

RARE Infrastructure Value

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

The portfolio's investment objective is to provide investors with regular and stable income, comprised of dividends, distributions and interest, plus capital growth from a portfolio of global infrastructure securities while hedging the Fund's currency exposure back to AUD. The portfolio will aim to outperform a benchmark comprising OECD G7 inflation plus 5.5% p.a. The performance objective for the portfolio is to outperform the benchmark on a per annum basis after fees, hedged back into AUD, over rolling five-year periods.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment Category	Property and Infrastructure
Suggested Investment timeframe	7 years
Relative risk rating	6 / High
Investment style	Value
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property and Infrastructure	N/A	95%
Cash	N/A	5%

Sector Allocation	%
Electric	28.65
Gas	20.50
Railway	11.20
Communications	5.48
Toll Road	13.98
Airport	5.97
Seaport	2.86
Water	10.29
Cash	1.07

Regional Allocation	%
USA & Canada	44.56
Western Europe	31.42
Asia Pacific Developed	9.06
Latin America	8.64
Asia Pacific Developing	4.81
Middle East	0.44

Top Holdings	%
Enbridge Inc.	6.36
Transurban Group Ltd.	4.55
United Utilities Group PLC	4.53
Union Pacific Corporation	4.43
Williams Companies, Inc.	4.15
Atlantia S.p.A	4.14
National Grid plc	4.09
Emera Inc	3.94
Crown Castle International Corp	3.89
VINCI SA	3.82

Investment Option Commentary

USA & Canada was the top regional contributor to quarterly performance of which US rail operators Union Pacific and Genesee & Wyoming were the lead contributors. Union Pacific Corporation (UNP) is one of the largest railroad companies in North America. The share price of UNP rallied strongly during the quarter after the company announced its operations overhaul plan.

Genesee & Wyoming (GWR) owns and operates short line and regional freight railroads in the US, Canada, Australia and the UK. GWR's portfolio includes over 110 individual railroads spanning more than 14,700 miles of owned and leased track with approximately 3,270 additional miles under track access agreements. The share price of GWR rallied strongly post the announcement of traffic volumes data.

Elsewhere, European satellite operator Eutelsat (ETL) also rallied strongly. ETL has 39 satellites in geostationary orbit and provides broadcasting services to major satellite TV platforms, as well as communication solutions for governments, companies, and telecom operators. After a challenging two years, the market is starting to see clear signposts that ETL CEO Rodolphe Belmer's revival plan is taking hold. This plan aims to maximise free cash flow generation to ensure a sound balance sheet and a secure, progressive dividend and to return to top-line revenue growth from FY19 by supplementing a stable core Video business (circa 65% of revenues) with growth in business units such as consumer broadband and mobility.

On a regional basis, Western Europe was the top detractor from quarterly performance of which Italian infrastructure company Atlantia (ATL) was the lead detractor. The collapse of the Polcevera road bridge in Genoa on 14 August focused the market's attention on Autostrade per l'Italia (ASPI), ATL's core Italian toll road asset. The press has been reporting on the wide-ranging measures that various politicians within the new coalition Government have put forward. These include rescinding the concession without compensation, to the more benign continuation of ASPI's current concession, however with greater oversight on investment from a more hands-on independent regulator and compensation for families and the Genoa community as well as funds for the bridge reconstruction. The Investment Committee is closely monitoring this event and engaging with key stakeholders to determine the valuation impact.

Elsewhere in Western Europe, UK water stocks (United Utilities, Severn Trent and Pennon) also pulled back during the quarter. In September the share price of all three UK water holdings weakened following the Labour Party conference where the Party unveiled their plans for a publicly-owned water system.

Market Commentary

The US/China trade tensions continued to dominate the headlines during the quarter as both countries imposed additional tariffs on imports.

As it relates to listed infrastructure, the market focused on the Morandi bridge collapse in Genoa, Italy. Consequently, the Italian toll road sector weakened considerably as the Italian government signals plans to revoke concessions from Atlantia's subsidiary Autostrade per l'Italia.

The quarter was a challenging one for Emerging Market equities. Growth downside risks from trade tensions persist. Latin America experienced continued headwinds during the quarter largely due to uncertainty surrounding the outcome of the Brazilian general elections which is set to take place in October.

Outlook

The Strategy's five-year forward-looking return increased during the quarter as low expected return stocks such as European satellite operator SES S.A. and American water utility American Water Works were removed from the Strategy.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1528AU
AMP Flexible Super - Retirement account	AMP1588AU
AMP Flexible Super - Super account	AMP1576AU
CustomSuper	AMP1528AU
Flexible Lifetime - Allocated Pension	AMP1540AU
Flexible Lifetime Investment (Series 2)	AMP2042AU
SignatureSuper	AMP1552AU
SignatureSuper Allocated Pension	AMP1564AU
SignatureSuper Select	AMP1552AU

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