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## AMP Capital Asian Equity Growth Fund

Access Asia's high  
growth markets

# Asia as an investment prospect

The AMP Capital Asian Equity Growth Fund is focused exclusively on Asian (ex Japan) equities. It provides your clients with access to a portfolio diversified by sector and geography with a significant exposure to China and India.

- Asia is anticipated to continue growing at rates higher than other regions in the global economy<sup>1</sup>. It is difficult to ignore the investment opportunity it presents for the future.
- We believe traditional benchmarks which use market capitalisation to allocate stocks do not provide representative exposure to key growth markets in Asia.
- Inefficiencies in Asian share markets require an investment team that can leverage on the ground resources and networks, understand local market trends and effectively select stocks – our specialist investment team has this experience and expertise.
- Our investment team has significant risk management experience that is enhanced by their access to sophisticated technologies.
- The AMP Capital Asian Equity Growth Fund provides investors with access to the potential for strong risk-adjusted returns (both capital growth and income) over the long term.

While Asia has not escaped the volatility of global economic markets, the fundamentals for investing in this region remain sound. For a number of years, Asia has been seen as the next engine for economic growth. The region's growth story comes from a number of highly interrelated factors:

**The industrialisation of Asia** – has created fields of excellence and a shift from an 'imitation' to 'innovation' mentality. Stereotyped as a producer of low-cost copies, Asia is redefining itself as a leader in high-end manufacturing and services. Countries such as China and India are now major players in areas of science, technology and IT. This shift is producing globally competitive companies and increases the need for infrastructure to support growth, particularly around new urban hubs. This in itself further boosts economic activity in the region.

**The growth of a regional economy** – Asia has effectively built an economic environment that is more internally supportive than competitive. Rather than countries competing to produce and sell goods, the region utilises the strengths of specific countries to complete different steps in the production chain. Intra-regional trade has more than doubled in the last 30 years and 51% of all Asian imports and exports are sourced from within<sup>2</sup>. This has been largely supported by decreases in artificial economic barriers and increases in Free Trade Agreements<sup>3</sup>. The combination of these factors means Asia is becoming less reliant on external economies for their own growth.

**Rising domestic demand and net consumption** – as a result of increases in disposable income. It is anticipated by 2025 over 40% of the Asian population will fall into the category of 'middle class'<sup>4</sup>. These individuals have at least one third of their income left for discretionary spending, which can lead to greater spending within the region.

Government policy reforms have also helped to free up household income. Typically the top three reasons for individual savings in China are; healthcare (as a precautionary measure), provision for retirement, and social welfare (i.e. housing and education). Recent regulatory changes in China include :

- Increased monetary aid for university students
- Free compulsory education for school aged children
- Changes to pension schemes to encourage greater participation from both the public and private sector

Reforms like these will release a greater portion of household income for spending on discretionary items.

## Asia in the modern portfolio

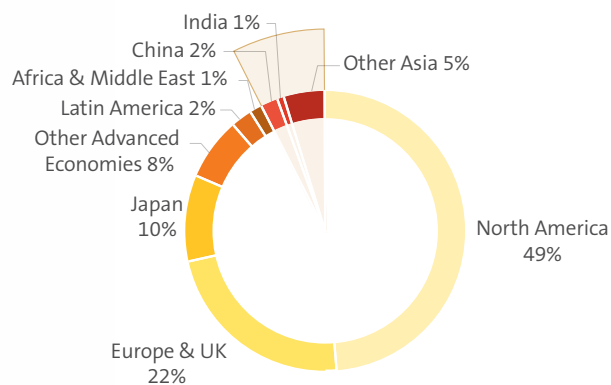
AMP Capital believes that Asian equities will outperform other asset classes in the medium to long term. In order for progressive investors to capitalise on these opportunities within Asian equities a new approach to investing may be needed. While your clients may assume they have good exposure to Asian markets through their 'international funds', the reality can be quite different.

## The MSCI misconception

International indexed funds, which are the vehicle for the majority of investment into Asia, do not provide representative exposure to key Asian growth markets. For investors with funds benchmarked on the MSCI All Country World Index, the exposure to Asia (China, India and developing Asia) is only approximately 7-8% of a portfolio. This is because the MSCI All Country World weights stock allocation according to market capitalisation. There is a stronger bias to more developed regions such as North America, Europe and the United Kingdom where larger-cap companies are concentrated. This means that MSCI World is allocating stocks on where growth *has been*, not necessarily where it *will be*.

Future success should come from investing in markets of wider economic and GDP growth rather than allocating based on a traditional market capitalisation 'benchmark'. The Asian region is a key example of where this type of growth will be concentrated. While your clients may have exposure to Asian stocks through 'international' funds, their exposure to key growth markets (on a GDP basis) may not be reflective of the position these markets could hold in the future. The AMP Capital Asian Equity Growth Fund, on the other hand, focuses exclusively on Asia (ex Japan) using the MSCI All Country Asia (ex Japan) benchmark, enabling investors to access growth markets more directly.

### Percentage of MSCI AC World Index



### Percentage of World GDP

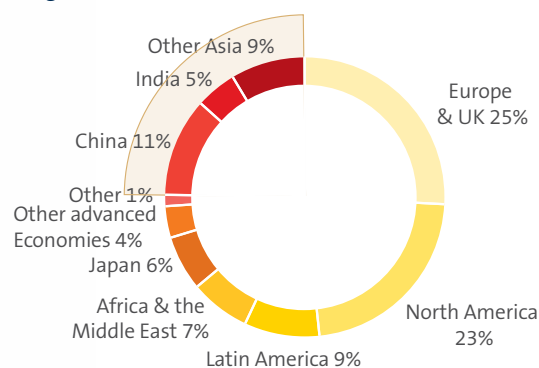


Chart 1: MSCI. As at 31 March 2009

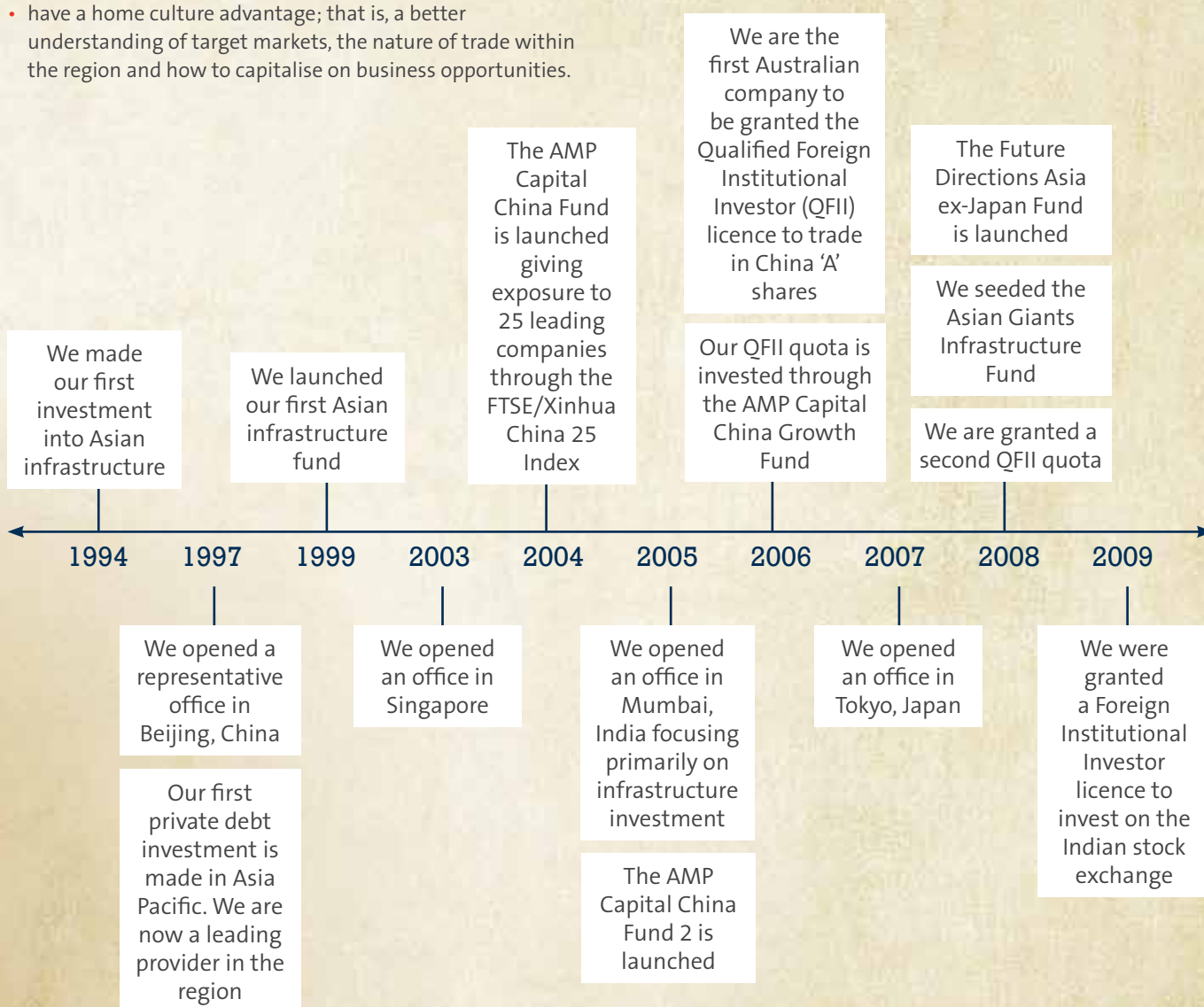
Chart 2: IMF based on Share of Aggregate World GDP based Purchasing Power Parity of member countries. As at 31 December 2008. NB: Composition of groups is based on IMF World Economic Outlook classification. 'Other Advanced Economies' does not include the 'Newly Industrialised Asian Economies' subgroup.

# AMP Capital's Asian expertise

Investing directly in Asia through companies domiciled in the region provides greater exposure to potential growth and returns. We consider Asian companies are best positioned to benefit from the growth story of Asia as they:

- have greater exposure to macro factors of local economies
- are able to leverage relationships with suppliers, governments and regulators due to a natural national bias providing them with greater access to business networks.
- have a home culture advantage; that is, a better understanding of target markets, the nature of trade within the region and how to capitalise on business opportunities.

Our long-term presence and networks in the Asian region provide proprietary access to deal flow and enable us to gain insights into local markets and capture the best possible investment opportunities. We have experience and expertise in multiple locations and asset classes.



# Introducing the AMP Capital Asian Equity Growth Fund

The AMP Capital Asian Equity Growth Fund ('the Fund') targets listed investment opportunities across Asia (ex-Japan) in the Greater China, Indian Sub-continent, East and South-East Asian regions. This includes markets such as Hong Kong, Korea, Singapore and Taiwan, while having significant exposure to companies operating in China and India.

Our investment philosophy is built upon the notion that companies that deliver superior returns on capital have greater flexibility to grow their businesses and leverage market opportunities. In targeting these businesses we actively seek stocks with the following characteristics;

- sustainable competitive advantage,
- effective management strategy; and
- access to capital to enable the effective execution of our strategy.

## Top 10 Portfolio Holdings as at 31 March 2009

Security name	Fund (%)	Benchmark (%)	Relative (%)
China Mobile Ltd (China)	5.07	4.26	0.81
Samsung Electronics Co Ltd (Korea)	4.67	3.69	0.98
Taiwan Semiconductor Manufacturing Co Ltd (Taiwan)	3.74	2.56	1.19
Industrial & Commercial Bank of China (China)	3.67	1.76	1.92
Reliance Industries Ltd (India)	3.53	1.54	1.99
China Construction Bank Corp (China)	3.51	2.08	1.44
Anta Sports Products Ltd (China)	2.98	0.00	2.98
Chunghwa Telecom Co Ltd (Taiwan)	2.94	0.70	2.23
Hang Lung Properties Ltd (China)	2.94	0.40	2.54
Infosys Technologies Ltd (India)	2.81	0.97	1.83

## Investment objectives

The Fund aims to provide investors with access to a range of potentially high growth Asian (ex Japan) equity opportunities diversified by sector and geography. The Fund aims to provide solid risk adjusted returns (capital growth and income), out-performing the benchmark over the long term.

## Alpha target

On a rolling 3 year basis, our average out-performance target is 3%

## Benchmark

MSCI All Country Asia ex Japan Net Index (AUD)

## Ex-ante tracking error

3% – 8%

## Approx stock holdings

30 – 80

## Minimum contribution

Off-platform: A\$30,000

On-platform: Check with your platform provider for further details

## Contribution fee

Off-platform: 0 – 4.1% as negotiated with your client

On-platform: Check with your platform provider for further details

## Management fee

Off-platform: 1.4% p.a. (GST inclusive)

On-platform: Check with your platform provider for further details

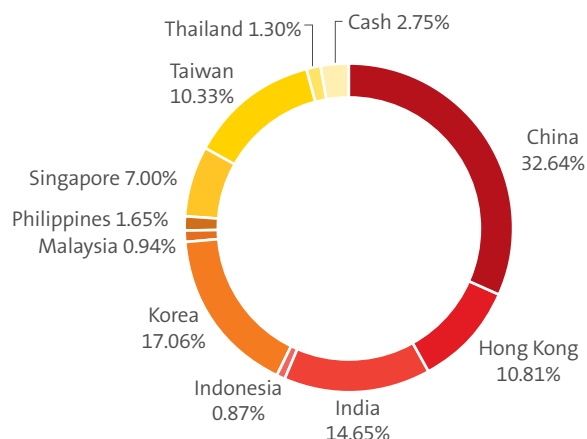
## Adviser service fee

0 – 1.1% (GST inclusive) as negotiated with your client. This amount is calculated monthly and paid annually\*

## Performance fee

A performance fee may be payable. This fee is 10% (exclusive of GST) of the Fund's outperformance above the Fund's benchmark

## Geographic allocation of the Fund as at 31 March 2009



\* This fee only applies for off-platform investors

# Our investment process

Our investment process for the AMP Capital Asian Equity Growth Fund has been tailored to maximise the potential for contemporary investment thinking. Our process leverages a structured decision making framework with a flexible idea generation and research methodology.



# The AMP Capital Asian Equity Growth Fund team

Karma Wilson, Head of Asian Equities, has built up a hand picked investment team selecting individuals with specific, yet differing, regional expertise and backgrounds. This was a deliberate strategy to maximise the breadth and depth of knowledge in the team. All of our specialists in this team have had experience in Asia during a wide range of markets and cycles and bring significant insights into portfolio construction and management.

Our team is focused on both sector-based stock research as well as conducting regional macro analysis:



\* Denotes years of investment experience

## Small-team culture with large institutional backing

The size of the team has been optimised for informal idea generation and nimble decision making. Having our members centralised in Sydney has enhanced the strong information sharing and mentoring culture within the team. Our team, however also benefits from the scale and support of the wider business.

Not only can the team leverage the internal expertise of our business (for example the credit market, infrastructure and investment economic and strategy teams) it can use the networks AMP Capital has built throughout Asia to gain greater access to companies and individuals that may be otherwise inaccessible. Both senior and junior members travel to Asia regularly in order to visit on the ground specialists and conduct ongoing due diligence of our stocks.

AMP Capital also provides the team with sophisticated analytical and operating systems, such as Northfield, which enhances the understanding of risks and latent opportunities in stock selection and portfolio construction.

### Endnotes

- 1 'World Economic Outlook: Update', International Monetary Fund, 28 January, 2009.
- 2 'Asian Development Outlook 2009: Rebalancing Asia's growth', Asian Development Bank, 2009.
- 3 'The Changing Anatomy of Regional Trade Agreements in East Asia', Suominen, K., Journal of East Asian Studies (9), pp. 29-56, 2009.
- 4 'Burgeoning bourgeoisie', The Economist, February 12, 2009.
- 5 'Mid-term Evaluation of China's 11th Five Year Plan', Poverty Reduction and Economic Management Unit, East Asia and Asia Pacific, December 18, 2008.
- 6 'The Chinese consumer: To spend or to save?', Lane K.P. & St-Maurice, I., The McKinsey Quarterly (1), 2006.
- 7 'Shares of the Rich and the Rest in the World Economy: Income Divergence between Nations, 1820-2030', Maddison A., Asian Economic Policy Review (3,1) pp.67-82, June 2008.

Asia continues to command a significant presence in world economics and is anticipated to continue growing over the coming decades.<sup>7</sup> In order to capitalise on the opportunities this region presents we have built up a specialist team with extensive experience and expertise in Asian equities investment. Through the AMP Capital Asian Equity Growth Fund your clients can access the expertise of our team and the potential returns of this growing region.

#### Important note

AMP Capital Investors Limited (AMP Capital), [ABN 59 001 777 591] [AFSL 232497] is the responsible entity of the AMP Capital Asian Equity Growth Fund (Fund) and issuer of the Product Disclosure Statement (PDS) for the Fund. To invest in the Fund, investors will need to obtain the current PDS from AMP Capital before making a decision to acquire, continue to hold or dispose of units in the Fund. The PDS contains important information about investing in the Fund and it is important that investors read the PDS. Neither AMP Capital, nor any other company in the AMP Group guarantees the repayment of capital or the performance of any product or any particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance. While every care has been taken in the preparation of this document, AMP Capital Investors makes no representation or warranty as to the accuracy or completeness of any statement in it. This document has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. An investor should, before making any investment decisions, consider the appropriateness of the information in this document, and seek professional advice, having regard to the investor's objectives, financial situation and needs.

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Investing.  
It's what we do.



## Contact us

To find out more about the AMP Capital Asian Equity Growth Fund, or how your clients can access this investment opportunity, please contact your AMP Capital Business Development Manager call our Adviser Services team on **1300 139 267** or visit our website **[www.ampcapital.com.au](http://www.ampcapital.com.au)**