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

DECEMBER 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.

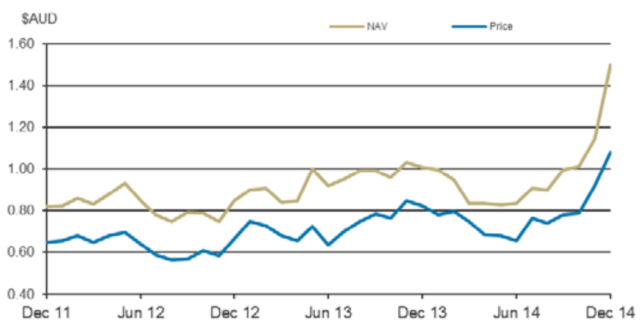
Net Asset Value (NAV) per unit as at 31 December 2014	$1.50

AMP Capital China Growth Fund performance (in AUD) for the period ended 31 December 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)**	30.94%	50.7%	79.5%	52.4%	25.1%	10.1%
AMP Capital China Growth Fund (Gross)***	31.57%	51.8%	81.2%	55.4%	27.9%	11.9%
Benchmark (S&P/CITIC 300 Total Return Index)	28.54%	48.5%	85.6%	63.3%	27.3%	10.5%

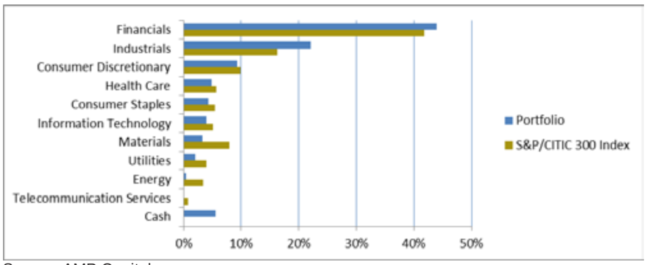
Source: AMP Capital. These returns assume distributions are reinvested. Past performance is not a reliable indicator of future performance.
* 10 February 2007.
** Net performance is calculated after fees, expenses and taxes.
*** Gross performance is calculated before fees, expenses and taxes.

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 31 December 2014



Source: AMP Capital.

Twenty largest stock positions as at 31 December 2014

Stock	Sector	Industry	Weight (%)
Ping An Insurance Group Co of China Ltd	Financials	Insurance	6.36
CITIC Securities Co Ltd	Financials	Capital Markets	4.90
China Minsheng Banking Corp Ltd	Financials	Commercial Banks	4.09
Haitong Securities Co Ltd	Financials	Capital Markets	3.96
China State Construction Engineering Corp Ltd	Industrials	Construction & Engineering	3.52
China Merchants Bank Co Ltd	Financials	Commercial Banks	3.33
China Vanke Co Ltd	Financials	Real Estate Mgt & Development	3.16
Shanghai Pudong Development Bank	Financials	Commercial Banks	2.35
Huaneng Power International Inc	Utilities	Indept Power Prod & Energy	2.07
China Pacific Insurance Group	Financials	Insurance	1.87
Bank of Communications Co Ltd	Financials	Commercial Banks	1.79
Poly Real Estate Group Co Ltd	Financials	Real Estate Mgt & Development	1.78
Kweichow Moutai Co Ltd	Consumer Staples	Beverages	1.77
China Life Insurance Co Ltd	Financials	Insurance	1.77
China Railway Construction Corp	Industrials	Construction & Engineering	1.75
Ping An Bank Co Ltd	Financials	Commercial Banks	1.70
China Shipbuilding Industry Co Ltd	Industrials	Machinery	1.58
Bank of Beijing Co Ltd	Financials	Commercial Banks	1.55
Industrial Bank Co Ltd	Financials	Commercial Banks	1.52
GF Securities Co Ltd	Financials	Capital Markets	1.51
Total			52.33

Source: AMP Capital.

Fund performance

The China A share market rose by 48.5% in Australian dollar terms in the fourth quarter of 2014 despite soft macroeconomic conditions. The Fund outperformed the benchmark by 3.3% (before fees).

China A shares put on a robust performance on the back of further loosening in monetary policy with the first interest rate cut in 28 months seen in November. Softer economic data such as purchasing managers' indices and producer price indices were unable to drag the market down as a symbolic interest rate cut boosted market sentiment.

The major contributor to quarterly performance was the Chinese financials sector, despite the lukewarm take-up on Shanghai-Hong Kong Stock Connect, as a surprise interest rate cut by the People's Bank of China boosted financial stocks. Brokers and insurance companies took the lead on the surge while Chinese banks were also higher on hopes of a cut to required reserve ratios (RRRs). Chinese property developers rose on continued improved sales volumes and lower funding costs.

Another key contributor to performance was the industrial sector, especially construction and railway names, all rallying on the excitement surrounding New Silk Road projects. Another impetus for railway-related names was the news of the merger between China CNR and CSR Corp, making a monopoly railway giant in China.

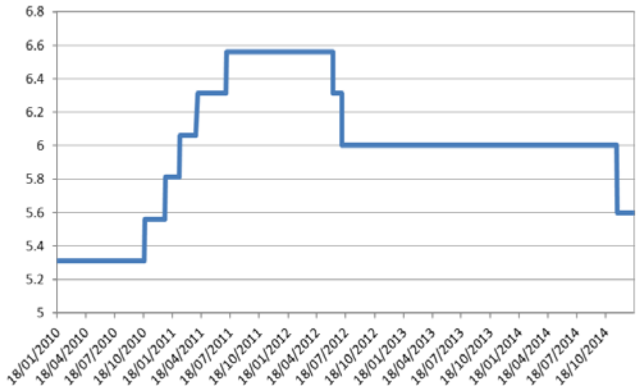
Conversely, the fund's underweight position in materials stocks detracted from performance as investors seemed prepared to take a risk on the sector despite soft commodity prices. Another detractor was the information technology sector, which saw larger companies over their smaller counterparts.

Market commentary

The commencement of the Shanghai-Hong Kong Stock Connect in November represented a major step forward for China's capital markets as it allowed, for the first time, cross border trading via the Hong Kong Exchange and Shanghai Exchange Mutual Market Access link-up. The program started smoothly but the early response was tepid. It seems more time is needed for investors to adapt to the new investment channel.

Amid soft macroeconomic data in October and November, the People's Bank of China decided to cut interest rates by lowering its benchmark one-year loan rate by 40 basis points to 5.60%, marking the first cut since July 2012. At the same time, it reduced the benchmark one-year deposit rate to 2.75% from 3.00% and gave commercial banks greater flexibility to raise deposit rates above the benchmark rates (from a 10% ceiling to 20%). Both the timing and magnitude of this interest rate cut exceeded market expectations. It is expected that future monetary policy will become more flexible and more responsive to the credit environment in China and effective interest rate cuts would help stabilise the Chinese economy and reduce tail risks especially in the property market. Looking ahead, it is expected that more cuts to interest rates and RRRs will follow given elevated financing costs in the real economy as well as continuing producer price index deflation.

China 1-year Benchmark Lending Rate



Source: Bloomberg

The Central Economic Work Conference held in December stated that China would lower its planned gross domestic product growth target in 2015 without providing definitive figures and would strive to keep economic growth and policies steady and adapt to the 'new normal' of slower growth but higher quality. China likely will maintain its proactive fiscal policy and prudent monetary policy for 2015 to keep the economy within a reasonable range. Moreover, China will likely hasten reforms, aimed at further opening up its economy, encouraging innovation, upgrading agriculture, enhancing regional integration and improving living standards.

Another key event for the quarter was the merger of the two major railway companies in China (CNR and CSR) to improve efficiency and competitive advantage for bidding for overseas projects. This was also complementary to the 'One Belt and One Road' concept initiated by President Xi, referring to the '(Overland) Silk Road Economic Belt' and '21st Century Maritime Silk Road'. The Silk Road Economic Belt connects China to Europe through Central Asia and the Maritime Silk Road extends from China to the Indian Ocean, the Arab Sea and the Persian Gulf through Southeast Asia. Countries that are covered by the New Silk Road have a total population of around 4.4 billion and total economy size of about US$21 trillion, 63% and 29% of the world total, respectively.

On the global front, the crude oil price experienced a sharp decline in the last quarter of 2014 due to several factors, namely the growth in the US shale industry, weak developed market demand (especially from Europe), Chinese demand weakening and OPEC not cutting production. Accordingly, based on the record crude imports into China in December, it is believed China is taking advantage of the falling oil prices and is stockpiling its strategic reserves.