AMP Listed Property Trusts

Quarterly Investment Option Update

30 September 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/performance

Investment Option Overview

Investment category	Property and infrastructure
Suggested minimum investment timeframe	5 years
Relative risk rating	7 / Very High
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Listed Property and Infrastructure	100
Cash	0

Actual Allocation	%
Listed Property and Infrastructure	100.00

Sector Allocation	%
Diversified REITs	34.69
Industrial REITs	31.01
Retail REITs	16.53
Office REITs	6.09
Specialised REITs	5.10
Residential REITs	2.77
Health Care REITs	1.90
Real Estate Development	1.45
Cash	0.47

Top Holdings	%
Goodman Group	31.01
Charter Hall Group	8.35
Stockland	8.16
Scentre Group	7.78
Mirvac Group	7.15
Dexus	5.69
GPT Group/The	3.64
Charter Hall Long Wale REIT	3.28
National Storage REIT	2.97
Waypoint REIT	2.78

Region Allocation	%
Australasia	99.53
Cash	0.47

Fund Performance

The Fund delivered a positive return and outperformed the ASX 200 A-REIT total return index over the quarter.

At an overall sector level, the Fund's overweight allocation to the diversified, retail, industrial, and office REIT sectors were the largest contributors to relative returns; whilst the residential REITS sector was the largest detractor. From a sector asset allocation perspective retail, office, industrial, and healthcare REITS were the largest contributors to relative return; whilst the specialised REITS sector was the largest detractor. In terms of stock selection, diversified, specialised, retail, and industrial REITS were the largest contributors to relative return; whilst there we no significant detractors.

At an individual stock level, the top three contributors to relative return were from an overweight position in Charter Hall Group, an underweight position in Unibail-Rodamco-Westfield, and an overweight position in Goodman Group; whilst the bottom three contributors were from and underweight position in Stockland, and overweight positions in National Storage REIT and Mirvac Group.

Market Review

The Australian listed real estate market rallied strongly in the first half of October but later retreated to be fairly flat, underperforming the broader Australian share market over the period. Markets initially rallied as the government announced extensive fiscal stimulus in the Federal Budget but retreated as new cases of COVID-19 outside Australia continued to climb, and the US presidential election approached. Late in the period, markets were not even spurred by the announcement that Victoria would soon reopen, or by expectations that the central bank would ease monetary policy further at its November meeting. Australian 10-year bond yields rose 0.04% to 0.83% over the period.

Listed real estate was buoyed by the Federal Budget as it provided significant support for the economy and allayed fears that fiscal stimulus measures would be suddenly cut off. The retail segment is likely to benefit from significant tax relief measures for individuals and businesses as well as additional support payments for welfare recipients. The residential segment is expected to benefit from extensions to the First Home Loan Deposit Scheme, and the industrial segment should benefit from significant support to Australian manufacturing.

Together with the fiscal stimulus, there was positive signs for the retail segment as consumer confidence continued to increase. Shopping Centres Australasia reported robust Q1 2021 results, with better-than-expected rent collections and improving forward earnings guidance.

However, retail landlords continued to come under pressure from the shift to online shopping, which throughout the pandemic has accelerated to a level previously not expected to be reached until 2024, according to CBRE. The largest decline in floorspace is expected to come from department stores, while homewares stores are expected to record the strongest growth. Charter Hall Group has reportedly entered into negotiations to acquire the department store David Jones' site in central Sydney.

Ongoing working from home arrangements are increasingly impacting the office segment. Sub-leasing has reached a new peak, representing around 2% of Australia's total office space. In Sydney, the amount of sub-leased space increased sharply over the September quarter to its highest level since 1992. According to media reports, Westpac is considering sub-leasing up to seven of the 28 floors it currently leases from Lendlease Group in Sydney and ANZ is considering a permanent shift to working from home rather than utilise the headquarters it leases in Melbourne.

According to Jones Lang LaSalle, the Sydney and Melbourne office vacancy rates are 10.2% and 11.3% respectively, significantly higher than their cyclical lows. Rents continued to increase over the September quarter, but after adjusting for incentives, which have reached over 30% in Sydney and Melbourne, net effective rents declined in all regions.

Despite this, Dexus reported solid Q1 2021 results, with better-than-expected distributions per share and provided its first forward earnings guidance for the full year. Its rent collections were strong, occupancy remained high and limited leasing activity led to lower absolute levels of incentives. The company also extended its buy-back programme for another year.

In the residential segment, house prices in capital city markets have rebounded faster than previously expected, rising modestly over the September quarter and up strongly over the year, according to real estate search site Domain.

This improvement in residential conditions was reflected in the Q1 2021 results of Stockland and Mirvac Group which reported strong increases in net deposits and contracts exchanged respectively. Both companies also noted improvements in rent collections in the rest of their portfolios, although in retail, Stockland was well ahead of

Mirvac Group.

In the specialised segment, National Storage provided a strong Q1 2021 update and reaffirmed its earnings guidance. The company's occupancy has improved to a level higher than its pre-pandemic peak and this drove revenue per available square metre higher. It also acquired eight new centres during the period.

Commercial real estate transactions in Australia more than halved over the first nine months of 2020 compared to the same period last year, according to Colliers International. Office transactions declined the most, followed by retail, while industrial transactions increased due to demand from institutional investors.

Taking advantage of this demand for industrial assets, Centuria Capital Group announced a A$100 million capital raising, a portion of which will be used to underwrite a new single-asset unlisted fund which will acquire the Visy glass facility in Auckland, New Zealand. The raising was very well received by institutional investors and upsized to A$120 million.

Media reports indicate there are several potential bidders for AMP Capital's real estate platform including Leadlease Group, Charter Hall Group and Dexus. The AMP Capital portfolio includes Quay Quarter office and retail complex at Circular Quay, in Sydney and shopping malls Macquarie Centre, in the northern suburbs of Sydney, and Pacific Fair on the Gold Coast.

Unibail-Rodamco-Westfield entered into an agreement to sell the SHiFT office building in Paris for a premium to book value. This was a part of the company's 'reset' plan which will see it divest approximately €4 billion in assets.

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 where containment measures are lifted. The residential segment is likely to come under pressure over the near term as the employment environment 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 - Super	AMP1456AU
CustomSuper	AMP0169AU
Flexible Lifetime - Super	AMP0169AU
SignatureSuper	AMP0777AU

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