

## ASX Announcement

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Manager  
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### **AMP Capital China Growth Fund (ASX: AGF) – Response to LIM Letter**

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AMP Capital Funds Management Limited (AFSL 426455), the responsible entity (RE) of the AMP Capital China Growth Fund (Fund), refers to its announcement on 22 July 2016 in relation to an open letter to Unitholders (LIM Letter) dated 21 July 2016 sent by the LIM Asia Multi-Strategy Fund Inc. (LIM).

The LIM Letter concerns the Fund and the rationale for the LIM Resolution described in the Notice of Meeting and Explanatory Memorandum dated 30 June 2016 (Explanatory Memorandum) for the Extraordinary General Meeting of the Fund scheduled for 28 July 2016 (EGM).

This announcement sets out the RE's concerns with the LIM Letter.

#### **Concerns**

As support for the proposition that the Fund should be wound up, LIM makes a number of statements in the LIM Letter about the Fund's discount to net asset value and the RE's alleged failure to act on the discount. Those statements include allegations that the RE may not have acted in the interests of Unitholders but in its own commercial interests in determining not to open-end the Fund or to offer periodic redemptions.

The RE considers that these statements are not a fair reflection of either the actions the RE has taken with respect to the Fund (see below) or the position the RE has adopted in relation to the LIM Resolution directing the RE to wind up the Fund.

The RE has the following specific key concerns with the LIM Letter:

#### **Statements about the price and timing for a wind up of the Fund**

- In a number of places in the letter, LIM states that Unitholders can expect to receive "NAV" or "close to NAV per unit (less costs)" for a wind up – in particular LIM notes that a vote in favour of the LIM Resolution is a vote "in favour of winding up AGF in order to redeem your investment at NAV per unit (less costs)"*

This is inaccurate. As described more fully in the Explanatory Memorandum, a wind up does not guarantee a specific price for the extinguishment of a Unitholder's interest in the Fund. There will be a number of factors that will impact the actual proceeds received including the time it will take to realise the Fund's assets and repatriate the net proceeds of realisation and market movements and currency fluctuations over that period. Refer to Section 4.2.2 of the Explanatory Memorandum for further details.

- *LIM states that the RE has said it would take “several years” to repatriate funds from China (whether from a wind up or otherwise). It also states that in LIM’s experience, a repatriation of funds from China can be achieved in a relatively quick time frame (suggested to be 1 – 3 months)*

The RE has carefully considered the timing implications of a wind up as described in Section 4.2.2 of the Explanatory Memorandum. The RE’s estimate is that repatriation and wind up will take approximately 9-18 months on the most likely wind up strategy. The Explanatory Memorandum merely notes that, historically, some repatriations have taken up to 2 years.

The RE’s opinion on the repatriation time frame is supported by KPMG – refer to Appendix 3 of the Explanatory Memorandum.

#### **Statements about alternative options for the Fund**

- *In a number of places in the letter, LIM states that the RE has not considered making the Fund open-ended.*

This is incorrect. Converting the Fund to an open-ended structure was one of the shortlisted options considered by the RE and ultimately discarded in connection with the 2016 Strategic Review. Refer to Section 2.4 of the Explanatory Memorandum for a full description of the reasons why the RE determined not to convert the Fund to an open-ended structure.

- *LIM suggests that the RE could offer an uncapped redemption facility where the redeeming Unitholders could be put into a suspense account or separate account that would go through the repatriation process*

This suggestion is incapable of being implemented under the Fund’s current constitution, the withdrawal provisions of the Corporations Act 2001 (Cwlth) that apply to funds such as the Fund and the ASX Listing Rules.

- *LIM states that, because the RE is the only person that can initiate changes such as open ending the Fund or establishing regular buybacks or redemptions, the only option available to LIM was to propose a wind up of the Fund. This is on the basis that the constitution of the Fund and other relevant laws restrict Unitholders to calling a meeting to either replace the RE or to wind up the Fund*

This statement is incorrect. Under the Corporations Act 2001 (Cwlth) it was open to LIM to call a meeting to change the constitution of the Fund, provided that the proposed amendment was otherwise permitted by law.

#### **Statements about the RE’s conduct and that of AMP Life Limited (AMP Life)**

- *LIM alleges that the reason why there is a restriction on the size of the redemption offer is to reduce the loss of fee income that would result from shrinking the Fund size. LIM also states that the RE’s decision not to “open-end” the Fund or offer periodic redemptions may have been motivated by the RE putting its commercial interest over the interests of Unitholders*

Consistently with its duties, the RE has at all times acted in the best interests of Unitholders and has preferred the interests of Unitholders over its own interests where there is a conflict. To assist the RE in managing any conflicts that arise, the RE has implemented a number of governance measures which are described in the Explanatory Memorandum (refer to Section 6.3).

In relation to the rationale for:

- restricting the size of the capital management opportunity, the RE determined that an opportunity relating to approximately 20% of the Fund’s net asset value will not impact the sustainability of the Fund or prevent it from considering further capital management opportunities in the future; and
- not “open-ending” the Fund – the RE considered doing so as part of the 2016 Strategic Review and determined that it would not be in the best interests of Unitholders for the reasons set out in Section 2.4 of the Explanatory Memorandum.

In relation to commentary about the RE’s concern for its fee income, the RE also notes, as described in the Explanatory Memorandum, that the proposed enhancements involve a reduction in the Fund’s base management fee and a removal of the performance fee.

- *LIM urges AMP Life to put the interest of its policy holders over the commercial interest of its affiliate (the RE and the manager of the Fund) in considering how to vote if it is going to do so*

The RE is unaware of LIM’s basis for any implication that AMP Life would act otherwise than in the interests of its policy holders. Furthermore, as described in Section 6.3 of the Explanatory Memorandum, there are certain governance protocols in place which aim to ensure that all parties act only in the interests of their respective stakeholders – which, in the case of AMP Life, are the relevant policyholders.

As set out in Section 2.9.3 of the Explanatory Memorandum, AMP Life is excluded from voting on the resolutions at the EGM. This has been confirmed by a recent hearing in the NSW Court of Appeal (refer to the RE's announcement on Friday 22 July 2016).

Given the above concerns, the RE recommends that Unitholders review the LIM Letter with caution and in light of both the Explanatory Memorandum and this announcement.

### **Proxy Form**

In the LIM Letter, LIM states that if Unitholders would like to receive a proxy form, they can contact the LIM Advisors Information Line. We have since obtained a copy of the proxy form which LIM is sending Unitholders. The proxy form is in the form of the proxy form which is being issued by the RE, save that it is pre-filled to vote in favour of the LIM Resolution.

Unitholders are advised that they should not use the LIM proxy form if they wish to vote against the LIM Resolution. Unitholders who have received a copy of the LIM proxy form but who wish to vote against the LIM Resolution, should use the proxy form that is being issued by the RE and Computershare Investor Services Limited. The proxy form includes instructions on how to vote for or against each resolution.

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