

AMP Capital Australian Property Securities

Quarterly Investment Option Update

31 March 2020

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 invests in property (and property related) securities listed on the ASX and may also invest in property securities listed on securities exchanges outside of Australia and unlisted securities if listing is anticipated within 12 months. Under normal circumstances this investment option must have a minimum exposure of at least 90% to listed property, with at least an 80% exposure to securities listed on the ASX

Investment Option Performance

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

Investment Option Overview

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

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

Actual Allocation	%
International Shares	0.69
Australian Shares	3.75
Listed Property and Infrastructure	92.23
Cash	3.33

Sector Allocation	%
Diversified REITs	32.39
Industrial REITs	26.34
Office REITs	16.46
Retail REITs	10.34
Specialised REITs	4.04
Cash	3.33
Health Care REITs	2.79
Residential REITs	2.07
Real Estate Development	1.25
Others	0.99

Top Holdings	%
Goodman Group	25.79
Dexus	14.37
Mirvac Group	9.21
GPT Group/The	6.14
Charter Hall Group	5.63
Charter Hall Long Wale REIT	4.54
Scentre Group	3.91
Shopping Centres Australasia P	3.08
Viva Energy REIT	2.85
National Storage REIT	2.10

Region Allocation	%
Australasia	96.67
Cash	3.33

Fund Performance

The Fund was down heavily for the quarter amid a broader market plunge due to the COVID-19 crisis and fears over its impact on the broader economy. While the return was sharply negative, the Fund did outperform the benchmark ASX 200 A-REIT total return index over the period.

At a sector level, the Fund's strategic underweight to the retail sector was a major contributor to the relative return, while stock selection in the diversified sector also added value. Overall stock selection for the Fund was positive, though asset allocation decisions provided the bulk of the quarter's outperformance.

At a stock level, underweights to names such as Scentre Group, Vicinity Centres and Unibail-Rodamco-Westfield aided the relative return, while overweight holding in Ingenia Communities Group was the largest positive contributor to the relative return, while underweights to Viva Energy REIT and BWP Trust detracted.

Market Review

After rallying strongly early in the quarter, the Australian listed real estate market fell very sharply over February and March. The sector underperformed the broader Australian share market, which also fell significantly, due to deeper concerns about the spread of COVID-19 and the economic impact of the extensive containment measures. In this highly uncertain environment, many Australian listed real estate companies withdrew their earnings guidance for financial year 2019-20 whilst some suspended dividends.

Late in the quarter some support was received from the Federal Government in the form of unprecedented stimulus packages, totalling around A\$200 billion or 10% of GDP, designed to financially see Australians through a harsh (albeit likely temporary) downturn. The RBA also cut the official cash rate to a new low of 0.25%, as well as announcing it would purchase government bonds to maintain the 3-year bond yield at 0.25%. It will also provide cheap funding to Australian banks to support lending to small and medium-sized businesses. The Australian Prudential Regulation Authority also relaxed some capital controls. In other measures, the Federal Government announced a six-month moratorium on evictions of tenants experiencing financial distress. In response, Australian banks will allow both residential and commercial landlords to delay loan repayments by up to six months.

Outlook

Australian listed real estate will likely be subject to near-term volatility, which is affecting all markets, due to deepened concerns about the spread of COVID-19 and the impact of the extensive containment measures on economic activity in Australia and globally. Social distancing is expected to dramatically impact the retail segment as foot traffic weakens and consumer confidence falls. In what was already difficult conditions, retail landlords are likely to come under pressure as tenants push for rent relief or experience credit issues. The residential segment is also expected to come under pressure as unemployment rises. The office segment should be more resilient as office leases are generally long term, and the industrial segment should remain robust, especially properties exposed to the expected increases in online shopping and data usage.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP1049AU*
Flexible Lifetime - Investments (Series 2)	AMP1397AU

*Closed to new investors

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