

# RARE Infrastructure Value

Quarterly Investment Option Update

31 December 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](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>	6 / High
<b>Investment style</b>	Value
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property and Infrastructure	N/A	97.69
Cash	N/A	2.31

Sector Allocation	%
Electric	38.36
Gas	18.33
Railway	10.77
Communications	2.64
Toll Road	10.48
Airport	4.06
Seaport	2.02
Water	11.04
Cash	2.31

Regional Allocation	%
USA & Canada	54.59
Western Europe	33.94
Asia Pacific Developed	4.75
Latin America	2.40
Asia Pacific Developing	2.02
Cash	2.31

Top Holdings	%
Sempra Energy	5.94
Severn Trent Plc	5.01
Union Pacific Corporation	4.88
Norfolk Southern Corporation	4.53
Red Electrica Corp. SA	4.30
Cheniere Energy, Inc.	4.19
United Utilities Group PLC	4.05
Dominion Energy Inc	3.99
Hydro One Limited	3.96
Terna S.p.A	3.90

## Investment Option Commentary

On a regional basis, Western Europe was the top contributor to quarterly performance (+2.58%) of which UK electric utility SSE (+0.36%) and UK water companies Severn Trent (+0.82%) and United Utilities (+0.66%) were the lead performers.

During the quarter, the share prices of SSE, SVT and UU benefited from a positive sector sentiment as the UK general election concluded with a sizable Conservative majority. This positive election outcome removed most of the near-term concern and debate about Labour's nationalisation plan for water and energy companies.

Additionally, SVT and UU also benefited from the water regulator Ofwat completing the Final Determination stage of the next price review process (PR19) on 17 December. The ultimate headline allowed return cut, determined by Ofwat, which was lower than what most in the market expected.

Turning to North America, US rail operator Union Pacific also performed strongly, contributing +0.51% to quarterly performance.

Union Pacific Corporation (UNP) is one of the largest railroad companies in North America. UNP's freight transportation services are crucial to the functioning of the US economy. The company provides an efficient and unique service relative to other transport modes and has historically exhibited pricing power ahead of inflation (subject to light hand economic regulation). The share price of UNP rallied during the quarter with strong performance after the initial trade deal was reached with China.

Spanish electric utility Red Electrica (-0.20%) was the largest detractor from quarterly performance.

Red Electrica (REE) is a group engaged in the supply and transmission of electricity in Spain. During the quarter, the share price of REE weakened with the rising Spanish bond yield. In addition, the October update by the regulator (CNMC) on the allowed remuneration for the next period, did not show significant improvement from the previous version as was speculated.

All returns are in local currency.

## Market Commentary

RARE's Global Listed Infrastructure strategy posted strong returns to finish 2019. Recession fears eased as economic indicators stabilised, along with positive outcomes from the US-China trade deal and the UK general election. Bond yields have risen since Q319, but with US 10-year treasuries settling below 2%, they remain at low levels by historical standards. RARE's growth indicators showed an improvement during November and December across each of the three main economic regions (the United States, Eurozone and China). US consumers are in a reasonably good position, and most forecasters see a stabilisation to slight improvement in global growth for 2020 compared to 2019.

## Outlook

On a regional level, the Strategy's largest exposure is in US & Canada (54%) and consists of exposure to utilities (42%), and economically sensitive sectors (12%).

For the RARE Infrastructure Value Strategy, the primary quantitative tool in portfolio construction is the Excess Return, on which RARE's stock ranking system is based. As such, driven by valuation, the Investment Committee initiated positions in Australian toll road operator Atlas Arteria, Italian gas utility Snam and US electric Pinnacle West.

The fund also exited holdings in Chinese airport operator Beijing Capital International Airport, UK water company Pennon and Italian toll road operator Atlantia

## 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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