials and added positive returns to the portfolio.

On the other hand, our exposure in the healthcare and consumer discretionary sectors remained sluggish on expected June quarter results.

Market commentary

After a slower economic performance during the first quarter, the Chinese Government decided that while it would not deploy broad-based monetary stimulus or any large scale fiscal easing, it would opt for a mini stimulus approach. This basically involved a targeted relaxation approach to manage the downward pressure on growth and ensure that broad growth objectives are met.

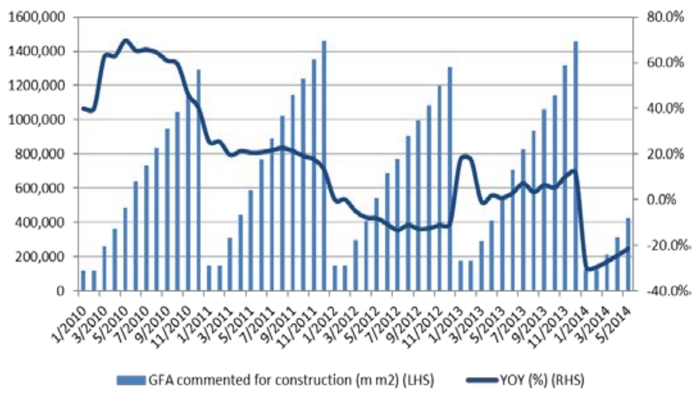
In China, authorities have announced various policy measures in order to support growth such as spending on railways, finance for low-income housing, tax support for small companies and reduced reserve ratio requirements for regional banks. These measures are incremental and are aimed at ensuring growth remains above 7% this year rather than the dramatic stimulus measures of 2008-2009.

Macroeconomic data was also encouraging for China. The HSBC manufacturing PMI rose to 50.7 in June from a low of 48 in March and the official manufacturing PMI rose to 51, and various activity indicators showed a slight improvement in growth. All of this indicates that growth in China is on track to come in around 7.5% this year. Structural reform was proceeding as the Ministry of Finance released its fiscal reform plan.

Property is a clear area of weakness, though. In the year to May, national property sales and new starts declined 8% and 22% yearly, respectively. Local governments became more supportive of the property market, with various cities starting to relax earlier restrictions that had been designed to slow property price growth. These measures included: 1) loosening restrictions on citizenship rights to live in certain cities; 2) easing home purchase restrictions; 3) providing the housing provident fund subsidy or mortgage guarantee; and 4) the relaxed price celling cap for high-end properties.

The property price cycle is slowing but so far it looks similar to what happened around 2008 and 2011.

National residential construction starts (GFA)



Source: Standard Chartered Bank

Looking outside of China, developed economies such as the US and Eurozone displayed solid economic performances during the quarter and their respective benchmark indices were positive, with the Dow Jones Index reaching a new high.

The latest Federal Open Market Committee meeting was broadly neutral with limited changes in the statement, and on balance slightly more dovish than before. The Summary of Economic Projections was mixed as, on the one hand, the median funds rate projections moved up in 2015 and 2016. On the other hand, however, the longer-term projections for the funds rate came down.

On 10 April 2014, the China Securities Regulatory Commission and the Securities and Futures Commission announced in-principle approval of Shanghai-Hong Kong Stock Connect, a pilot program to provide greater access to stock trading between Shanghai and Hong Kong. The program will allow eligible investors, for the first time, to trade eligible stocks directly between the Shanghai Stock Exchange and the Stock Exchange of Hong Kong.

The announcement represents another step in China's long-term plan to open its investment markets to the world and internationalise the Renminbi. The introduction of the program may lead to an increase in the liquidity of the China A-share market through broadening access for international and institutional investors. A formal launch of the program is expected in October 2014.