AMP CAPITAL

AMP Capital China Growth Fund

ARSN 122 303 744

Quarterly report

31 DECEMBER 2015

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.

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

Net Asset Value (NAV)^ per unit as at 31 December 2015 (cum distribution)	$1.65

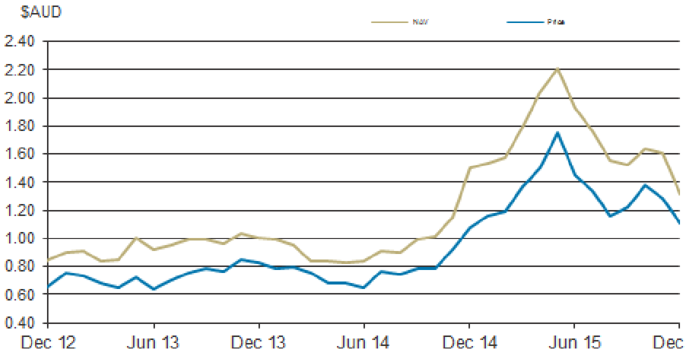
^ Calculated as at close of business.

AMP Capital China Growth Fund performance (in AUD) for the period ended 31 December 2015

	1 mth %	3 mth %	6 mth %	1 yr %	3 yr % pa	5 yr % pa	Since inception*
Net fund returns**	3.0	8.7	-14.5	13.8	27.4	13.7	10.5
Gross fund returns***	3.1	9.0	-13.6	15.3	29.6	15.9	12.3
Benchmark returns	3.0	8.8	-15.4	15.5	29.7	13.5	11.0

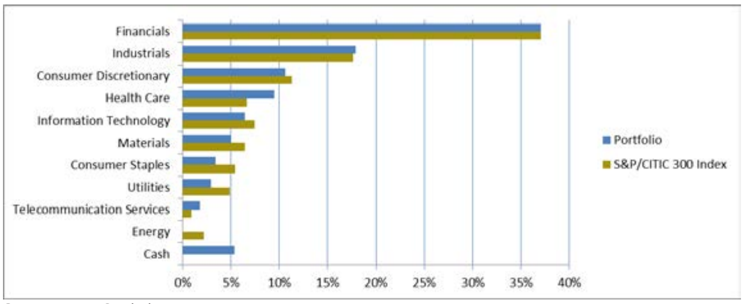
Source: AMP Capital. These returns assume distributions are reinvested. Past performance is not a reliable indicator of future performance.
* 10 January 2007.
** Net performance is calculated after fees, expenses and taxes.
*** Gross performance is calculated before fees, expenses and taxes.

AMP Capital China Growth Fund NAV and share price



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

Sector allocation – % of total equity investments at 31 December 2015



Source: AMP Capital.

Twenty largest stock positions as at 31 December 2015

Stock	Sector	Industry	Weight (%)
Ping An Insurance Group Co of China Ltd	Financials	Insurance	4.80
China Merchants Bank Co Ltd	Financials	Commercial Banks	3.84
China Minsheng Banking Corp Ltd	Financials	Commercial Banks	3.21
CRRC Corp Ltd	Industrials	Machinery	2.76
Shanghai Pudong Development Bank Co Ltd	Financials	Commercial Banks	2.66
China Vanke Co Ltd	Financials	Real Estate Mgt & Development	2.28
Beijing Originwater Technology Co	Industrials	Commercial Services & Supplies	2.04
Industrial Bank Co Ltd	Financials	Commercial Banks	2.00
Jiangsu Hengrui Medicine Co Ltd	Health Care	Pharmaceuticals	1.97
China Everbright Bank Co Ltd	Financials	Commercial Banks	1.93
Ping An Bank Co Ltd	Financials	Commercial Banks	1.90
China United Network Communications Group Co Ltd	Telecommunication Services	Wireless Telecomm Services	1.82
China CYTS Tours Holding Co Ltd	Consumer Discretionary	Hotels Restaurants & Leisure	1.61
GD Power Development Co Ltd	Utilities	Indept Power Prod & Energy Trading	1.57
Poly Real Estate Group Co Ltd	Financials	Real Estate Mgt & Development	1.57
CITIC Securities Co Ltd	Financials	Capital Markets	1.56
China Merchants Property Development Co Ltd	Financials	Real Estate Mgt & Development	1.52
Gree Electric Appliances Inc of Zhuhai	Consumer Discretionary	Household Durables	1.51
Inner Mongolia Yili Industrial Group Co Ltd	Consumer Staples	Food Products	1.49
Bank of Communications Co Ltd	Financials	Commercial Banks	1.48
Total			**43.54**

Source: AMP Capital.

Fund performance

The China A-share market rose 8.87% in Australian dollar terms in the last quarter of 2015, supported by monetary easing, property supportive policy and investors' confidence gradually rebuilding.

After a sharp plunge in the third quarter which saw the key Shanghai index fall by 28.6%, the China A-share market staged a rebound with the Shanghai Composite Index up 15.9% in the fourth quarter. This was driven by stabilising market sentiment and another cut to the interest rate and required reserve ratio. The rise occurred despite ongoing weak macroeconomic data such as the manufacturing Purchasing Managers' Index and industrial production readings.

The key contributor to the Fund's performance was the consumer discretionary sector, including the rally by Guangdong Alpha Animation upon its increased exposure to comics and games via its strategic acquisitions. The healthcare sector was another key contributor due to good stock selection. Meanwhile the Fund's underweight exposure to the materials sector weighed down returns as the market's appetite for risk came back a little during the quarter.

Stabilisation in the fourth quarter – following the sharp pullback in the third quarter – provided investors with temporary relief in the fourth quarter. Upcoming challenges for the China market will likely come from weak macroeconomic factors, potential renminbi depreciation and the change of the initial public offering issuance system to a registration model. Companies with merger and acquisition appeal and internet-driven business models are likely to still be favoured by investors. Moreover, investors will continue to pay close attention to policy changes (and tone) as well as growth recovery signals.

Market commentary

The Political Bureau meeting of the Communist Party of China's Central Committee emphasised the housing de-stocking and the relocation of migrant workers to urban areas, both of which potentially support the property sector. Also, China's 5th Plenum passed the proposal of ending the one child policy – a medium to long term positive for supporting China's ageing population.

In order to support the economy, in October the People's Bank of China announced a 25 basis point cut to interest rates and a 50 basis point cut to the required reserve ratio and we believe there would still be room for China to take further monetary easing action going forward.

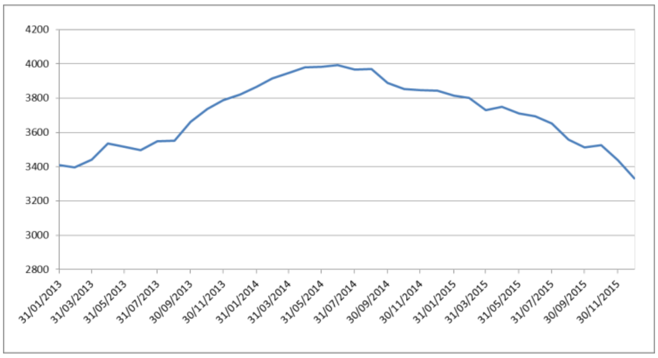
A key event during the quarter was the annual Central Economic Work Conference, which laid out key tasks and economic policies in 2016, the first year of the 13th Five-Year Plan. The conference emphasised that the economy would be in a "new normal" status, but it would also be facing a number of challenges especially regarding structural overcapacity. The conference stressed the importance of supply-side reforms and improving the quality and efficiency of economic growth. To achieve the target, policy has been coordinated across five areas including proactive fiscal and monetary policies, industry policy, micro-policy, reform measures and social policy.

On the renminbi front, the International Monetary Fund board meeting officially approved the renminbi's inclusion in the Special Drawing Rights (SDR), effective from 1 October 2016. The renminbi will receive the third highest weight in the new SDR basket. We believe the SDR inclusion is not likely to trigger any immediate global asset re-allocation.

Meanwhile, the China Foreign Exchange Trade System (CFETS) created the CFETS CNY index. The new index will be a trade-weighted exchange rate against a basket of 13 currencies including the US dollar (comprising 26.4%) and the euro (comprising 21.4%). The index's base date was 31 December 2014. The Chinese government reiterated that there would be no basis for a sustainable renminbi depreciation trend. CFETS explained that the market had usually only focused on the bilateral USD/CNY exchange rate, but that a basket-based exchange rate is the more appropriate measure and it would become a new reference going forward.

Following these new developments for the renminbi, China's foreign currency reserves recorded two consecutive monthly declines in November and December, with the reserve dropping by US$108.3 billion in December, the largest single-monthly decline in record. For the full year 2015 foreign currency reserves fell US$513 billion.

Sharp falls in the foreign currency reserves of China



Source: Bloomberg

On the global front, the US Federal Reserve raised the Fed funds rate range from 0-0.25% to 0.25-0.50%, as widely expected. The post-meeting statement signalled a baseline of further funds rate increases, but at the same time expressed caution about inflation developments.

The China A-share market began 2016 negatively. Most commentators suggest it was related to the implementation of the circuit break system in the China A-share market, designed to stop free-falling prices and the fear of a major investor sell-down after the six month ban expired was also a major overhang to the market. The circuit break system was suspended on 8 January 2016.