

RARE Infrastructure Value

Quarterly Investment Option Update

31 March 2020

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	91.69
Cash	N/A	8.31

Sector Allocation	%
Electric	39.64
Gas	15.37
Railway	5.18
Communications	5.13
Toll Road	11.04
Airport	3.46
Water	11.85
Cash	8.31
Electric	39.64

Regional Allocation	%
USA & Canada	47.29
Western Europe	36.81
Asia Pacific Developed	5.63
Latin America	1.96
Cash	8.31
USA & Canada	47.29

Top Holdings	%
Severn Trent Plc	5.34
Sempra Energy	5.20
Red Electrica Corp. SA	4.84
Terna S.p.A	4.65
United Utilities Group PLC	4.57
Union Pacific Corporation	4.01
Transurban Group Ltd.	3.94
VINCI SA	3.79
Crown Castle International Corp	3.38
Cheniere Energy, Inc.	3.27

Investment Option Commentary

North American electric utilities Fortis Inc (+0.16%), Terraform Power (+0.08%) and First Energy (+0.08%) were the lead contributors to quarterly performance.

Fortis (FTS) is the largest utility company listed in Canada. Fortis has built a diversified portfolio of high-quality regulated utility businesses across Canada, US and the Caribbean, through a series of acquisitions and organic growth over the past several years. During the quarter, defensive utilities like FTS performed better in the context of extreme market uncertainty and volatility.

TerraForm Power (TERP) is an owner and operator of contracted and regulated generation assets in the renewables (Wind and Solar) space. The portfolio of assets TERP owns spans North America and Western Europe (primarily Spain). TERP's share price rallied during the quarter after Brookfield Renewable Partners (BEP) finalised their definitive merger of TERP.

First Energy (FE) is a large cap vertically integrated US utility operating in Ohio, Pennsylvania, West Virginia, New Jersey and Maryland. During the quarter, FE's share price rallied with concerns subsiding over pension and leverage.

Turning to Western Europe, Danish electric utility Orsted (+0.04%) also contributed to quarterly performance. Orsted is the global industry leader in offshore wind industry with about 30% market share. Orsted's shares benefited from increased investor appetite in the renewables sector after the EU Green Deal released in December 2019. The company also announced in March that they would keep the financial guidance with limited impact from coronavirus.

US gas utility Cheniere (-1.89%) was the largest detractor from quarterly performance.

Cheniere Energy (LNG) is an energy infrastructure company that owns and operates US liquefied natural gas (LNG) export facilities. During the quarter, the share price of LNG fell with weakness in line with the US midstream sector, which is under pressure from the breakdown in OPEC+ talks.

All returns are in local currency.

Market Commentary

RARE's Global Listed Infrastructure funds outperformed key infrastructure benchmarks during the month of March, though were outpaced by general equities. The coronavirus continued to impact markets, with the world in the grip of a severe synchronised downturn. As a result, economic activity continued to decline in most of the world as government policies to contain the virus impacted activity. Hard economic data releases have shifted from supportive (pre-virus) to negative (especially weak in the Eurozone). Soft data such as surveys are plummeting. Additionally, oil markets have collapsed, impacted by reduced demand and over-supply from Russia and Saudi Arabia. The result has been exceptionally high volatility in markets. Policy makers have responded with spectacular and unprecedented levels of stimulus, though a recession appears unavoidable. Refreshingly, early signs of economic recovery have begun in China as mobility restrictions are relaxed.

Outlook

On a regional level, the Strategy's largest exposure is in US & Canada (47%) and consists of exposure to utilities (38%), and economically sensitive sectors (9%).

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 US electric utilities TerraForm Power, NextEra Energy, CenterPoint Energy and Exelon Corporation, Danish electric utility Orsted, US communications company American Tower, Australian airport Sydney Airport and Canadian gas utility AltaGas.

The fund also used the opportunity to crystallise some gains by exiting holdings in Chinese port operator China Merchants Port Holdings, US rail operator Norfolk Southern and US electric utilities FirstEnergy and Fortis Inc.

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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