

AMP Capital Global Property Securities

Quarterly Investment Option Update

31 December 2020

Aim and Strategy

To provide total returns (income and capital growth) after costs and before tax, above the FTSE EPRA/NAREIT Developed Net Total Return Index (hedged back to Australian dollars) on a rolling three-year basis, by investing in property securities listed on sharemarkets around the world. Securities in which the portfolio invests are diversified across a range of asset classes, property sectors and geographic regions. The portfolio includes investments in real estate investment trusts and property securities companies across the Americas, Europe and Asia Pacific. The portfolio is managed by an investment team made up of on-the-ground regional investment specialists based in Sydney, Chicago, London and Hong Kong, implementing a research driven process that integrates a macroeconomic (top-down) approach to regional and country allocation, with a stock specific (bottom-up) selection process.

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	Very High
Investment style	Active
Manager style	Single
Asset Allocation	Benchmark (%)
Listed Property and Infrastructure	100
Cash	0

Actual Allocation	%
International Shares	14.10
Australian Shares	0.47
Listed Property and Infrastructure	82.79
Cash	2.64

Sector Allocation	%
Residential REITs	17.06
Industrial REITs	15.40
Office REITs	10.82
Retail REITs	9.97
Real Estate Operating Companies	9.91
Specialised REITs	8.88
Diversified REITs	7.99
Diversified Real Estate Activities	7.91
Health Care REITs	6.25
Hotel & Resort REITs	2.71
Cash	2.64
Real Estate Development	0.47

Top Holdings	%
Prologis Inc	5.16
Alexandria Real Estate Equitie	3.08
Welltower Inc	2.68
Sun Hung Kai Properties Ltd	2.65
PUBLIC STORAGE	2.65
Vonovia SE	2.45
Sun Communities Inc	2.23
Mitsui Fudosan Co Ltd	2.10
Equity Residential	2.06
Japan Real Estate Investment C	1.94

Region Allocation	%
North America	53.92
Asia	20.74
Europe	18.68
Australasia	4.02
Cash	2.64

Fund Performance

The Fund produced a very strong return in the December quarter, though slightly underperformed the benchmark. Asset allocation was a negative contributor to the relative return, though stock selection was positive. Stock selection within the office and diversified sectors were significant positive contributors. Significant detractors meanwhile came from our small cash allocation, as well as being overweight to the industrial sector, which underperformed over the quarter, and underweight to the retail sector, which outperformed over the quarter. At an individual stock level, an overweight position in Ryman Hospitality Properties was a significant positive contributor to relative performance, while an overweight position in Prologis was a major detractor.

Market Review

Global listed real estate markets generally rose in December. Early in the period, markets were supported by vaccine optimism, mostly stable economic data and renewed progress towards additional fiscal stimulus in the US. However, mid-way through the period some markets became more volatile. Two COVID-19 vaccines obtained emergency approval and began to be rolled out in the UK and US, but COVID-19 cases continued to increase and a new strain of the disease, apparently up to 70% more infectious than the original strain, emerged in the UK. Further lockdowns were imposed in many countries. US 10-year treasury yields increased 0.08% to 0.92% over the period.

In general, the listed real estate segments that were most impacted by lockdowns earlier in the year rallied, although some of those segments retreated later in the period as it became evident that people were delaying their return to cities. In addition, transaction activity was heightened.

In the US, the net lease segment gained as it is likely to be a beneficiary of the additional fiscal stimulus and vaccine roll out. Spirit Realty Capital provided a strong operations update, with improving rent collections for November and a significant level of acquisitions for the quarter. It also raised its full-year capital deployment guidance, including revenue-producing capital expenditures.

The healthcare segment was supported by the vaccine roll out. In the US, Medical Properties Trust rallied, despite no specific company news, as conditions in its hospital facilities are expected to become 'more normal' in 2021.

In Europe, healthcare operators continued to expand. In Belgium, Aedifica announced significant investments in The Netherlands and Finland. In France, ICADE announced agreements to acquire a portfolio of nursing home properties in Northern Italy. In the UK, Primary Health Properties announced its intention to acquire its longstanding external property adviser, Nexus, which would bring in a significant pipeline of future primary care developments.

The industrial segment remained robust, with companies taking advantage of this. US private equity group Blackstone reportedly intends selling its A\$3.5 billion Australian logistics property portfolio. There are several potential bidders for the industrial portfolio, including local managers that have strategies to expand their exposure to the industrial segment. Alternatively, the portfolio could be floated as a real estate investment trust on the Australian Stock Exchange.

The multi-family residential segment retreated due to lower renter demand and as young cohorts will be offered the vaccine later in the rollout period, many are reluctant to return to close-knit apartment living in densely populated areas. In the US, AvalonBay Communities suffered as it is also transitioning to a new Chief Executive Officer and the appointee is coming from a non-residential background, calling some to question his experience for the role.

The office segment pulled back as COVID-19 cases continued to increase and the vaccine roll out was

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 the extensive COVID-19 containment measures on economic activity globally. Nevertheless, looking through this period, to a world of maximum vaccination and a slow return to normality, presents a wonderful opportunity to acquire some very cheap cyclical exposure. We have therefore reduced relative risk in segments that are in the cyclical sweet spot, such as lodging, and we will continue to assess and actively manage these risks, as well as those in segments that are indirectly impacted as additional information becomes available.

When there is a fall in the risk-free rate because central banks around the world are loosening their monetary policy, investors often turn to listed real estate as a reliable alternative for yield and a defensive asset class. This is starting to occur now that a vaccine appears to be imminent, especially given the relatively attractive valuation levels the pandemic has created. We expect this to continue as the execution and distribution of the vaccine progresses and as the extensive containment measures are relaxed and economic activity begins to recover.

Opportunities to acquire individual companies at attractive valuation levels may also arise as geopolitical developments lead to heightened volatility and diverging stock performance. However, 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.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1620AU
AMP Flexible Super - Super	AMP1611AU
CustomSuper	AMP1596AU
Flexible Lifetime - Allocated Pension	AMP1632AU
Flexible Lifetime - Investments (Series 2)	AMP2043AU**
Flexible Lifetime - Super	AMP1596AU
SignatureSuper	AMP1602AU
SignatureSuper - Allocated Pension	AMP1626AU

**Closed to new and existing investors

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