

ASX Announcement

13 JULY 2015



Manager
ASX Market Announcements
Australian Securities Exchange
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Announcement No: 40/2015

AMP Capital China Growth Fund (ASX: AGF)

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

Investor enquiries

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13 July 2015

Dear investor,

We are writing to update you on the impact of recent market volatility in China on the AMP Capital China Growth Fund (ASX:AGF) and also our plans for the fund.

Fund objective

AGF's investment objective is to achieve long-term capital growth with a focus on investing in China A shares and to outperform the S&P/CITIC 300 Total Return Index (expressed in Australian dollars).

You will be pleased to know that for the:

- One-year period ended 30 June 2015, the fund's return¹ after fees and taxes was **137.7%**; and
- Five-year period ended 30 June 2015, the fund's return¹ after fees and taxes was **19.4% p.a.**

Fund background

AGF was launched in 2006 when AMP became the first Australian institutional investor to receive a Qualified Foreign Institutional Investor quota to invest in China. AMP Capital used this quota allocation to offer Australian retail and institutional investors unprecedented access to the growing China A share market by listing AGF on the Australian Securities Exchange (ASX).

AMP Capital has used our extensive knowledge and experience in China to manage the fund in the best interests of all investors. For most of the past eight years, AGF has been the only practical way for Australian investors to directly access the China A market. This is because it remains the only actively-managed fund listed on the ASX offering Australian investors direct exposure to China A shares and allowing them to benefit from China's growth story.

The current situation in China

Over the past month, China's share market has experienced acute volatility. Importantly, those investors who have been invested in the market over the past year have still generated extremely strong returns. For those investors who have only recently invested, this price correction has had a pronounced negative impact.

However, there are reasons to be confident about the outlook for China, as cuts to both the official cash rate and the Required Reserve Ratio start to have an effect. Our view is that this is a significant price correction for the Chinese share market rather than any ominous sign for China's economic growth. It's also important to remember that the Chinese share market is characterised by more volatility than we're used to in developed markets. Although the falls are large, the recent gains have been much larger and sentiment could turn very quickly.

AGF's portfolio strategy has been to limit downside by having a weighting to cash and more defensive financial stocks. AGF maintains quality growth exposure in the portfolio through sectors such as consumer discretionary, health care and industrials. Given our view that the recent correction was driven by negative sentiment rather than underlying fundamentals, the valuation of AGF's exposures is now more attractive. We believe this presents an opportunity for outperformance in the second half of this year.

¹ Source: AMP Capital. These returns assume distributions are reinvested.

AGF's governance

AMP Capital Funds Management Limited is the Responsible Entity (RE) for the fund, and our primary responsibility is to deliver on our investment objective. We do this while acting in the best interests of all investors and ensuring exemplary governance of the fund. We have an established Managed Investment Scheme Compliance Committee with a majority of external members that supports the compliance responsibilities of the RE board. The fund is also overseen by a Management Accounts Committee that primarily focuses on financial reporting integrity.

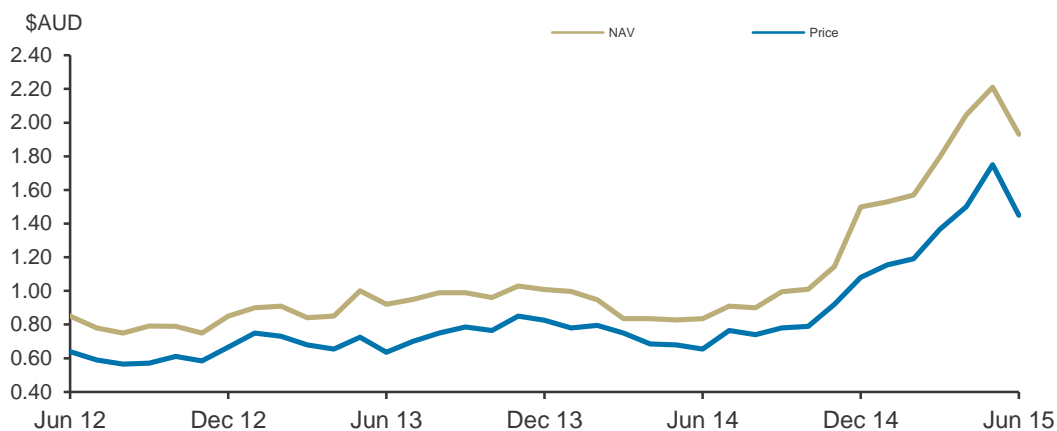
The board of AMP Capital Holdings Limited, the holding company for the RE and the manager of AGF, comprises a majority of non-executive directors and has an independent chairman. This board oversees and monitors the operation of the RE and the manager.

Improvement of fund performance

Since the fund's establishment, AMP Capital has initiated a number of activities to ensure the fund is delivering what it set out to achieve and to ensure unit holders are provided with the information they need. These activities include the provision of more timely information (including a recent move to more frequent net asset value estimates), removing the discount on the dividend reinvestment plan and providing updates on changes in taxation outcomes.

AGF is actively managed by a team of investment professionals, committed to delivering underlying fund performance to shareholders. In 2012, AMP Capital hired current fund manager, Patrick Ho, and moved the team from Sydney to Hong Kong to be closer to the companies the fund invests in. Since then, performance has strengthened. As already mentioned, for the period ended 30 June 2015, returns after fees and taxes over one year were 137.7% and returns after fees and taxes over five years were 19.4% p.a. In 2014, investment performance for the calendar year was 55.4% and the share price appreciated by 30.9%.

AMP Capital China Growth Fund NAV and share price



Exploring options to further improve fund performance

Since inception of the fund, we have had discussions with many interested investors regarding the fund trading at a discount to net asset value. We have considered many options and continue to investigate ways to improve performance for the benefit of all unit holders.

Many of these options in previous years would not have resulted in the discount being sustainably closed or were not in the best interests of all investors due to the complexity of the market in China. However, recent deregulation and ongoing clarification of local taxation laws mean some of these options may be viable in the future and, importantly, in the best interests of unit holders.

We are actively investigating these options with the assistance of an investment bank and we intend to report to you the results of our investigations before the end of the year.

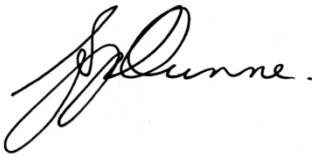
In addition, we wish to make you aware that we have received requests from a number of parties for a copy of the unit holders' register for the fund and we expect they may communicate with you in coming months. By law they are entitled to a copy of the unit holders' register.

Further information

Further information on the fund is available on our website: 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 'Stephen Dunne', followed by a period.

Stephen Dunne
Managing Director
AMP Capital Investors Limited