

Legg Mason Martin Currie Real Income

Quarterly Investment Option Update

30 September 2020

Aim and Strategy

To provide a growing income stream by investing in a diversified portfolio of Australian listed real assets (such as A-REITs, utility and infrastructure securities) characterised by established physical assets with recurring cash flows.

The investment manager's approach is premised on the philosophy that high-quality listed real assets can sustain dividends, match rises in the cost of living and are likely to be less volatile than the wider equity market.

The portfolio expects to hold about 20 to 45 securities. At the time of purchasing securities, the portfolio aims to limit exposure to individual securities to 9% of the portfolio and hold cash and cash equivalents of no more than 10% of the portfolio.

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 Investment timeframe	3 to 5 years
Relative risk rating	6 / High
Investment style	Diversified Property
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property and Infrastructure	90-100	97.09
Cash	0-10	2.91

Sector Allocation	%
Diversified REIT	24.1
Retail REIT	23.0
Electric Utilities	15.3
Office REITs	10.3
Gas Utilities	6.4
Railroads	6.1
Industrial REITs	4.6
Multi-Utilities	4.0

Top Holdings	%
APA Group	6.4
Aurizon Holdings	6.1
Scentre Group	5.8
Ausnet Services	5.7
Charter Hall Long Wale REIT	5.6
Stockland Corporation	5.5
Dexus	5.4
Shopping Centres Australasia	5.0
Charter Hall Retail REIT	4.4
Genesis Energy	4.1

Portfolio Summary

- At the sector level, real estate contributed positively to the portfolio's return, while infrastructure and utilities detracted.
- Charter Hall Long Wale REIT, Stockland, and Ausnet Services were the largest positive contributors.
- AGL Energy, Aurizon Holdings and APA Group were the biggest detractors.
- The portfolio trimmed its the positions in Vicinity Centres and GPT Group.

Investment Option Commentary

The Portfolio was up in the September quarter. At the sector level, real estate contributed positively to the portfolio's return, while infrastructure and utilities detracted. At the stock level, Charter Hall Long Wale REIT, Stockland, and Ausnet Services were the largest positive contributors, while AGL Energy, Aurizon Holdings and APA Group were the biggest detractors.

Charter Hall Long WALE REIT has benefitted from its long lease term and relatively high rent collection during the COVID-19 crisis. During September, CLW completed a capital raising funding an interest in the BP petrol station portfolio in New Zealand (as detailed on the following page), which further extends the portfolio's WALE. Another contributor to performance was diversified property group Stockland, which delivered a strong FY20 result that showed residential settlements were ahead of initial guidance. In addition, Stockland's sales momentum was particularly solid in June and July, buoyed by Government stimulus, and it has also experienced robust rental collections across its commercial property assets.

Electricity and gas retailer AGL Energy was down after providing weak guidance as a result of COVID-19-related demand weakness and downward pressure on forward electricity prices. However, the investment manager notes that despite an earnings downgrade, cashflows were strong and whilst dividends will decline, we expect that dividends will be more resilient than earnings.

Rail group Aurizon Holdings was weaker on the back of softer coal port volumes in July and August, however, Aurizon produced a solid result in August and good growth in the final dividend.

Market Commentary

The Australian real asset universe outperformed the broader Australian equity market in the September quarter.

- The listed real estate market was up 7.3% in the September quarter (as measured by the S&P/ASX 300 A-REIT Accumulation Index).
- Infrastructure was down -2.0% in the September quarter (as measured by the S&P/ASX Infrastructure Accumulation Index).
- Utilities were down -8.2% in the September quarter (as measured by the S&P/ASX 300 Utilities Accumulation Index).

In comparison, the Australian equity market fell -0.4% in the September quarter (as measured by the S&P/ASX 200 Accumulation Index).

Outlook

Despite the chatter around whether dividends should be paid across the broader market in this environment and large downgrades in the lead into this results season, equity market dividends came in even further below expectations.

Being at the epicenter of lock-downs and social distancing restrictions, real asset earnings have clearly been hurt by COVID-19 and consequently dividends have been reduced. However, with not all real assets equally impacted, the Real Income portfolio is well-positioned.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1819AU
AMP Flexible Super - Retirement account	AMP1789AU
AMP Flexible Super - Super account	AMP1795AU
CustomSuper	AMP1819AU
Flexible Lifetime - Allocated Pension	AMP1813AU
SignatureSuper	AMP1807AU
SignatureSuper Allocated Pension	AMP1801AU

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