

Macquarie Property Securities

Quarterly Investment Option Update

30 September 2020

Aim and Strategy

To outperform the S&P/ASX 200 A-REIT Index over the medium term to long term (before fees) and provide a consistent level of income and some capital growth.

The option provides exposure to an actively managed and diverse portfolio of listed property securities. The investment manager's active investment process aims to add value by focusing on the sources of uncertainty in property securities markets including sustainability of current earnings, long-term earnings growth, and quality of management.

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	7 years
Relative risk rating	7 / Very High
Investment style	Listed Properties
Manager style	Single Manager

Sector Allocation	%
Diversified	34.94
Retail	24.62
Industrial	30.19
Commercial	7.79
Specialised	0.52
Residential	1.37

Top Holdings	%
Charter Hall Group	2.53
GPT Group	2.53
Scentre Group Ltd	1.25
Goodman Group	0.64
BGP Holdings Plc	0.55
Coffey International Limited	0.51
CSL Limited	0.47
Commonwealth Bank	0.41
BHP Billiton	0.41
Hydromet Corporation Limited	0.39

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property	95-100	99.74
Cash	0-5	0.26

Portfolio Summary

The strategy returned 7.17% (before fees) for the quarter, outperforming the benchmark.

Investment Option Commentary

The largest contributors to relative performance for the quarter included overweight positions in Charter Hall Group (CHC), Goodman Group (GMG), and Aventus Group (AVN).

Warehouse and logistics group Goodman Group (GMG) had strong performance on the back of its quarterly update to the market in July, which reaffirmed its FY20 earnings guidance of an 11% increase on FY20. Goodman's logistics operations have been a key beneficiary of an accelerated shift to e-commerce throughout the COVID-19 pandemic.

The main detractors from relative performance included overweight positions in Scentre Group (SCG) and Ingenia Communities Group (INA), and an underweight position in Mirvac Group (MGR).

Shopping centre owner and operator Scentre Group (SCG) had a weak quarter as new COVID-19 case numbers increased and tighter lockdown measures were implemented across Victoria. In August, the company announced 1H20 FFO to be 7 cents per share, which is down 45% compared to the prior corresponding period.

As 30 September 2020, the largest overweight positions in the Fund were Charter Hall Group (CHC), Scentre Group (SCG), and BWP Trust (BWP).

Market Commentary

The S&P/ASX 200 Property Accumulation Index returned 6.96% for the September quarter, materially outperforming the S&P/ASX 200 Accumulation Index which returned -0.44%.

Globally, REITs were up 2.0% for the quarter (USD terms). The Australian 10 year bond, which is a driver of REIT stock returns fell 0.08% during the quarter to 0.79% at the end of September with expectations of a 'mini' rate cut by the RBA. New Zealand (+12.4%) was the best performing region followed by Continental Europe (6.2%). Hong Kong (-4.9%) and the United States (+0.9%) were the worst performing regions.

The strong outperformance by the sector was largely due to renewed expectations of a rate cut, reducing COVID-19 cases, and the attractive dividend yield of the sector.

Reporting season also helped renew confidence in the sector as stocks detailed the impact of COVID-19 on earnings. Generally, concerns surrounded rental collections, rental arrears and retailer negotiations for the retail and office exposed REITS. For the residential-exposed stocks, investors were concerned about defaults and subdued sales activity. These were generally allayed during results seasons with better than expected results.

Outlook

While uncertainties continue to make it difficult to forecast the post-COVID-19 outlook for REITS, there are some positives. The listed REITs sector in Australia has evolved since the GFC, with balance sheets positioned to withstand the shorter-term shocks. Interest rates are likely to remain low which may eventually be a positive for the residential-exposed REITs and, while many have withdrawn guidance and deferred or reduced distributions in the short term, the yield compared to 10 year bonds still remains attractive. The average dividend yield of 4.0% is 3.2% greater than the 10 year bond yield (currently 0.79%).

Availability

Product name	APIR
SignatureSuper	AMP0961AU#

Restricted. Please see your Product Disclosure Statement

Contact Details

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



What you need to know

This publication has been prepared by AWM Services Pty Limited ABN 15 139 353 496, AFSL No. 366121 (AWM Services). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying investment manager only and not necessarily the views of AMP Limited ABN 49 079 354 519 (AMP Group). No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

The investment option referred to in this publication is available through products issued by N.M. Superannuation Proprietary Ltd ABN 31 008 428 322, AFSL 234654 (NM Super), AMP Capital Funds Management Limited ABN 15 159 557 721, AFSL 426455 (AMPCFM) and/or ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac). Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement (PDS) for the relevant product, available from the issuer or your financial planner.

Any advice in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner. In providing any general advice, AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in. The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither NM Super, AMPCFM, ipac, AWM Services, any other company in the AMP Group nor the underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document, unless expressly stated in the PDS. Past performance is not a reliable indicator of future performance. Any slight asset allocation deviations from 100% may be caused by rounding, asset categorisation and/or hedging.