

# ASX Announcement

12 FEBRUARY 2016



Manager  
ASX Market Announcements  
Australian Securities Exchange  
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SYDNEY NSW 2000

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

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In accordance with ASX Listing Rule 3.17.1, attached is a letter to AMP Capital China Growth Fund to be despatched to investors.

### **Investor enquiries**

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12 February 2016

Dear investor,

The New Year has seen the return of global market volatility with developed markets and significant emerging markets such as China impacted by fluctuating investor sentiment.

Challenging periods such as these only highlight the importance of maintaining on-the-ground expertise to understand local trends and changing market conditions. With a team of investment professionals and support staff based in AMP Capital's Hong Kong office, the AMP Capital China Growth Fund's (the Fund or AGF) investment team remains well positioned to respond to the current challenges in order to protect investment performance.

As part of our ongoing commitment to the Fund and unitholders, this letter provides an update on some of the Fund's recent developments.

In 2015, we committed to making a number of enhancements to the Fund that we believe are in the best interests of all unitholders and may make the Fund more attractive to new investors. I am pleased to report we have introduced all of these enhancements, which include:

- Implementing the Shanghai-Hong Kong Stock Connect trading platform.
- Altering the default distribution reinvestment plan election for new investors.
- Improving marketing of the fund including appointing a dedicated Head of Investor Relations.
- Establishing an ongoing Advisory Committee composed of external members.
- Enhancing the Fund's disclosure by providing daily Net Asset Value (NAV) estimates

The enhancements have been delivered in accordance with the timeline released to the market on 26 October 2015. Please see below for further information on each enhancement.

### **Shanghai-Hong Kong Stock Connect**

The Fund now has the ability to trade through Shanghai-Hong Kong Stock Connect (Stock Connect), a cross-border investment channel linking the Hong Kong and Shanghai stock exchanges. This allows investors in each market to trade shares in the other using their local brokerages, subject to certain quotas. Essentially, Stock Connect broadens the link between the mainland Chinese stock market and the rest of the world.

We believe Stock Connect will provide AGF with enhanced liquidity for working capital purposes and this should benefit unitholders by making the Fund more attractive to new investors. The Fund will continue to invest directly in China A-shares through AMP Capital's Qualified Foreign Institutional Investor quota while Stock Connect will be utilised by the Fund where it is determined appropriate.

### **Default distribution reinvestment plan**

The default distribution reinvestment plan (DRP) election for new investors in AGF has been changed, as of 31 December 2015, to allow new investors to opt in rather than requiring them to opt out of the plan. Existing unitholders can change their DRP election by contacting the Fund's share registry, Computershare, on 1300 555 159 from within Australia or +61 3 9415 4062 if you are calling from overseas.

Historically the 'opt out' default DRP election was adopted because of concerns about the Fund having sufficient liquidity to pay distributions due to repatriation challenges. While protective of liquidity, this had a somewhat dilutionary effect on NAV.

We believe that due to ongoing clarification of tax regulations in China, which have helped ease repatriation challenges, and the ability to access China A-shares through Stock Connect, the Fund's liquidity is such that we can change the default election to 'opt in' for new investors. This should reduce the dilutionary impact of new issuances on NAV over time.

I was also pleased to see the Fund announce in December 2015 an estimated distribution for the year ended 31 December 2015 of AUD 0.33870340 per unit<sup>1</sup> (31 December 2014: AUD 0.03883 per unit), which was significantly higher than previous years due to the large amount of realised gains experienced by the Fund in 2015.

#### **Improve marketing of the fund including the appointment of a dedicated Head of Investor Relations**

AGF has offered retail and institutional investors unprecedented access to the growing China A-share market since its inception in 2006. Last year's strategic review of the Fund confirmed that its original purpose remains relevant and the Fund provides one of the few ways for retail Australian investors in particular to access this significant emerging market.

In order to further highlight this opportunity and continue to grow the Fund's profile, we have stepped up our investor marketing and consultation through the appointment of a dedicated Head of Investor Relations, Kusal Meemeduma, who has been working with AGF's investors and potential investors since September 2015.

AGF has also been added as an Opportunity on AMP Capital's SMSF Suite. The SMSF Suite offers self-managed super fund trustees access to a range of AMP Capital's unique investment options. We believe that through enhanced marketing of AGF investor demand for the Fund could increase, which may improve trading liquidity in the Fund's units.

#### **Advisory Committee composed of external members**

We established an ongoing Advisory Committee, composed of external members, to advise the Responsible Entity (RE) of AGF (AMP Capital Funds Management Limited) on strategic issues and assist the board of the RE in determining whether the Fund continues to be fit for purpose. The inaugural Advisory Committee members – Grant Bailey, John Evans and Peter Rowe (Chair) – each have directly relevant and complementary experience to advise the RE on such matters.

On 26 October 2015, we announced that we would further strengthen the Advisory Committee with the appointment of an additional external member. I'm delighted to announce Lindsay Mann has agreed to join the Advisory Committee effective immediately.

Mr Mann has more than 40 years of experience in financial services with a focus on funds management, wealth management and life insurance. Mr Mann has extensive experience and knowledge of investing in Asia and understands the challenges that often come with investing in China. He also brings extensive board experience including on Listed Investment Companies. You can find biographies of each of the committee members on our website.

#### **Daily NAV estimates**

Investors have been able to access the Fund's daily Estimated NAV since 2 December 2015. The Estimated NAV is calculated based on the most recent monthly NAV, updated for Fund performance for the period to date. The daily Estimated NAV can be found on the Fund's website: [www.ampcapital.com.au/china](http://www.ampcapital.com.au/china). We believe more frequent Estimated NAV disclosure increases transparency of the Fund's performance.

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<sup>1</sup> Timing of the distribution payment may be delayed, subject to the repatriation of cash from China. While this repatriation process has already commenced, and is ongoing, final execution may be subject to delay due to a range of factors, including approvals by the Chinese regulatory authorities.

### Next steps

The RE is continuing to monitor the effectiveness of these enhancements including their impact on the level of the discount to NAV.

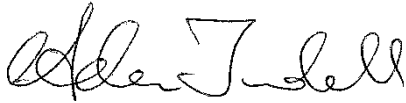
From April 2016, the RE will conduct an evaluation of whether the Fund remains fit for purpose and this will include consultation with institutional and retail unitholders. Consideration will also be given to additional strategic options to unlock value.

We will announce the results of the RE's monitoring and its evaluation on whether the Fund remains fit for purpose ahead of the planned Extraordinary General Meeting in late July 2016. The RE will also outline the relevant channels for unitholders to provide feedback at this time.

As always, you can find more information about the Fund on its website: [www.ampcapital.com.au/china](http://www.ampcapital.com.au/china).

Thank you for your continued support of the AMP Capital China Growth Fund. We appreciate your input and welcome your feedback. If you would like to contact us directly, please do so on 1800 658 404, between 8.30am and 5.30pm (Sydney time) Monday to Friday.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Adam Tindall', with a stylized, cursive script.

**Adam Tindall**  
Chairman  
AMP Capital Funds Management Limited