# AMP Listed Property Trusts

## Quarterly Investment Option Update

31 December 2019

## Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the S&P/ASX 200 A-REIT Accumulation Index on a rolling 12-month basis. The portfolio predominantly invests in property (and property related) securities.

## Investment Option Performance

To view the latest investment performances for each product, please visit [www.amp.com.au](www.amp.com.au)

## Investment Option Overview

| | |
|---|---|
| **Investment category** | Property and infrastructure |
| **Suggested minimum investment timeframe** | 5 years |
| **Relative risk rating** | High |
| **Investment style** | Active |
| **Manager style** | Single |

| Asset Allocation | Benchmark (%) |
|---|---|
| Listed Property and Infrastructure | 100 |
| Cash | 0 |

| Actual Allocation | % |
|---|---|
| Australian Shares | 1.37 |
| Listed Property and Infrastructure | 97.00 |
| Cash | 1.64 |

| Sector Allocation | % |
|---|---|
| Diversified REITs | 41.30 |
| Industrial REITs | 20.81 |
| Retail REITs | 15.71 |
| Office REITs | 13.68 |
| Specialised REITs | 3.03 |
| Residential REITs | 1.65 |
| Cash | 1.64 |
| Health Care REITs | 1.47 |
| Real Estate Development | 0.71 |

| Top Holdings | % |
|---|---|
| Goodman Group | 20.81 |
| Mirvac Group | 12.60 |
| Dexus | 12.52 |
| Scentre Group | 10.42 |
| GPT Group/The | 7.50 |
| Charter Hall Group | 6.62 |
| Stockland | 5.59 |
| Charter Hall Long Wale REIT | 5.17 |
| Shopping Centres Australasia P | 2.82 |
| Abacus Property Group | 2.26 |

| Region Allocation | % |
|---|---|
| Australasia | 98.36 |
| Cash | 1.64 |

## Fund Performance

The Fund was marginally negative for the December quarter, though it outperformed the benchmark ASX 200 A-REIT total return index over the period.

At a sector level, the Fund's overweight positioning in industrial and health care REITs were major contributors to the relative return, while an overweight to retail REITs detracted. Stock selection overall was negative for the quarter, though asset allocation decisions more than made up for this and helped drive the outperformance relative to market.

At a stock level, an overweight holding in Ingenia Communities Group was the largest positive contributor to the relative return, while an underweight holding in Stockland was the largest detractor.

## Market Review

The Australian listed real estate market fell modestly over the December quarter, underperforming the broader sharemarket. During October, listed real estate continued to attract capital flows into more defensive assets, such as listed real estate, after the Reserve Bank of Australia lowered the official cash rate by 0.25% to a record low of 0.75%. However, thereafter listed real estate lagged the broader sharemarket's returns, as several ongoing geopolitical risks finally abated. In particular, previous gains in listed real estate were pared back late in the period as the US and China reached a Phase 1 trade deal which saw investors switch out of defensive assets. Australian 10-year bond yields rose 0.35% to 1.37% over the period.

Despite this late change, the Australian listed real estate market was up very strongly over the year as it benefited from the ongoing geopolitical risks and lower interest rates. Australian 10-year bond yields closed 0.95% lower over the year.

Difficult retail conditions that prevailed over the year once again came to the fore during the period. Regional and sub-regional retail landlords reported mixed results, with total centre comparable moving average total growth of 1.7% over the September quarter, which was in line with the June quarter, but 0.7% lower than the September quarter last year. Later in the period, department-store chain Harris Scarfe was placed into receivership and will reportedly undergo a major restructuring, including the closure of 40% of its stores, before being sold to new owners. This may impact large capitalisation retail landlords such as Scentre Group and Vicinity Centres which have some exposure to Harris Scarfe stores.

Gross domestic product data for Q3 2019 showed consumer spending increased just 0.1% despite earlier stimulus from lower interest rates and tax rebates, and the net household savings ratio rose sharply to 4.3%, from 2.7% over the previous quarter. Further, there was no further stimulus announced in the Government's Mid-Year Economic and Fiscal Outlook. In addition, the latest weekly ANZ-Roy Morgan Consumer Confidence Rating in mid-December fell 0.9% to 108 points, which was 8.3% below the same period last year and the lowest pre-Christmas result since 2008.

In these difficult retail conditions, transaction activity remains elevated. During the period, a Charter Hall Group-managed partnership will acquire a 49% interest in a portfolio of 225 convenience retail properties leased to BP Australia worth $1.7 billion. Vicinity Centres also announced the divestment of its stakes in two non-core retail assets for A$195.5 million and accordingly lowered its financial-year 2020 funds from operations guidance by 1.1%. Its 25% stake in Mt Ommaney Centre, Queensland and Corio Central, Victoria sold at prices which represent a 10.2% and 22.3% discount to the assets' respective December 2017 book values.

In addition, it remains clear that the stronger, better-located retail properties continue to benefit at the expense of the weak, which has led retailers to continue their migration upward in quality. In December, Vicinity Centres announced that it will undertake a A$685 million development of Chadstone Shopping Centre in Melbourne. The plan is to expand the centre by 43,000 square metres, providing more dining and entertainment as well as additional fresh food to match the lifestyle needs of the growing population.

Meanwhile, residential conditions are improving, with dwelling prices in Sydney and Melbourne increasing rapidly from their mid-year lows and auction clearance rates remaining elevated. However, in October the share of new housing finance attributed to investors reached its lowest since the early 2000s.

Diversified property company Mirvac Group is taking advantage of these improving residential conditions to expand, announcing that it has acquired a vacant site in the Flinders West precinct of Melbourne for A$200 million. The company intends transforming the site into a vibrant mixed-use urban neighbourhood, comprising an office tower of approximately 40,000 square metres and a build-to-rent apartment tower of approximately 430 apartments, as well as additional commercial space. The company also obtained approval to build another four residential buildings at Green Square Town Centre, Sydney totalling 316 apartments, seven luxury terrace homes and new retail space.

Strong conditions in the office and industrial segments continue to support Dexus Property Group. After reporting a solid update for the September quarter earlier in the period, the company announced that its portfolio of 43 office properties and 66 industrial properties achieved a valuation uplift of approximately 4.2% from its June valuation. As a result, the company's net tangible assets per security is expected to increase 5.7%. The company also announced that it has reached an agreement with the Queensland Government to progress the proposed A$2.1 billion Waterfront Brisbane. The proposal includes two premium office and mixed-use towers on the Eagle Street Pier site, as well as a variety of restaurants, casual eateries and shops.

Logistics giant Goodman Group also produced a strong result for the September quarter, as it continued to deploy capital through developments in key urban locations. The company subsequently announced the acquisition of an additional 65-acre industrial property in Fullerton, California which it will redevelop into a modern logistics facility, while it is also reportedly seeking to acquire Moorebank Logistics Park in Sydney from Qube Holdings. The unfinished intermodal facility is the largest in Australia and is valued at up to A$2 billion.

## Outlook

A low interest rate environment and a generally supportive macro-economic outlook, beyond short term risks, are likely to continue to support reasonable medium-term returns in the Australian listed real estate market, albeit they may be more constrained than seen recently. Industrial properties exposed to longer-term secular growth trends such as e-commerce, data connectivity and logistics are expected to perform well. The office market continues to benefit from strong business confidence and global investor interest; hence it appears reasonably well positioned to absorb upcoming additional supply in the major capital cities. The retail market faces the challenges of e-commerce, structural changes and shifting customer habits; however well-located centres that offer an attractive leisure environment are likely to grow earnings faster than commoditised peripheral venues.

## Availability

| Product Name | APIR |
|---|---|
| AMP Flexible Super - Retirement account | AMP1326AU |
| Flexible Lifetime - Allocated Pension | AMP0611AU |
| Flexible Lifetime - Term Pension | AMP0903AU |
| SignatureSuper - Allocated Pension | AMP1134AU |

## Contact Details

**Web:** **www.amp.com.au**
**Email:** askamp@amp.com.au
**Phone:** 131 267

INSIGHTS
IDEAS
RESULTS

**What you need to know**

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL), AMP Capital Funds Management Limited ABN 15 159 557 724, AFSL 426455 (AMPCFM), ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from the issuer or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (AMP Listed Property Trusts). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.