AMP Listed Property Trusts

Quarterly Investment Option Update

30 June 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	3.06
Listed Property and Infrastructure	96.08
Cash	0.86

Sector Allocation	%
Diversified REITs	33.04
Industrial REITs	27.10
Retail REITs	18.68
Office REITs	8.52
Specialised REITs	5.18
Residential REITs	2.54
Health Care REITs	1.95
Real Estate Development	1.17
Others	0.95
Cash	0.86

Top Holdings	%
Goodman Group	27.10
Mirvac Group	9.56
Scentre Group	8.48
Dexus	7.56
Charter Hall Group	7.26
GPT Group/The	5.60
Stockland	4.44
National Storage REIT	3.26
Waypoint REIT	3.06
Charter Hall Long Wale REIT	3.04

Region Allocation	%
Australasia	99.14
Cash	0.86

Fund Performance

The Fund rebounded significantly during the quarter amid a broader market recovery as economies started to reopen and fiscal stimulus made its impact. While the return was sharply positive, the Fund did underperform the benchmark ASX 200 A-REIT total return index over the period.

At a sector level, the Fund's overweight allocation to the residential, health care, and industrial REITs sector were the largest contributors to relative returns. Overall relative stock selection and asset allocation for the Fund was negative.

At a stock level, the top three contributors to relative return were from an overweight allocation to Charter Hall Group, an underweight allocation to Unibail-Rodamco-Westfield, and an overweight position in Lifestyle Communities; whilst the bottom three contributors were from underweight positions in Stockland, Scentre Group, and Vicinity Centres.

Market Review

The Australian listed real estate market rallied for most of the June quarter and outperformed the broader Australian share market overall, which also rose strongly. Markets were supported by further economic stimulus being provided by policy makers earlier in the period, with sentiment also buoyed by the relative success of COVID -19 containment measures in Australia which saw state governments start lifting mandatory lockdowns. However, listed real estate gave up some of these gains later in the period as some US states reported a 'second wave' of infections, with Victoria locally recording an increase in cases. Australian 10-year bond yields rose by 0.11% to 0.87% over the period.

Building on the stimulus packages announced during March, the Federal Government introduced a mandatory Code of Conduct which applies to commercial leases of eligible small to medium-sized tenants, which requires landlords to offer proportionate reductions in rent, as waivers and deferrals, based on reductions in tenants' trade during the COVID-19 pandemic period and a subsequent reasonable recovery period. In addition, the Australian Competition and Consumer Commission allowed retailers to collectively bargain with landlords over the rent relief. As some compensation for landlords, state governments are to provide both commercial and residential property owners with land tax relief if they assist tenants.

The Federal Government also announced an estimated A$1.6 billion package to support Early Learning Centre operators which, together with the JobKeeper scheme, is designed to fully cover their costs.

In this highly uncertain environment, Australian listed real estate companies continued to withdraw their earnings and dividend guidance for financial year 2019-20. Many companies also opportunistically raised capital or renewed and extended debt facilities to maintain liquidity, fund acquisitions and improve their balance sheets.

The struggling retail segment was hit particularly hard by the devaluing of properties and lowering of distribution payments. Earlier in the period, retail companies suffered as consumer confidence fell sharply to the lowest level since the survey began, with retail foot traffic weakening dramatically to see April retail sales experience a record fall amid announcements of temporary and in some instances permanent store closures. However there were some positive signs later in the period, with data for May showing some slowing in the rate of deterioration in the labour market and improving consumer confidence.

The difficulties facing many retail companies was evidenced by capital raisings by Charter Hall Retail REIT and Shopping Centres Australasia Property Group, with proceeds being used to pay down existing bank facilities and bolster liquidity in moves to reduce gearing levels. Later in the period, Shopping Centres Australasia Property Group confirmed the impact of the capital raising and lower rent receipts when the company announced its 2H 2020 distribution per share which was lower than previous guidance. Similarly, Stockland sought to protect its balance sheet when it informed the market of its 2H 2020 distribution per share which was 25% lower than withdrawn guidance, albeit it was better than many had expected.

The office segment was more resilient than the retail segment, with valuations and distributions generally holding up relatively well. Towards the end of the period, Charter Hall Group announced its 2H 2020 distribution, which was higher than its full-year 2019 distribution per share and in line with its full-year 2020 guidance. This followed news earlier in the period that the value of its office portfolio had fallen by only 0.5%. However, there is further downside risk over the medium term to office valuations, as demand for space could soften if job losses are permanent or if flexible work arrangements become the norm.

The GPT Group announced that the value of its retail portfolio had fallen 8.8% since December 2019 and further devaluations of its wholesale funds. The GPT Wholesale Shopping Centre Fund was devalued 3.5% since March 2020 while the GPT Wholesale Office Fund was devalued 0.4%. It also announced a change in its distribution policy to be more prudent considering uncertainty around rent collections.

The residential segment came under pressure, with heightened risk of defaults or contract cancellations being of concern as sales volumes fell following the COVID-19 shutdowns. However, later in the period housing price expectations were bolstered after the Federal Government announced its HomeBuilder scheme.

Meanwhile the industrial segment has benefited from the acceleration of structural changes. Goodman Group provided a strong Q3 2020 update, reaffirming its full-year earnings and dividend per share guidance, citing increased demand for both temporary and permanent space. It also acknowledged that medium-term tailwinds, including e-commerce, data usage and higher inventory levels were accelerating.

After a pause in transactions following the COVID-19 lockdowns, activity was seen to pick up somewhat during the period. Notably, after agreeing to acquire up to 25% during May, later in the period Centuria Capital Group relaunched its campaign to buy out New Zealand property fund manager Augusta Capital, with the new offer at a 46% premium to the target company's previous closing price.

Outlook

Australian listed real estate will likely continue to be subject to near-term volatility, which is affecting all markets, due to the impact of extensive COVID-19 containment measures on economic activity in Australia and globally. Social distancing will continue to impact the retail segment although foot traffic and consumer confidence are starting to improve as containment measures are lifted. The residential segment is likely to come under pressure over the near term as employment becomes increasingly uncertain, however the federal government's HomeBuilder scheme will likely limit the falls and potentially truncate the duration of the downturn in the residential cycle. The office segment should be more resilient as office leases are generally long term, however this could be disrupted as businesses choose to embrace technology for their requirements going forward, allowing staff to work from home more. 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	AMP1326AU
Flexible Lifetime - Allocated Pension	AMP0611AU
Flexible Lifetime - Term Pension	AMP0903AU
SignatureSuper - Allocated Pension	AMP1134AU

Contact Details

Web: **www.amp.com.au**
Email: askamp@amp.com.au
Phone: 131 267

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