

Specialist Property and Infrastructure

Quarterly Investment Option Update

30 September 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/performance

Investment Option Overview

Investment category	Property and infrastructure
Suggested minimum investment timeframe	5 years
Relative risk rating	6/ 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	2.36
Australian Shares	18.20
Listed Property and Infrastructure	74.57
Unlisted Property and Infrastructure	5.16

Top Holdings	%
Goodman Group	5.44
AUSTRALIAN PRIME PROPERT	5.15
AMERICAN TOWER CORP	3.40
ENBRIDGE INC	3.33
SEMPRA ENERGY	3.10
National Grid PLC	2.75
WILLIAMS COMPANIES INC	2.59
Prologis Inc	2.25
CENTERPOINT ENERGY INC	2.22
Gibson Energy Inc	2.14

Region Allocation	%
North America	46.36
Australasia	25.86
Europe ex UK	13.90
Asia ex Japan	5.87
United Kingdom	5.07
Japan	3.55

Fund Performance

Building on the previous quarter's large gains, the Specialist Property and Infrastructure Fund produced a positive return in the September quarter and outperformed the benchmark. The best performing underlying allocation in absolute terms was the AMP Capital Australian Listed Property Fund, which returned 6.95% for the period. The allocation to the AMP Global Listed Property Fund also performed strongly, returning 3.06%. Allocations to the AMP Capital Global Listed Infrastructure Fund and the Australian Prime Property Fund meanwhile were negative, returning -3.17% and -2.24% respectively, amid some market weakness in the segments these allocations target.

Market Review

Global listed real estate markets generally rose early in the period but gave back most of those gains in September. For the quarter, the FTSE EPRA/NAREIT Developed Net Index (Hedged AUD) returned 0.62%. The dominating influence remained the impacts of COVID-19, and investors were initially spurred as economies continued to reopen, news of potential vaccines increased, additional economic stimulus programmes were announced, and very low interest rates prevailed. However, this optimism waned as temporary government assistance programmes began to be wound down, increasing cases of COVID-19 in Europe led to further lockdowns being introduced, and political noise related to the US presidential election in November increased. US 10-year treasury yields were up 0.03% to 0.69% over the period.

The Australian listed real estate market rose strongly in the September quarter, with the S&P/ASX 200 A-REIT index returning 6.96% on a total return basis. The impacts of COVID-19 continued to dominate markets, which initially benefited as most states continued to reopen, however gains were muted by a second wave of infections in Victoria and the reintroduction of lockdown measures in July. Thereafter, listed real estate was buoyed by positive surprises coming out of the financial year 2019-20 reporting season, as expectations had previously been very low based on soft rent collections. Markets were also supported as new Victorian COVID-19 cases started to trend downwards, several vaccines entered final trials and interest rates remained very low, with the central bank also extending its term funding facility to underpin business lending later in the period. Australian 10-year bond yields declined by 0.08% to 0.79% over the period.

Global infrastructure markets also declined over the quarter, as focus remained on the COVID-19 crisis and the potential longer-term impacts of aggressive levels of government fiscal and monetary policy. In the US, business conditions data is currently relatively benign, with a generally positive forward-looking outlook at this stage for employment. Unemployment however remains an issue, despite recent improvements. A new US fiscal package also remained elusive, with Democrats stymying a stimulus package worth US\$500 billion, citing it was too small compared to the US\$3 trillion stimulus package previously proposed. On the home front, the Australian Energy Regulator released the draft revenue determinations for Victorian electricity distributors. The regulator's draft determinations allow lower revenues than for the previous regulatory period, although elements of the draft determinations may change in the final decision as the regulator considers responses from consultations with the public and businesses.

Outlook

Global listed real estate markets will likely continue to be subject to near-term volatility, which is affecting all risk assets, due to the impact of extensive COVID-19 containment measures on economic activity globally. Opportunities to acquire individual companies at attractive valuation levels may arise as geopolitical developments lead to heightened volatility and diverging stock performance. Retail is expected to remain challenged and see further store closures, especially those in peripheral locations with commoditised market propositions. Growth in online shopping, connectivity and data usage are likely to provide opportunities in logistics and data centres through the business cycle.

In regard to global listed infrastructure, the combination of the COVID-19 pandemic and the volatility in commodity prices presents a challenging environment. However, our long-term outlook for the asset class remains positive, supported by a recovery in economic activity and industry-wide structural investment tailwinds. The investment team continues to rely on its investment process, focussing on the long-term cash flow generation of core infrastructure assets, which we firmly believe is the best way to value these companies. Whilst we are closely monitoring current developments, we will continue to look to take advantage of opportunities as they emerge with a long-term investment horizon.

Availability

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

*Closed to new investors

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