

RARE Infrastructure Value

Quarterly Investment Option Update

30 June 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	100	97.17
Cash	0	2.83

Sector Allocation	%
Electric	45.92
Gas	6.26
Railway	7.42
Communications	6.46
Toll Road	16.31
Airport	6.88
Water	7.92
Cash	2.83

Regional Allocation	%
USA & Canada	49.59
Western Europe	39.11
Asia Pacific Developed	8.47
Cash	2.83

Top Holdings	%
Sempra Energy	4.83
Transurban Group Ltd.	4.68
Red Electrica Corp. SA	4.50
Union Pacific Corporation	4.32
Cheniere Energy, Inc.	4.23
Severn Trent Plc	4.18
Terna S.p.A	4.10
Edison International	4.02
Atlantia S.p.A	3.78
VINCI SA	3.78

Investment Option Commentary

On a regional basis, North America was the top contributor to quarterly performance (+6.26%), of which U.S. gas utility Cheniere (+1.45%) and U.S. communications companies Crown Castle International (+0.60%) and American Tower (+0.47%) were the lead performers.

Cheniere Energy is an energy infrastructure company that owns and operates U.S. liquefied natural gas (LNG) export facilities. The share price of Cheniere rallied during the quarter as confidence in the stability of the business increased following a constructive first-quarter earnings call that also allayed fears over the safety of Cheniere contracts.

Crown Castle is the leading independent owner and operator of wireless communications infrastructure in the U.S., where it has a portfolio of approximately 40,000 towers. Crown Castle shares performed strongly, as it rallied with general equities and was further bolstered by low bond yields and investors' confidence in the resilience of the business model during the pandemic.

American Tower owns, operates and develops wireless communication towers, leasing tower space to wireless phone operators. It owns around 52,000 towers, of which 22,000 are located in the U.S. American Tower outperformed as investors preferred the tower sector due to its relative insulation from the economy and the decline in bond yields. Share performance was also boosted by the rally in general equities.

Elsewhere in the region, U.S. rail operator Union Pacific (+0.88%) also contributed to quarterly performance. Union Pacific is the largest listed railroad company in North America. Union Pacific's share price rallied during the quarter due to quarterly results released in April showing exceptionally good operating ratio improvement. Volumes, whilst lower year over year, are starting to look slightly better than expected.

In Asia Pacific, Australian toll road operator Transurban (+0.70%) also contributed to quarterly performance. Transurban owns a suite of intra-urban toll road assets that dominate the Australian toll road network in the three state capital cities on the eastern seaboard. Additionally, it owns several toll roads in North America, predominantly in the area surrounding Washington, D.C. Transurban's share price performed strongly during the quarter as mobility restrictions eased, allowing traffic to return to Transurban's toll roads.

U.S. electric utility Edison International (-0.34%) was the largest detractor from quarterly performance. Edison International is the parent company of Southern California Edison (SCE), one of the largest electric utilities in the U.S., and Edison Energy, a nonregulated energy services company. SCE serves more than 14 million people in California. The share price of Edison fell during the quarter as peer PG&E's post-bankruptcy equity raise was an overhang for Edison shares.

All returns are in local currency.

Market Commentary

During the quarter governments unveiled unprecedented fiscal stimulus aimed to support economies during the coronavirus pandemic. Lockdowns gradually eased during the quarter, although in key geographies such as the U.S., risks of a second wave are increasing, and lockdown measures are beginning to be re-introduced in some regions. The significant fiscal stimulus provided substantial support to equity markets.

Outlook

On a regional level, the Strategy's largest exposure is in U.S. & Canada (49%) and consists of exposure to utilities (38%), and economically sensitive sectors (11%).

For the RARE Infrastructure Value Strategy, the primary quantitative tool in portfolio construction is Excess Return, on which RARE's stock ranking system is based. As such, driven by valuation, the Investment Committee initiated a position in French rail operator Getlink, Brazilian electric utility TAESA, New Zealand airport operator Auckland Airport, Italian toll road operator Atlantia, and U.S. electric utilities CMS Energy and Edison International.

The Strategy also used the opportunity to crystallise some gains by exiting Brazilian electric utilities TAESA (which met the Investment Committee's valuation target) and Equatorial Energia, Canadian electric utility Hydro One, Mexican rail operator Grupo Mexico Transportes, U.K. gas utility National Grid, U.S. gas utility Williams Company, U.S. electric utility Dominion and Canadian gas utilities Enbridge and AltaGas.

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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