

# Macquarie Property Securities

Quarterly Investment Option Update

30 September 2019

## Aim and Strategy

To outperform the S&P/ASX 200 A-REIT Index over the medium term to long term (before fees) and provide a consistent level of income and some capital growth.

The option provides exposure to an actively managed and diverse portfolio of listed property securities. The investment manager's active investment process aims to add value by focusing on the sources of uncertainty in property securities markets including sustainability of current earnings, long-term earnings growth, and quality of management.

## Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au](http://amp.com.au)

## Investment Option Overview

<b>Investment Category</b>	Property and Infrastructure
<b>Suggested Investment timeframe</b>	7 years
<b>Relative risk rating</b>	7 / Very High
<b>Investment style</b>	Listed Properties
<b>Manager style</b>	Single Manager

Sector Allocation	%
Diversified	42.72
Retail	25.34
Industrial	19.47
Commercial	12.21
Cash	0.26

Top Holdings	%
Scentre Group	19.81
Goodman Group	19.47
Mirvac	12.52
Dexus	10.54
GPT Group	10.31
Stockland	8.83
Charter Hall Group	6.61
Vicinity Centres	4.87
Abacus Property	2.93
Cromwell Group	1.02

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property	95-100%	99.74%
Cash	0-5%	0.26%

## Portfolio Summary

Macquarie's overweight positions in Charter Hall Group (CHC) and Investec Australia Property Fund (IAP) contributed to performance and An overweight position in Goodman Group (GMG) and an underweight position in Shopping Centres Australia (SCP) detracted from performance.

The persistent, global low-interest rate environment has continued to incentivise investors away from bond markets and into yield-proxy stocks (infrastructure, real estate, utilities).

Macquarie continue to feel the sector is well positioned to take advantage of any opportunities that arise and feel their stable yield offers an attractive investment in the current low growth, low interest rate world.

## Investment Option Commentary

Macquarie's overweight positions in Charter Hall Group (CHC) and Investec Australia Property Fund (IAP) contributed to performance during the quarter.

Charter Hall Group contributed reported FY19 results ahead of expectations with a 31% increase in FUM, largely driven by acquisitions. We continue to believe Charter Hall Group is well positioned as its asset management business continues to post strong earnings growth despite the increased competition.

An overweight position in Goodman Group (GMG) and an underweight position in Shopping Centres Australia (SCP) detracted from performance during the quarter.

Goodman Group detracted from performance during the quarter after its deletion from the FTSE EPRA NAREIT Global Real Estate Index sparked a sell-off from Index fund managers. Goodman Group was deleted from the Index for not meeting the 75% of EBITDA from relevant real estate activities requirement.

## Market Commentary

The S&P/ASX 200 Real Estate Accumulation Index rose 0.95% during the September quarter.

The persistent, global low-interest rate environment has continued to incentivise investors away from bond markets and into yield-proxy stocks (infrastructure, real estate, utilities). Australian REIT performance was supported by further RBA cuts to cash rates from 1.25% to 1.00% in July, however the September spike in bond yields took from some of the earlier gains in the quarter. The US Federal Reserve similarly strengthened their easing bias with two rate cuts during the quarter, seeing the top-end cash rate drop from 2.50% to 2.00% by September. Expansionary monetary is likely to support future REIT performance.

September was a good month for the Australian housing market recovery, with data from National CoreLogic showing dwelling prices rising 0.9% MoM or -3.9% YoY (up from August -5.2% YoY performance).

Top performers for the last 12 months were Diversified REIT, Charter Hall Group (CHC) up 68.9% and Commercial REIT, Charter Hall Long WALE REIT (CLW) up 45.4%. Charter Hall has continued to report strong results across divisions. Shopping centre-exposed names have lagged over the last 12 months as consumer spending on retail has been weak. Shopping Centre REIT, Vicinity Centres (VCX) finished up 4.3% YoY and Shopping Centre REIT Unibail-Rodamco-Westfield (URW) finished down 18.6% YoY.

## Outlook

With the average DPS yield of 4.5% being 3.5% greater than the 10 yr bond yield (currently 1.0%), we believe the sector is still attractive. They continue to feel the sector is well positioned to take advantage of any opportunities that arise and feel their stable yield offers an attractive investment in the current low growth, low interest rate environment.

## Availability

Product name	APIR
Signature Super	AMP0961AU#

# Restricted. Please see your Product Disclosure Statement

## Contact Details

Web: [www.amp.com.au](http://www.amp.com.au)  
Email: [askamp@amp.com.au](mailto:askamp@amp.com.au)  
Phone: 131 267



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