AMP Capital China Growth Fund

ARSN 122 303 744

AMP CAPITAL

Quarterly report

30 JUNE 2016

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.

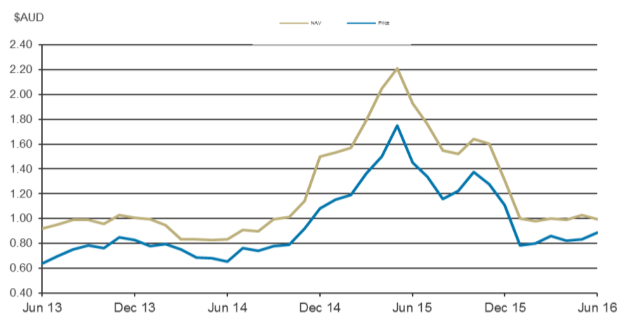
Net Asset Value (NAV) per unit as at 30 June 2016 (ex distribution)	**$1.00**
Previous NAV per unit as at 31 May 2016 (ex distribution)	**$1.03**

AMP Capital China Growth Fund performance (in AUD) for the period ended 30 June 2016

	1 mth %	3 mth %	6 mth %	1 yr %	3 yr % pa	5 yr % pa	Since inception*
Net fund returns**	-2.8	-0.8	-18.2	-30.1	16.0	9.1	7.6
Gross fund returns#	-2.6	-0.3	-17.3	-28.6	18.0	11.0	9.5
Benchmark returns	-3.2	-0.1	-18.2	-30.8	20.1	10.1	8.1

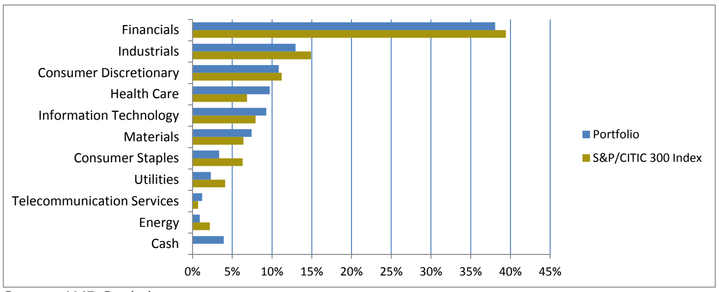
Source: AMP Capital. These returns assume distributions are reinvested. Past performance is not a reliable indicator of future performance. Returns for periods greater than a year are annualised. * 10 January 2007. ** Net performance is calculated after fees, expenses and taxes. # Gross performance is calculated before fees, expenses and taxes. ^ Benchmark for the fund is the S&P/CITIC 300 Total Return Index

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 June 2016



Source: AMP Capital.

Twenty largest stock positions as at 30 June 2016

Stock	Sector	Industry	Weight (%)
Ping An Insurance Group Co of China Ltd	Financials	Insurance	4.68
China Merchants Bank Co Ltd	Financials	Commercial Banks	4.06
China Minsheng Banking Corp Ltd	Financials	Commercial Banks	3.23
China Vanke Co Ltd*	Financials	Real Estate Mgt & Development	3.01
Shanghai Pudong Development Bank Co Ltd	Financials	Commercial Banks	2.67
Jiangsu Hengrui Medicine Co Ltd	Health Care	Pharmaceuticals	2.09
Industrial Bank Co Ltd	Financials	Commercial Banks	2.03
Haitong Securities Co Ltd	Financials	Capital Markets	1.87
Kweichow Moutai Co Ltd	Consumer Staples	Beverages	1.77
Ping An Bank Co Ltd	Financials	Commercial Banks	1.73
Gree Electric Appliances Inc of Zhuhai	Consumer Discretionary	Household Durables	1.67
Xinzhi Motor Co Ltd	Consumer Discretionary	Auto Components	1.65
Inner Mongolia Yili Industrial Group Co Ltd	Consumer Staples	Food Products	1.57
China CYTS Tours Holding Co Ltd	Consumer Discretionary	Hotels Restaurants & Leisure	1.55
China Pacific Insurance Group Co Ltd	Financials	Insurance	1.53
Beijing Originwater Technology Co Ltd	Industrials	Commercial Services & Supplies	1.52
CITIC Securities Co Ltd	Financials	Capital Markets	1.45
Kangmei Pharmaceutical Co Ltd	Health Care	Pharmaceuticals	1.44
Jiangsu Changjiang Electronics Technology Co Ltd	Information Technology	Semiconductors & Semicon Equip	1.41
Bank of Communications Co Ltd	Financials	Commercial Banks	1.40
Total			**42.35**

Source: AMP Capital.
*On 4 July 2016, China Vanke Co Ltd resumed trading on the Shenzhen Stock Exchange after being suspended since 18 December 2015. As at 30 June 2016, both the NAV and the benchmark reflect the last traded price on 18 December 2015. On 4 July and 5 July 2016 trading of this stock was restricted by the daily price limit of 10%. As at 6 July 2016 the traded share price stabilised (was not restricted by the daily price limit) at $19.80, a 19.0% fall from the last traded price at the time of the suspension.

Fund performance

The S&P CITIC 300 Total Return Index (the Index) declined 0.1% in Australian dollar terms during the three months to 30 June 2016 (the Quarter) on improving market sentiment and a recovery in macroeconomic data. This came despite MSCI delaying inclusion of the China A-share market into its Emerging Markets Index and a weakening Chinese currency (RMB).

After a challenging first quarter in which the Index declined 18.2%, the China A-share market traded a relatively tight range of between 2,800 and 3,000. The key Shanghai Composite index declined 2.36% for the Quarter, closing below the psychological level of 3,000. Weakness in the market was also skewed to earlier in the Quarter before commencing a recovery amid improving sentiment and stabilising macroeconomic data.

Key contributors to the Fund's performance during the Quarter came from the IT and healthcare sectors - particularly well-performing biotech stocks. The Fund's overweight exposure to Chinese broker stocks and holdings in electric vehicle (EV) component stocks also supported the Fund's performance. In contrast, the main negative contributor was the materials sector.

A new head of the China Securities Regulatory Commission (CSRC) helped to improve market confidence as an increased focus on stabilising markets without any new regulations and actions was viewed positively. In addition, solid monthly new loans figures and a recovery in Purchasing Managers' Index (PMI) figures supported market confidence.

Despite an increase in global volatility following the United Kingdom's (UK) Brexit referendum, the China A-share market performed relatively smoothly by comparison. Going forward, we believe the China A-share market will likely continue to find support from improving investor sentiment, as well as a government focus on supply-side reform. Overall, we expect the Chinese economy to grow in line with government expectations for the full year.

Market commentary

During the Quarter, significant focus was given to MSCI's announcement on whether the China A-share market would be included within its Emerging Markets Index. Although market commentators suggested inclusion was likely, MSCI ultimately decided to delay inclusion until June 2017, though did not rule out a potential off-cycle announcement occurring before this date. MSCI's rationale centred on three key areas: the 20% repatriation limit of QFII/ RQFII; the requirement of pre-approvals in financial products; and the effectiveness of the new trading suspension policies.

Market attention also turned to the People's Daily interview with "an authoritative person" who criticised debt-fuelled growth and emphasised the need for supply-side reforms. The authoritative person also quoted forecast slower growth with an "L-shaped trajectory" over the next 1-2 years. Most commentators, however, believe the Chinese government has set the tone that future policy should strike a balance between supply-side reform and stable growth. Specifically, policy would likely focus on supply discipline and deleveraging, instead of stimulating demand.

As stated in a recent People's Bank of China (PBOC) article, the PBOC will continue its "neutral, moderate and steady" monetary policy to cater for the needs of the structural reform. Accordingly, it is likely that the PBOC would maintain the current level of liquidity and have no immediate need for easing.

On the monetary front, the RMB was the centre of attention this Quarter, as it depreciated by 3.01% to reach RMB6.648/ USD, largely due to capital outflow pressures (China's foreign exchange reserves were down another US$20 billion in the second quarter) and volatility across broader global currencies post Brexit vote. We believe the PBOC will likely weaken the RMB in a controlled manner, to help soothe any issues for exports without incurring big capital outflow risks.

Weakness in China's currency (RMB) since May 2016

Source: Bloomberg

On the global front, UK's referendum result was, surprisingly, to leave the European Union, which caused sharp volatility in both currency and equities markets. The decision lowered our growth outlook for the UK and Europe amid heightened policy uncertainty and potentially tighter financial conditions.

Meanwhile, US Federal Reserve (Fed) officials indicated a cautious approach in the central bank's latest statement and economic projections. The number of its officials anticipating only one rate hike this year rose to six (from one), although the median expectation remained at two hikes. Expectations for further hikes for 2017 and 2018 were also lowered to just three per year. It is expected that the Fed may next raise rates in December 2016.