AMP Listed Property Trusts

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 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

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	2.53
Listed Property and Infrastructure	95.45
Cash	2.02

Sector Allocation	%
Diversified REITs	34.27
Industrial REITs	25.73
Office REITs	15.49
Retail REITs	13.68
Specialised REITs	3.34
Cash	2.02
Residential REITs	2.01
Health Care REITs	1.44
Real Estate Development	1.06
Others	0.96

Top Holdings	%
Goodman Group	25.73
Dexus	14.23
Mirvac Group	9.50
GPT Group/The	6.66
Scentre Group	5.67
Charter Hall Group	5.53
Charter Hall Long Wale REIT	4.36
Stockland	3.86
Shopping Centres Australasia P	3.52
Viva Energy REIT	2.75

Region Allocation	%
Australasia	97.98
Cash	2.02

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

The Australian listed real estate market was down significantly over the March quarter and underperformed the broader Australian share market, which was also down significantly. The sharpest falls occurred in March, due to deepened concerns about the spread of COVID-19 and the impact of the extensive containment measures on economic activity. However, late in the period, the market recovered some ground after the Federal Government and the Reserve Bank of Australia announced significant stimulus packages. Australian 10-year bond yields declined 0.61% to 0.76% over the period.

The stimulus packages are designed to help minimise the impact on employment, incomes and businesses so that economic activity recovers quickly once COVID-19 is contained. The Federal Government announced a series of three fiscal stimulus packages, with the first worth just over 1% of gross domestic product over 2020-21, the second worth an additional 1.5% of gross domestic product, and the third bringing the total stimulus (including measures by the Reserve Bank of Australia) to around 16% of gross domestic product. Key components of the fiscal stimulus packages include a JobKeeper wage subsidy, income support for individuals, payments to support households, temporary early release of superannuation and lower social deeming rates.

The Reserve Bank of Australia cut the official cash rate early in March by 0.25% to 0.50%, and later in the month cut it by a further 0.25% to 0.25%, providing strong forward guidance that it would not raise the target cash rate for a long time. The central bank also announced that 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 has also relaxed some capital controls.

In other measures, the Federal Government announced a 6-month moratorium on evictions of tenants in financial distress and unable to meet their commitments. In response, Australian banks will allow both residential and commercial landlords to delay loan repayments by up to six months.

In this highly uncertain environment, many Australian listed real estate companies have withdrawn their earnings guidance for financial year 2019-20, and some have suspended dividends. A couple of exceptions are Charter Hall Group, which reaffirmed its strong earnings guidance after receiving the final performance fee from Charter Hall Office Trust, and Charter Hall Long Wale REIT which reaffirmed its earnings guidance and announced the completion of construction of The Glasshouse in Macquarie Park, Sydney.

Social distancing has dramatically impacted the retail segment as consumer confidence has fallen to near all-time lows and retail foot traffic is weakening rapidly. Many retailers have announced temporary store closures, including Myer, Premier Investments, Retail Apparel Group, Nick Scali and Cotton On. Adding to retailers' woes, consumers who were previously reluctant to shop online are increasingly being compelled to, which is expected to accelerate the long-term transition to online shopping. 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 has also come under significant pressure. AMP Capital's economist Shane Oliver suspects the economy is already in recession and this is likely to result in lower residential property prices. He warns that in the worst case, prices could fall by up to 20% in a long-term recession with unemployment of 10% as household debt levels are high and house prices are high relative to household incomes.

The office segment has been more resilient because office leases are generally long term. However, shared workspace organisations are expected to become stretched as they are locked into long-term liabilities, but their tenant demand is generally short-term and reportedly falling sharply.

Most merger and acquisition activity ceased or has been placed on hold for now.

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
AMP Flexible Super - Retirement account	AMP1326AU
Flexible Lifetime - Allocated Pension	AMP0611AU
Flexible Lifetime - Term Pension	AMP0903AU
SignatureSuper - Allocated Pension	AMP1134AU

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