

## ASX Announcement

9 MARCH 2015



Manager  
Company Announcements Office  
Australian Securities Exchange  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

Announcement No: 07/2015

### **AMP Capital China Growth Fund (ASX: AGF)**

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#### **INVESTOR PRESENTATION – MARCH 2015**

The attached slides are for a series of investor presentations relating to the AMP Capital China Growth Fund that the AMP Capital Head of Asian Equities, Patrick Ho, will be delivering during the week commencing 9 March 2015.

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# CHINA GROWTH FUND (AGF.ASX) INVESTOR PRESENTATION

MARCH 2015  
INVESTOR PRESENTATION

AMP CAPITAL 







# AMP CAPITAL ASIAN EQUITIES TEAM

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# AMP CAPITAL

## ASIAN EQUITIES TEAM



**Patrick Ho**  
Head of Asian Equities

**Casey McLean**  
Portfolio Manager / Analyst

**Andy Peng**  
Portfolio Manager / Analyst

**Eugene So**  
Portfolio Manager / Analyst

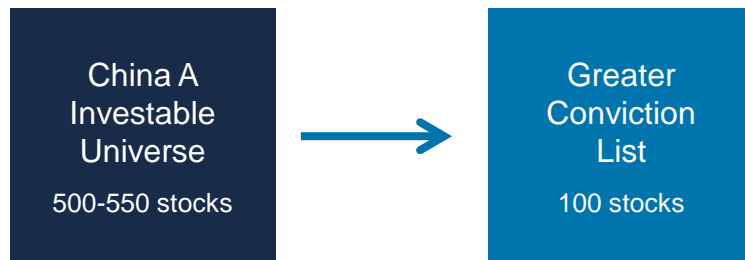
**Sam Ho**  
Portfolio Manager / Analyst

Name	Qualifications	Title	Years at AMP	Years of experience in investment industry
Patrick Ho, CFA	BSc (Hons), MPhil	Head of Asian Equities	3	21
Eugene So, CFA	BBus, MSc	Portfolio Manager / Analyst	3	15
Sam Ho, CFA	BFin	Portfolio Manager / Analyst	3	15
Casey McLean, CFA	BBus, GradCertAppFin	Portfolio Manager / Analyst	5	13
Andy Peng	BA	Portfolio Manager / Analyst	2	11
<b>Average</b>			<b>3</b>	<b>15</b>

# INVESTMENT PROCESS

## IDEAS GENERATION PROCESS

Analyse to generate the  
“best” ideas



### Qualitative:

1. Research agenda setting
2. Vision on industry landscape
3. Read on corporate strategy
4. Conclusion: Conviction (-3 to 3) with target price and catalysts







# AMP CAPITAL CHINA GROWTH FUND - PORTFOLIO

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# OVERVIEW

- > AMP Capital Investors was the first Australian company to be granted a Qualified Foreign Institutional Investor (QFII) licence
- > The AMP Capital China Growth Fund (AGF) provides an unhedged opportunity to invest in the China A share market
- > Only listed fund in Australia with this access
- > AGF has a market capitalisation of AU\$405 million<sup>1</sup>
- > AGF:
  - Generated investment performance of 21.59% in 2013 and 55.36% in 2014<sup>2</sup>
  - Share price appreciation of 24.1% in 2013 and 30.91% in 2014
  - Declared an estimated distribution of 1.922 cents per unit in 2013, 2.923 cents per unit in 2014

<sup>1</sup> As at 31 December 2014

<sup>2</sup> Returns for 12 months to 31 December shown in AUD dollars before fees, expenses and taxes

## FUND FACTS

### Investment objective

- > To achieve long term capital growth, with a focus on investing in China A shares. To outperform the S&P/CITIC 300 Total Return Index (expressed in Australian dollars)

### Fund structure

- > The AMP Capital China Growth Fund is a managed investment scheme listed on the Australian Securities Exchange

### Benchmark

- > S&P/CITIC 300 Total Return Index (expressed in Australian dollars)

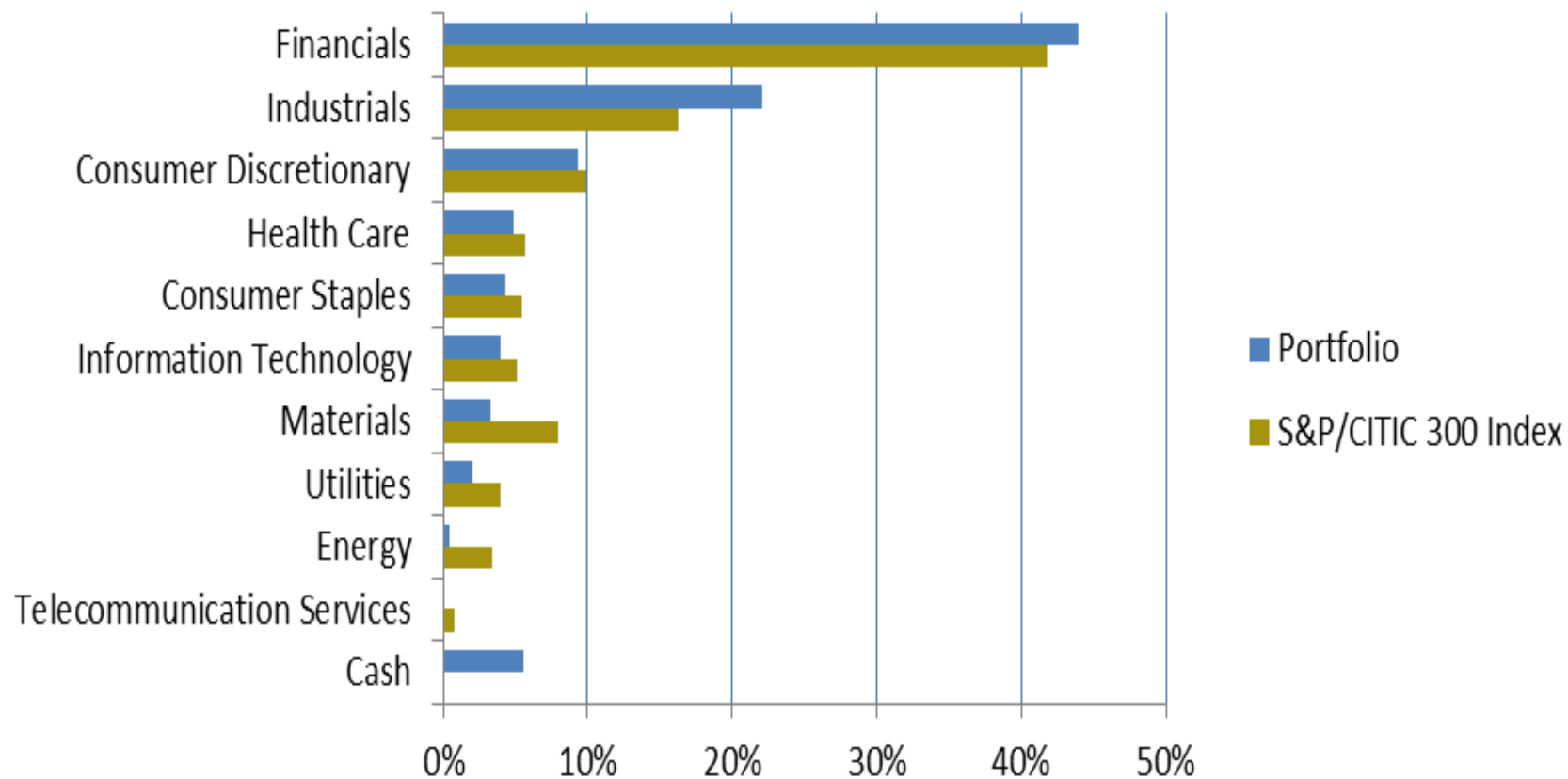
## Performance

Period	Fund	Benchmark	Outperformance
3 months	51.78	48.52	2.20
1 year	55.36	63.30	-4.86
2 years	37.44	37.48	-0.03
3 years	27.88	27.34	0.42
5 years	8.13	5.93	2.20

All information is as at 31 December 2014. Past performance is not a reliable indicator of future performance. All returns are cumulative, shown in AUD dollars before fees, expenses and taxes. Periods greater than 1 year are annualised. Investment date: 10 Jan 2007



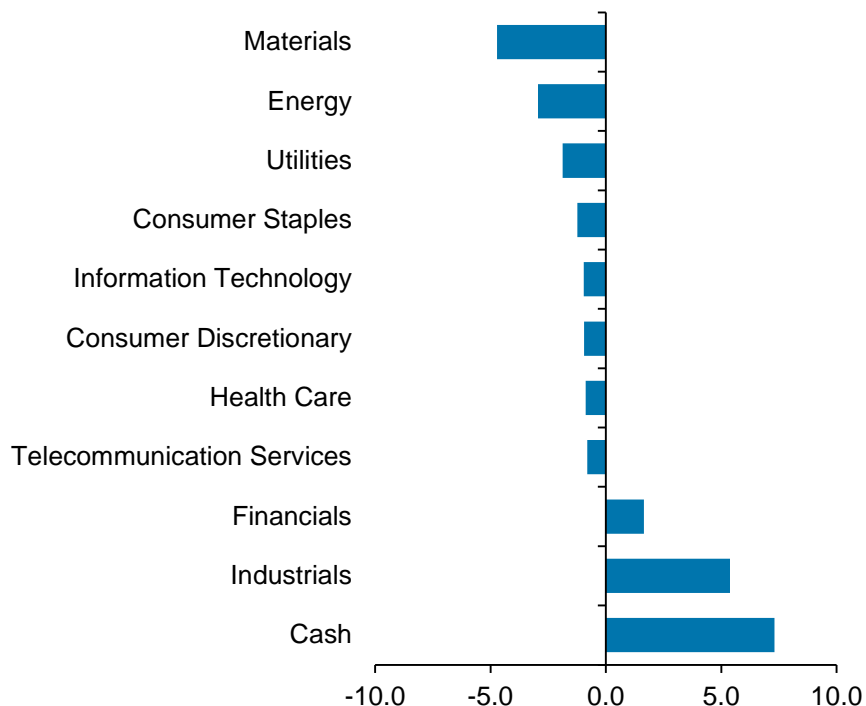
## Sector Allocation



# CURRENT PORTFOLIO

## ACTIVE POSITIONS

### Relative sector weightings



### Twenty largest stock positions

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	Financials	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	2.23
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
<b>Total</b>			<b>52.33</b>





# MARKET OUTLOOK

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# CHINA MACROECONOMIC AND EQUITY MARKET DEVELOPMENT

## SHCOMP INDEX AND CHINA'S GDP GROWTH

- > In 2014, a slowing macro economy and uncertainty about the potential impact on the property sector and shadow banking pushed the market sideways during 1H 2014
- > One of the major milestones for China and HK equity markets was the launch of the Shanghai-Hong Kong Stock Connect platform in November 2014
- > The A-share market reacted positively in anticipation of the scheme
- > This news was combined with better market sentiment and we saw the lower quality stocks run higher early in this uptrend

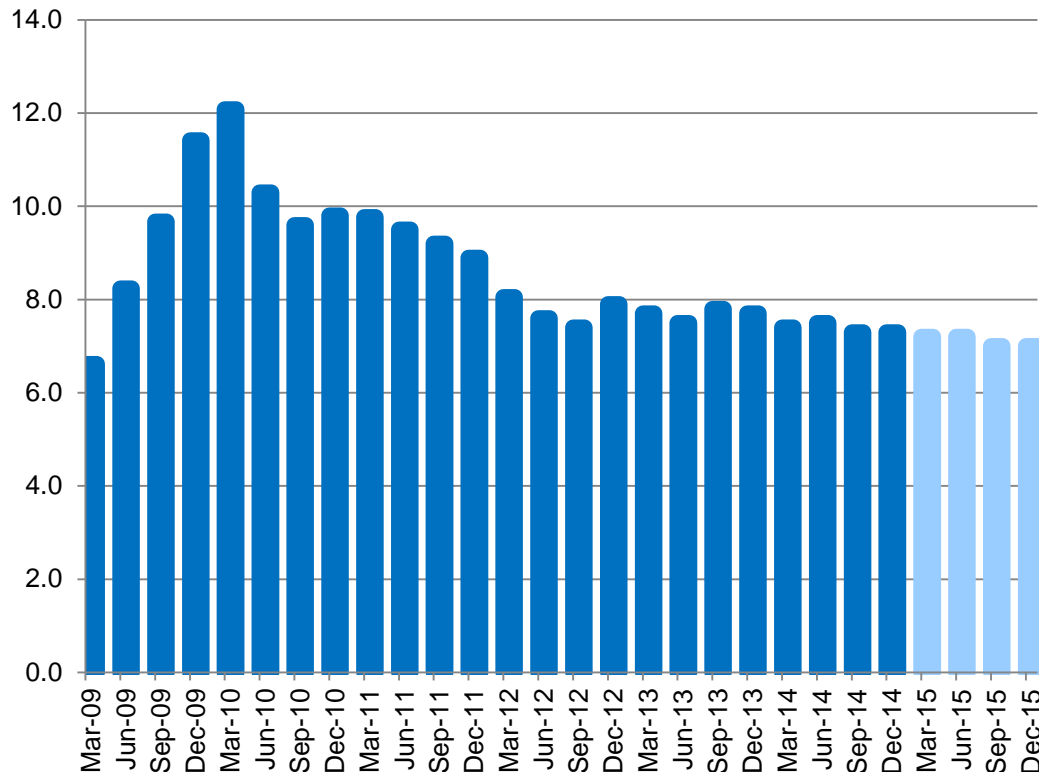




# CHINA

## MACRO ECONOMIC OUTLOOK

### GDP growth forecast, yoy %



Source: CEIC, BAML

### OVERALL ECONOMIC GROWTH IS STABILIZING

- > The slowing trend towards the new normal is on its way
- > Overall in 2014, the economy was helped by the better than expected export growth and the 2H increase in the overall investment

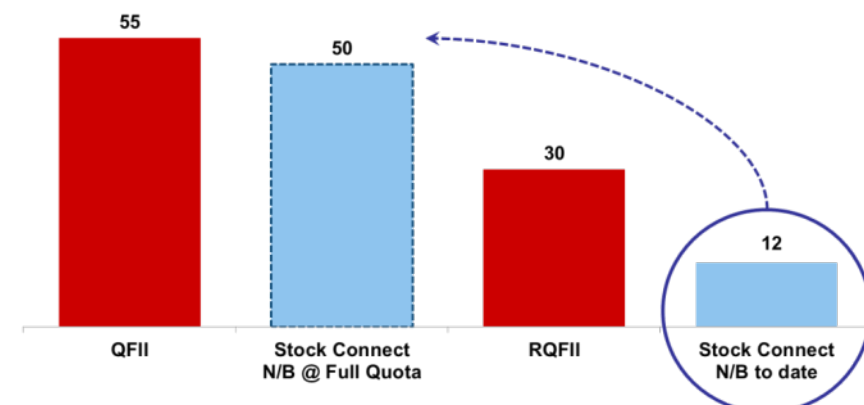
### THE OUTLOOK FOR 2015 IS POSITIVE GIVEN:

- > Ongoing recovery in developed markets will continue to contribute positively to China's export growth recovery
- > The potential wealth effect after the strong equity market performance could be a supportive factor for domestic consumption
- > The entry barriers for private investment will be eased by reform which will add fuel to the growth engine

The mild inflationary situation offers a sufficient buffer for the government to maintain its stable monetary and fiscal policies.

## Aggregate Quota on different schemes

US\$ billions



Issues	Steps Being Taken
Beneficial ownership of A-shares held through HKSCC nominee structure	Have provided legal clarity to the market on investors' proprietary rights
Requirement to transfer A-shares to your broker prior to a sell trade	Solution to pre-check A-share holdings will be introduced in March 2015
No covered shorting of A-shares	Has just introduced short-selling service in Feb 2015
Restrictive eligibility criteria for Southbound investors	Subject to regulators' review in due course
Under-weight inclusion of A-shares in MSCI equity indices	MSCI to review in 2015

Source: UBS

## IMPLEMENTATION UPDATE

- > From the operational perspective, the implementation has been smooth.
- > One would argue the inflow so far could be less than the initial expectation. However, a mild start could be a good signal for Chinese government to further open up the market in a gradual process.

## FURTHER POSSIBLE STEPS:

- > The pre-sell checking is one of the hurdles for managers to participate, a newly modified system will be introduced to remove the inefficiency.
- > Regulatory approval including UCITs funds to invest with the scheme will be another step to spark off the demand.
- > Moreover, expansion into more markets like Shenzhen and more types of stocks would be seen as a next step.

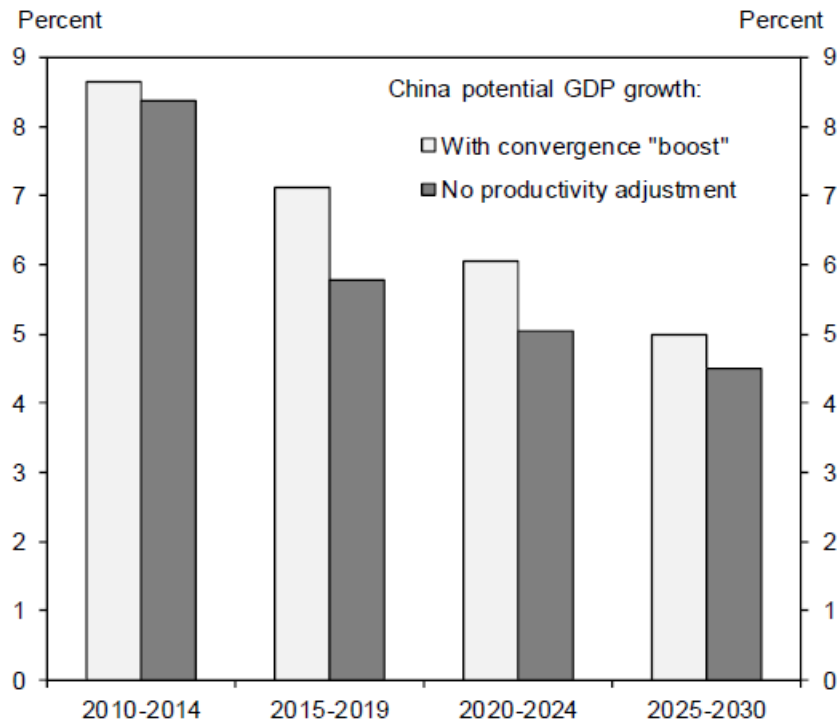
The MSCI concern on market access during last year consultation should be largely removed by this scheme.



# REFORM

## THE ONGOING STRUCTURAL CHANGE

### China potential GDP Growth - reform vs. no reform



Source: GS, UBS

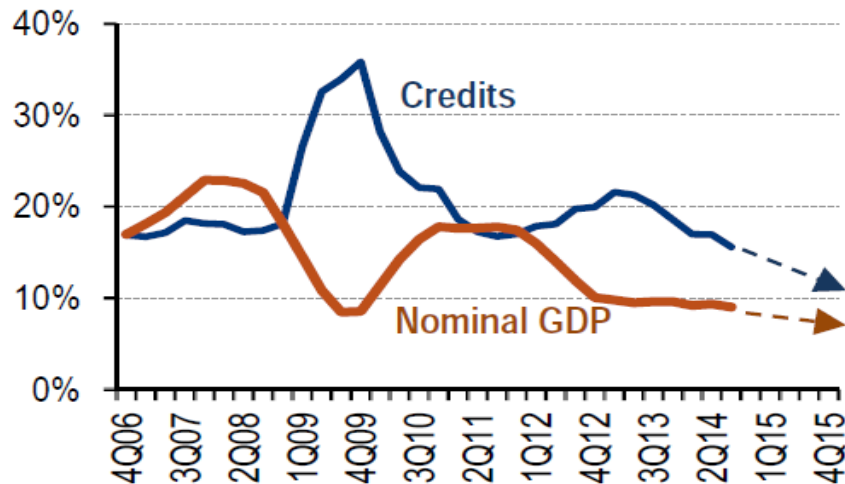
### FINANCIAL MARKET REFORM

- > Market shows a clear message to the government: They are welcoming financial market reform
- > A functional capital market is necessary to fuel further growth in China

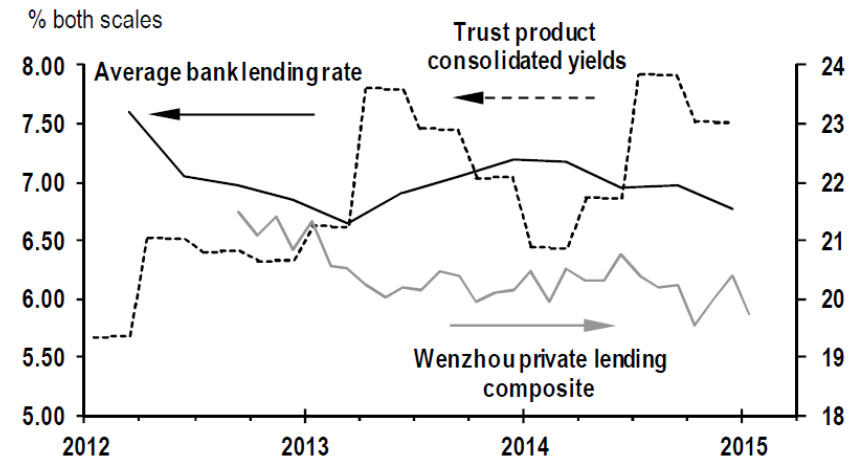
### REFORMS AIMED AT PERMITTING PRIVATE FIRMS TO ENTER MOST INDUSTRIES THAT ARE CURRENTLY DOMINATED BY SOES

- > removal of administrative approvals
- > relaxation of hukou policies
- > expansion of pension and health insurance coverage
- > lowering of entry barriers to private and foreign businesses to the utilities and service sectors
- > acceleration of rural area reforms including transfers of farm land

### China's credit growth vs GDP growth



### Average lending rates

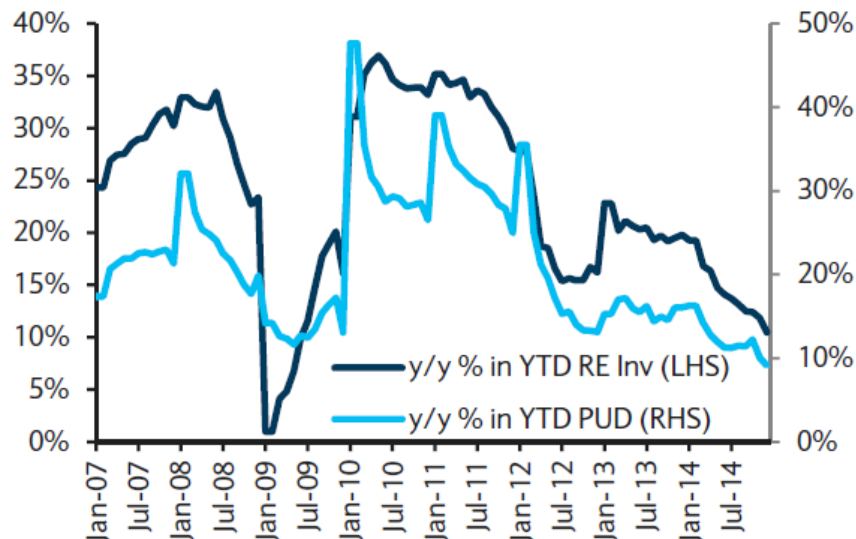


- > Post the aggressive handling by the government on the total social financing, bank credit momentum continues to abate in line with slowing economic growth.
- > Given the lower inflation rate achieved in China, the two recent rate cuts by government should not be seen as a pure monetary easing. The overall lending rate did not fall in line with the rate cuts. The positive impact has been unevenly distributed across sectors, with large borrowers and housing mortgages benefiting much more than small borrowers.
- > Further rate cut and RRR cut are expected among the market participants. The important scheme to watch is about the introduction of the deposit insurance scheme (3Q2015) which marks an important step for interest rate liberation.

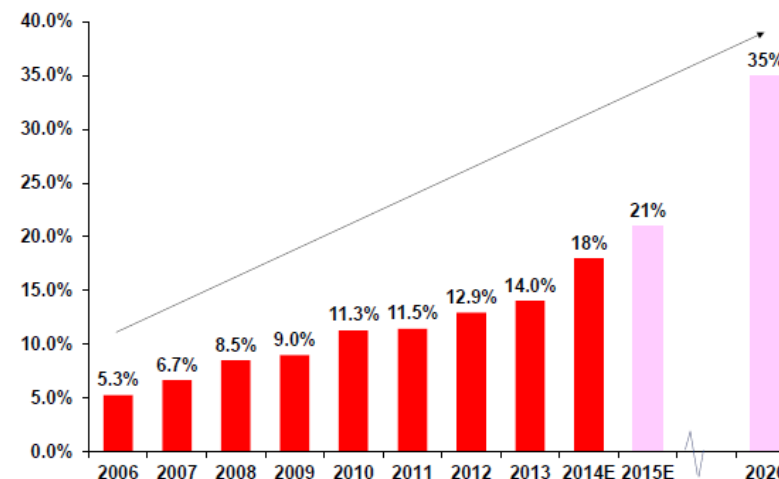


# CHINA PROPERTY MARKET

## YoY Real estate investment and Property under dev

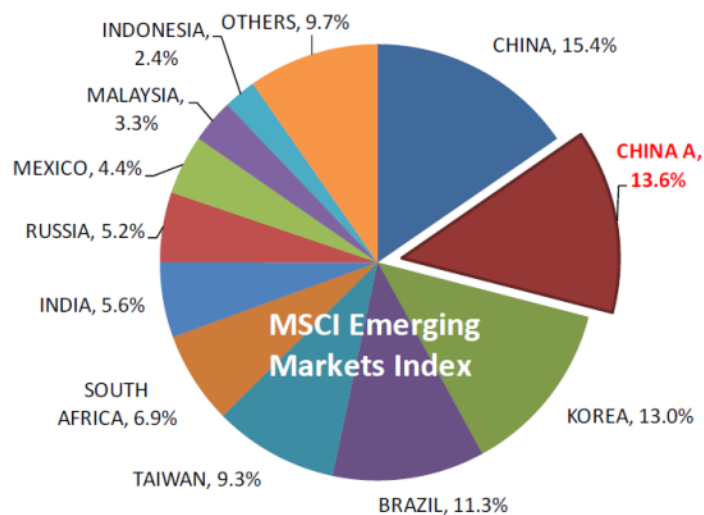


## Top 10 developers market share

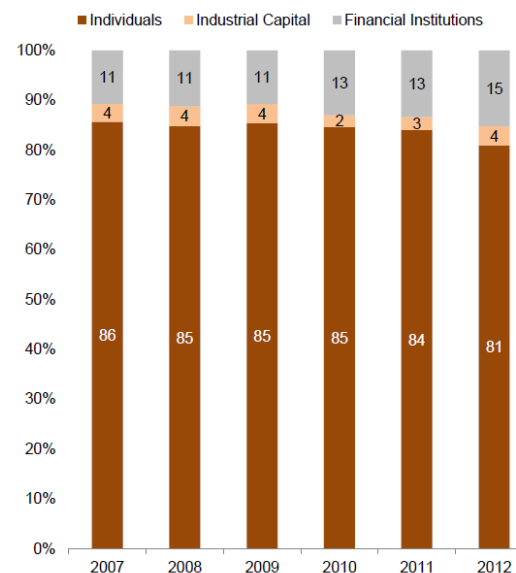


- > Property related FAI remains one of the key drivers for the overall FAI in China. A sudden drop in the property related FAI could risk the overall growth momentum in China
- > However, the inappropriate practice in the China property market has to be adjusted which offers a good opportunity for listed players
- > Central government is planning to increase land supply in big cities through adjusting the mix and raising plot ratios. Top developers tapping tier 1&2 cities with the right products would see further opportunity

## Hypothetical inclusion of China A-shares in MSCI EMG Index



## China A Investors – trading value



**In 2Q 2015, MSCI is expected to launch the consultation again on the proposed index inclusion roadmap for China A-shares in the MSCI Emerging Markets Index**

- > The final decision on the inclusion of the China A-shares will be announced in June 2015
- > Subject to the feedback from the investment community

**China government also hopes the inclusion will institutionalize the market**

- > The latest QFII revisions represent a welcome step in this respect



### **Market regaining confidence, valuation was up from the distressed level.**

- > We maintain low cash strategy given the potential market opportunity. However, we tend to maintain beta neutral for our portfolio because quality names remain our favourite.

### **Avoid the debate about GDP growth**

- > It is our core belief that the China growth model will be switched from pure growth to sustainable growth. As a result, any shock due to growth rate fears will be a good opportunity to buy. Moreover, we prefer sectors with structural growth over the cyclical growth sectors.

### **Balanced sector exposure**

- > A balanced sector exposure will be maintained given out-of-favour sector valuation has already reached a level reflecting the general pessimistic market view. Focus remains on stock picking within the selected sector.

### **Disciplined approach**

- > The trading pattern is relatively high in the China A share market. The team constantly reviews the portfolio exposure against the employed strategies. We won't be shy taking profits even though the payback time is short.





# APPENDIX



# ASIAN EQUITY TEAM BIOGRAPHIES

## **PATRICK HO CFA, BSC, MPhil** **HEAD OF ASIAN EQUITIES**

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Patrick joined AMP Capital in September 2012 as Head of Greater China Equities, assuming responsibility for the management of the ASX-listed AMP Capital China Growth Fund. Patrick has more than 21 years' investment experience, and joined AMP Capital from BNP Paribas Investment Partners where he was Head of Greater China Equities from 2005 to 2012, managing approximately \$4 billion of funds under management. Patrick has also worked with GMO and Franklin Templeton, focusing on Greater China equities. Patrick holds a Bachelor of Science (Hons) and a Master of Philosophy (Statistics) from the Chinese University of Hong Kong. He is also a CFA charter holder.

## **EUGENE SO CFA, BBUS, MSC** **PORTFOLIO MANAGER / ANALYST**

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Eugene joined AMP Capital in September 2012 as Portfolio Manager/Analyst within the Asian Equities Team. Eugene brings over 14 years' investment experience and was most recently a Portfolio Manager/Analyst with BNP Paribas Investment Partners where he held roles across pan-Asian equities and Greater China equities. He was with the company for seven years, initially commencing with ABN AMRO Asset Management before it merged with Fortis Investments and eventually BNP Paribas Investment Partners. Prior to this, Eugene held equity analyst roles with UBS AG, Meiji Yasuda Capital Management and ING Baring Securities. He holds a Bachelor of Business Administration (with honours) in Accounting and Finance from the University of Hong Kong and a Masters of Science in Engineering Economic Systems and Operations Research from Stanford University. Eugene is also a CFA charter holder.



# ASIAN EQUITY TEAM BIOGRAPHIES

## **SAM HO CFA, BFIN, ACCA** **PORTFOLIO MANAGER / ANALYST**

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Sam Ho joined AMP Capital in September 2012 as Portfolio Manager/Analyst within the Asian Equities Team. Sam has over 14 years' investment experience and joined AMP Capital from BNP Paribas Investment Partners where he spent five years as a Senior Investment Analyst. Over his career, he has also held roles with the Korea Development Bank, Asia, Citibank, Hong Kong and the Bank of East Asia, all specialising in Greater China and pan-Asian equities. He holds a Bachelor of Finance from the University of Hong Kong. Sam is also a CFA charter holder and an Affiliate Member of the Association of Chartered Certified Accountants.

## **CASEY MCLEAN CFA, BBUS, GRADCERTAPPFIN** **PORTFOLIO MANAGER / ANALYST**

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Casey joined AMP Capital's Asian Equities team in July 2010 as a Senior Investment Analyst. Casey is responsible for the Industrials and Materials sectors. Casey has been employed in the finance industry since 2002 across various disciplines including funds management, private client and capital markets. Casey moved to funds management in 2006 and has been involved in managing Asia Pacific, Global and Australian equities. He was most recently a Research Analyst/Portfolio Manager at Three Pillars Portfolio Managers where he covered the Australian financial, property, agricultural and industrial sectors. Prior to this role, he contracted as an Equities Analyst at Nucleus Global Investors specialising in Asian infrastructure companies, and was employed as an Equities Analyst at DVA Capital, focusing on the markets of Asia Pacific ex-Japan across a broad range of sectors. He previously held roles at Bell Potter Securities and Macquarie Equity Capital Markets. Casey holds a Bachelor of Business degree from the University of Technology, a Graduate Certificate of Applied Finance and Investment from FINSIA and is currently enrolled in the Chartered Financial Analyst Program.

# ASIAN EQUITY

## TEAM BIOGRAPHIES

### ANDY PENG, BA

#### PORTFOLIO MANAGER / ANALYST

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Andy joined AMP Capital's Asian Equities team in March 2013 as a Portfolio manager/Analyst. Andy is responsible for Consumer Discretionary (ex. Greater China), Telecom, Utilities and Healthcare sectors. Andy has almost 10 years of financial industry experience working in investment banking, private equity and long/short equity hedge fund. Prior to joining AMP, Andy spent 3 years as an investment analyst covering a broad range of sectors in Asia Pacific region for Ward Ferry Management, a long/short equity hedge fund in Hong Kong. Prior to Ward Ferry, Andy worked as an investment analyst with Goldman Sachs Capital Partners and Silver Lake Capital Partners with a focus on private equity opportunities in the TMT sector in the U.S.. He previously held investment banking roles at Wachovia Capital Partners. Andy holds a Bachelor of Arts degree from Northwestern University with majors in Economics, Applied Mathematics and International Studies

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