AMP Capital Funds Management Limited
ABN 15 159 557 721, AFSL 426455
www.ampcapital.com.au/china

AMP Capital China Growth Fund

Quarterly Report

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

SEPTEMBER 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.

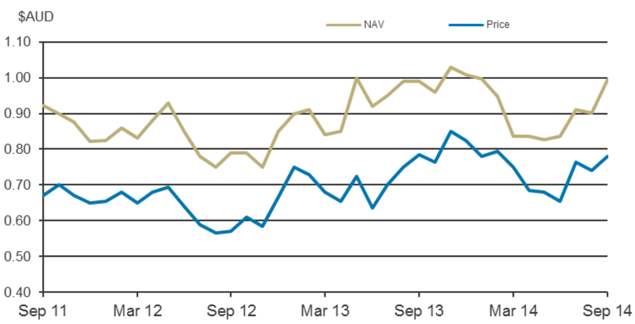
Net Asset Value (NAV) per unit as at 30 September 2014	$0.99

AMP Capital China Growth Fund performance (in AUD) for the period ended 30 September 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)**	10.45%	19.1%	19.1%	2.6%	5.7%	4.7%
AMP Capital China Growth Fund (Gross)***	10.59%	19.6%	20.3%	4.7%	7.7%	6.4%
Benchmark (S&P/CITIC 300 Total Return Index)	12.32%	25.0%	25.9%	12.5%	6.8%	5.3%

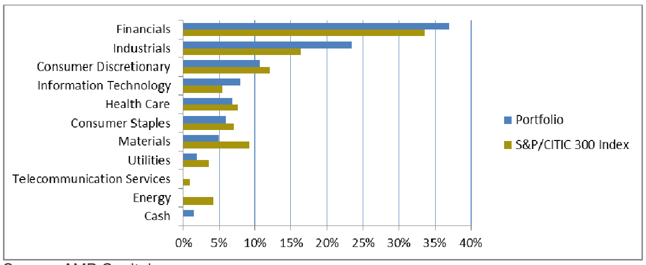
Source: AMP Capital. These returns assume distributions are reinvested. Past performance is not a reliable indicator of future performance.
* 10 February 2007.
** Net performance is calculated after fees, expenses and taxes.
*** Gross performance is calculated before fees, expenses and taxes.

AMP Capital China Growth Fund NAV and share price



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

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



Source: AMP Capital.

Twenty largest stock positions as at 30 September 2014

Stock	Sector	Industry	Weight (%)
Ping An Insurance Group Co of China Ltd	Financials	Insurance	4.80
China Vanke Co Ltd	Financials	Real Estate Mgt & Development	4.47
CITIC Securities Co Ltd	Financials	Capital Markets	4.09
China Merchants Bank Co Ltd	Financials	Commercial Banks	3.50
China Minsheng Banking Corp Ltd	Financials	Commercial Banks	3.36
Kweichow Moutai Co Ltd	Consumer Staples	Beverages	3.30
Shanghai Pudong Development Bank	Financials	Commercial Banks	3.02
Haitong Securities Co Ltd	Financials	Capital Markets	2.61
SAIC Motor Corp Ltd	Consumer Discretionary	Automobiles	2.43
China CSSC Holdings Ltd	Industrials	Machinery	2.36
Daqin Railway Co Ltd	Industrials	Road & Rail	2.18
Ping An Bank Co Ltd	Financials	Commercial Banks	1.99
Byd Co Ltd	Consumer Discretionary	Automobiles	1.95
Poly Real Estate Group Co Ltd	Financials	Real Estate Mgt & Development	1.86
Sealand Securities Co Ltd	Financials	Capital Markets	1.73
Industrial Bank Co Ltd	Financials	Commercial Banks	1.72
Siasun Robot & Automation Co Ltd	Industrials	Machinery	1.71
BesTV New Media Co Ltd	Consumer Discretionary	Media	1.68
China Avic Electronics Co Ltd	Industrials	Aerospace & Defence	1.65
China Shipbuilding Industry Co Ltd	Industrials	Machinery	1.62
Total			52.03

Source: AMP Capital.

Fund performance

During the third quarter of 2014, the China A-share market rose by 25.0% in Australian dollar terms with the fund's net assets improving by 19.1% (net of fees, taxes and expenses) over the same period. This was despite softer Chinese economic data released during the quarter. The fund manager expects that renewed government stimulus may act to alleviate the current weakness.

Over the quarter, the fund underperformed the benchmark by 5.4%, before fees. The major drivers of the fund's relative underperformance for the quarter were:

- Stock selection within the consumer discretionary sector where the fund's underweight position in Sunning Commerce impacted performance as the company outperformed on sequential earnings improvements.
- Underweight positions in utilities and materials sectors, which both trended up during the quarter amid 'risk on' trades and supportive government policy changes.
- An underweight position in the healthcare sector, which was boosted by a better outlook for the rest of the financial year as well as a delay in provincial drug tenders, which normally lead to price cuts.

This was partially offset by the fund's overweight position in the financials sector, which performed strongly during the quarter. Chinese property developer stocks added to performance, driven by positive signals such as a recovery in transaction volumes, loosening home purchase restrictions for selected cities and relaxing regulations for first home mortgages. Chinese banks also contributed, driven by a stabilising economy and a series of targeted government policies supportive of the banking sector. In anticipation of the upcoming Hong Kong-Shanghai trading connection, Chinese brokers also performed well.

The fund continues to have a long-term investment focus and hold overweight positions in sectors that have government policy support and potentially favourable developments such as securities companies and the railway sector. Also, the fund increased its exposure to the healthcare sector on the back of a better 2H 14 earnings outlook and attractive valuations.

Market commentary

After looser monetary settings in the second quarter, and a rebound in economic activity, China's central bank – the People's Bank of China (PBOC) – turned to a less supportive policy stance by allowing interbank interest rates to rise in a controlled manner and exchange rates to appreciate. Heightened anti-corruption efforts also contributed to a softer third quarter.

Amid a weaker macroeconomic outlook, regulators tried to be more accommodative through Standing Lending Facility (SLF) operations, which are loans from the PBOC to increase market liquidity. The central bank reportedly provided RMB500 billion of liquidity to the "big five" banks via its three-month SLF. Further, the PBOC and the China Banking Regulatory Commission (CBRC) jointly announced new measures to ease residential mortgage policy and increase financial support for real estate projects. The measures include:

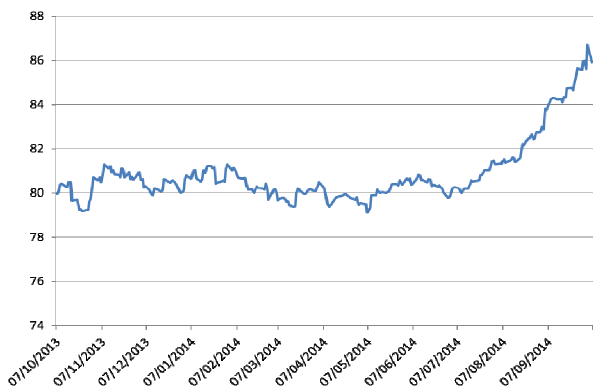
- More relaxed first mortgage conditions.
- Encouraging banks to issue mortgage-backed securities to free up funds for further mortgage lending.
- Support for financing needs of good-quality developers.

Premier Li Keqiang answered questions on the Chinese economy at the Summer Davos forum held in Tianjin. The Premier's comments appeared to suggest broader monetary loosening has become increasingly unlikely as the central government seems to be satisfied with job creation rates year-to-date, monetary conditions and economic growth.

Looking forward, the key focus will continue to be the upcoming 4th Plenum meeting and the Shanghai-Hong Kong trading connection scheduled to become active in October. This could serve as a potential catalyst for favourable fund flows into the A-share market.

On the global front, there was strengthening of the US dollar starting in July, originally against the yen and euro but spreading to a number of Asian currencies. Previously, US dollar strength has often been accompanied by weaker foreign equity portfolio flows into Asia.

The US Dollar Index (USDX)



Source: Bloomberg

Outlook

Going forward, Europe and Japan are likely to continue with economic stimulus measures for some time while the US Federal Reserve is on the path to ending quantitative easing in October. The European Central Bank has cut rates more than expected and has announced a program of purchasing asset-backed securities and covered-bonds starting in October.

Barring global monetary policy noise, the fund manager believes the Chinese government will maintain flexible monetary policies through open market operations and standing lending facilities to cater for system liquidity needs. In addition, previous property tightening policies may be loosened in steps and the property market will likely see improvements in terms of transaction volumes. Accordingly, full-year GDP will likely fall within the range of 7-7.5%.

Important note: AMP Capital Funds Management Limited (ABN 15 159 557 721, AFSL 426455) (AMPCFM) is the responsible entity of the AMP Capital China Growth Fund (Fund) and the issuer of units in the Fund. Neither AMP Capital Investors Limited (ABN 59 001 777 591, AFSL 232497) (AMP Capital), AMPCFM 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 investors' report 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 document, and seek professional advice, having regard to their objectives, financial situation and needs. *10 January 2007 is the date the Fund announced to the ASX that the amount of its US$200m QFII quota had been remitted into China and the Fund was over 90% invested in China A shares.