AMP Capital China Growth Fund

ARSN 122 303 744

Quarterly report

31 MARCH 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 31 March 2016 (ex distribution)	$1.00

^ Calculated as at close of business.

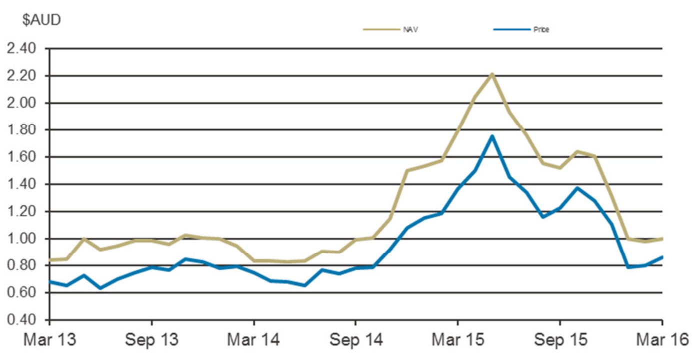
AMP Capital China Growth Fund performance (in AUD) for the period ended 31 March 2016

	1 mth %	3 mth %	6 mth %	1 yr %	3 yr % pa	5 yr % pa	Since inception*
Net fund returns**	3.6	-17.5	-10.3	-23.6	19.9	8.0	7.9
Gross fund returns***	3.9	-17.1	-9.6	-22.0	22.0	10.0	9.8
Benchmark returns	4.3	-18.2	-11.0	-23.0	21.6	8.6	8.3

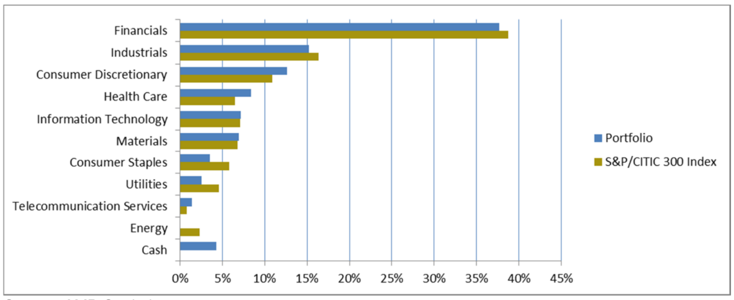
Source: AMP Capital. These returns assume distributions are reinvested. Past performance is not a reliable indicator of future performance.
* 10 January 2007.
** Net performance is calculated after fees, expenses and taxes.
*** Gross performance is calculated before fees, expenses and taxes.

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 March 2016



Source: AMP Capital.

Twenty largest stock positions as at 31 March 2016

Stock	Sector	Industry	Weight (%)
Ping An Insurance Group Co of China Ltd	Financials	Insurance	4.80
China Merchants Bank Co Ltd	Financials	Commercial Banks	3.86
China Minsheng Banking Corp Ltd	Financials	Commercial Banks	3.40
Shanghai Pudong Development Bank Co Ltd	Financials	Commercial Banks	3.40
China Vanke Co Ltd	Financials	Real Estate Mgt & Development	3.11
Industrial Bank Co Ltd	Financials	Commercial Banks	2.14
Jiangsu Hengrui Medicine Co Ltd	Health Care	Pharmaceuticals	2.11
Ping An Bank Co Ltd	Financials	Commercial Banks	1.82
Haitong Securities Co Ltd	Financials	Capital Markets	1.79
China CYTS Tours Holding Co Ltd	Consumer Discretionary	Hotels Restaurants & Leisure	1.74
Gree Electric Appliances Inc of Zhuhai	Consumer Discretionary	Household Durables	1.72
Beijing Originwater Technology Co Ltd	Industrials	Commercial Services & Supplies	1.67
CITIC Securities Co Ltd	Financials	Capital Markets	1.64
Kweichow Moutai Co Ltd	Consumer Staples	Beverages	1.55
Kangmei Pharmaceutical Co Ltd	Health Care	Pharmaceuticals	1.53
China Pacific Insurance Group Co Ltd	Financials	Insurance	1.53
Humanwell Healthcare Group Co Ltd	Health Care	Pharmaceuticals	1.48
Shanghai International Airport Co Ltd	Industrials	Transportation Infrastructure	1.48
China Merchants Shekou Industrial Zone Co. Ltd	Financials	Real Estate Mgt & Development	1.45
China United Network Communications Group Co Ltd	Telecommunication Services	Wireless Telecomm Services	1.45
Total			**43.66**

Source: AMP Capital

Fund performance

The China A-share market fell 18.9% in Australian dollar terms in the first quarter, dragged down by weak economic data, renminbi weakness and the introduction (and subsequent cancellation) of the trading circuit break system.

The China A-share market started the year dramatically with the newly introduced circuit break system cancelled within a week of its implementation after three days of extreme index movements. Renminbi depreciation pressure, overhang of the registration-based initial public offering system and the expiration of the ban on share sales by large shareholders all added uncertainty to the market. Also adding pressure was weak economic data and capital outflows from China due to the renminbi's depreciation.

The key index – the Shanghai Stock Exchange Composite Index – ended the first month with a loss of 22.65%. The A-share market was supported later in the quarter by the 50 basis point cut in the reserve requirement ratio and the announcement by state-backed China Securities Finance Corp that it would restart lending to securities firms for margin trading at a lower interest cost of 3%. However, the key index still lost 15.12% during the quarter, making China the worst performer in Asia for the period.

Our strategy of increasing the Fund's cash level before the uncertainty took hold played out well in January, and we have since gradually reduced the cash level to add quality stocks during market dips.

The key contributors to the Fund's performance were the information technology sector due to good stock selection and the financial sector due to underweight exposure to Chinese banks and overweight exposure to Chinese developers. Also supporting the Fund's performance were underweights in the energy and materials sectors. Health care and telecommunications were the main detractors.

With a gradually stabilising economy, we believe the China A-share market will find support and that the easing monetary policy stance and relaxation of property market regulation will give impetus to the market's performance in coming months. Structural reform, such as supply-side reform, will be needed in order to further boost the potential growth of China. Investors will continue to pay close attention to policy changes (and tone) as well as growth recovery signals.

Market commentary

The major events this quarter were the National People's Congress (NPC) and China People's Political Consultative Conference (CPPCC) meetings. Chinese Premier Li Keqiang announced China's gross domestic product growth in 2016 will be between 6.5% and 7.0% and the annual budget deficit ratio target was raised to 3.0% from 2.3%. Accordingly, China will spend more aggressively on social welfare. Meanwhile, China will also try to lower corporates' leverage through supply-side and state-owned enterprise reforms.

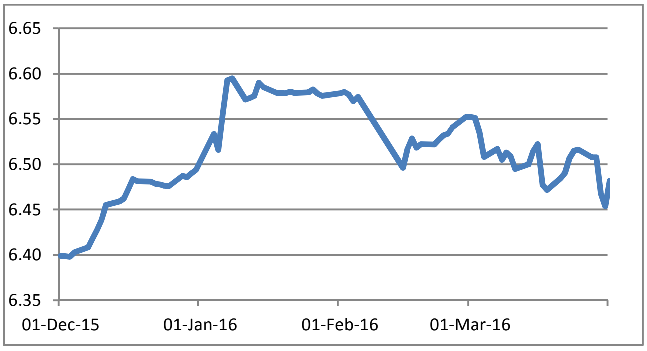
Another highlight will be the acceleration of urbanisation (Hukou-based household registration) during the period of the 13th Five-Year Plan. China has targeted the urbanisation rate to rise to 45% by 2020. This implies that the urban population will grow by an annual average of around 23 million over the next five years, more than double that seen over the past ten years. This will help promote China's transition from an investment-driven to a consumption-driven growth model.

In order to support economic growth the Chinese government eased certain nationwide property policies such as a lower transaction tax and reduced down-payment requirement, especially for first-time homebuyers. The impact of this was evident in the strong sell-through noted in major tier-1 cities year-to-date. The enthusiasm has also spread to lower tier cities.

On the monetary front, the People's Bank of China announced a 50 basis point cut in the reserve requirement ratio for all Chinese banks. The cut was intended to guide a stable and appropriate pace of credit growth, providing a favourable environment for supply-side structural reform.

In terms of currency, the renminbi was in the spotlight as China's decreasing foreign currency reserves put downward pressure on the renminbi. The renminbi weakened to RMB6.59 per US dollar early in the quarter, however, the Chinese government intervened in the CNH Hong Kong Interbank Offer Rate (Hibor) market and the People's Bank of China's Governor Zhou signalled against market expectations of sharp devaluation. The subsequent tightening of capital control gave the market relief and the renminbi stabilised.

Sharp movements in the renminbi



Source: Bloomberg

On the global front, the US Federal Reserve came out as unambiguously dovish, with expectations now set for two interest rate hikes versus prior expectations for four. The Federal Open Market Committee's statement showed clear concern around global economic and financial developments. This dovishness gave markets a boost and the US dollar weakened. Meanwhile, the Bank of Japan introduced a negative interest rate policy.