

Specialist Property and Infrastructure

Quarterly Investment Option Update

31 March 2020

Aim and Strategy

To provide total returns (income and capital growth) after costs and before tax, above the return of 20% of the S&P/ASX200 A-REIT Accumulation, 35% FTSE EPRA NAREIT Developed Net Total Return (hedged to the Australian dollar), 30% Dow Jones Brookfield Global Infrastructure Net Accumulation (hedged to the Australian dollar) and 15% Mercer/IPD Australia Core Wholesale Property Fund indices on a rolling three-year basis. The strategy provides exposure to a diversified portfolio of direct property, listed property and infrastructure securities, both in Australia and around the world. The portfolio may also invest in direct infrastructure from time to time. The strategy diversifies its direct property and listed property and infrastructure securities exposure across a range of both active and passive strategies. The strategy may invest up to 10% in cash however, in certain market conditions may hold higher levels of cash.

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
Unlisted Property and Infrastructure	0
Cash	0

Actual Allocation	%
International Shares	1.95
Australian Shares	14.69
Listed Property and Infrastructure	77.42
Unlisted Property and Infrastructure	6.02

Top Holdings	%
Lendlease APPF Retail Fund	5.97
AMERICAN TOWER CORP	4.71
Goodman Group	3.81
ENBRIDGE INC	3.24
SEMPRA ENERGY	2.82
RAI Way SpA	2.72
WILLIAMS COMPANIES INC	2.67
National Grid PLC	2.66
TC Energy Corp	2.32
Gibson Energy Inc	2.02

Region Allocation	%
North America	46.23
Australasia	22.94
Europe ex UK	13.32
United Kingdom	6.72
Asia ex Japan	6.19
Japan	3.86
Cash	0.74

Fund Performance

As broader markets plummeted over the quarter amid the COVID-19 crisis, the Fund also sharply fell (in absolute terms), though it did outperform the benchmark. Over the three months, the best performing underlying allocation in absolute terms was the Australian Prime Property Fund Retail, which returned -4.7% against a benchmark of -1.2%, while the poorest performance came from the AMP Capital Australian Listed Property Fund, which fell by 34.6%, which was close to in line with the benchmark. The allocation to the AMP Capital Global Listed Infrastructure Fund meanwhile fell by 24.1% against a benchmark fall of 19.5%. Finally, the AMP Capital Global Listed Property Fund returned fell by 24.2%, comfortably outperforming the benchmark which fell by 28.6%. At the time of writing, markets have already strongly rebounded off their March-lows and we are encouraged by the large amount of global stimulus and support that have promptly been provided by governments.

Market Review

Global listed real estate markets generally started the March quarter positively, outperforming broader share markets as investors shifted into defensive assets due to increasing concerns about the impact of COVID-19 on China's economic growth and the flow on impact on global economic growth. However, listed real estate markets fell heavily over the remainder of the period, as did broader share markets, with sharp falls experienced as concerns deepened about the spread of COVID-19 outside China and the impact of the extensive containment measures on economic activity.

Similarly, the Australian listed real estate market fell very sharply over the quarter due to the deep 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 however, 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%.

Infrastructure markets were also caught up in the broad global falls over the quarter, as the COVID-19 pandemic and a failed agreement between members of the OPEC+ group presented a challenging and volatile environment for the asset class. Airports and student accommodation investments both exemplified the virus' economic impact, amid various travel-bans and a shift by learning institutions to online in response to social distancing guidelines. Further exacerbating the market plunge was the price of oil falling towards the end of the quarter, as Russia and the OPEC producers failed to agree on a proposed reduction in oil production in anticipation of weaker global demand due to the COVID-19 outbreak.

Outlook

Global listed real estate markets will likely be subject to near-term volatility, which is affecting all risk assets, due to deepened concerns about the spread of COVID-19 and the impact of the extensive containment measures on economic activity in the US and globally.

The combination of the COVID-19 pandemic and the volatility in commodity prices presented a challenging environment for global listed infrastructure. In the short term, we expect that lower commodity prices will significantly reduce US oil production and associated energy infrastructure growth expectations. This is also having a substantial negative impact on traffic trends for the transportation sector, reflecting the impact of the COVID-19 pandemic. We believe that both shocks are transitory and closely following the evolving situation in order to take advantage of opportunities as they emerge with a long-term investment horizon. As a result of the de-rating, valuations are currently particularly cheap compared to history and we continue to see potential for strong performance from the asset class as investors seek quality defensive assets that provide sustainable yield profiles in the current low interest rate environment.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP0861AU
AMP Flexible Super - Retirement account	AMP1359AU
AMP Flexible Super - Super account	AMP1488AU
CustomSuper	AMP0861AU
Flexible Lifetime - Allocated Pension	AMP0877AU
Flexible Lifetime - Investments (Series 1)	AMP1007AU*
Flexible Lifetime - Investments (Series 2)	AMP1423AU
Flexible Lifetime - Term Pension	AMP0931AU
SignatureSuper	AMP0954AU
SignatureSuper - Allocated Pension	AMP1161AU
SignatureSuper Select	AMP0954AU
AMP Growth Bond	AMP1192AU

*Closed to new investors

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