

Macquarie Property Securities

Quarterly Investment Option Update

31 December 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 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	33.96
Retail	25.79
Industrial	27.69
Commercial	8.88
Specialised	1.38
Residential	0.59

Top Holdings	%
Charter Hall Group	0.61
Scentre Group Ltd	0.46
Investec Australia Property Fund	0.35
HomeCo Daily Needs REIT	0.21
Centuria Industrial Reit	0.18
BWP Trust	0.18
Waypoint REIT Ltd	0.17
Aventus Retail Property Fund	0.11

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

Portfolio Summary

The strategy underperformed the benchmark for the quarter.

Investment Option Commentary

The largest contributors to relative performance for the quarter included underweight positions in Unibail-Rodamco-Westfield (URW) and Goodman Group (GMG), and an overweight position in Charter Hall Group (CHC).

Diversified property group Charter Hall Group (CHC) outperformed following its announcement that a consortium of Charter Hall managed funds and partnerships had purchased the David Jones flagship “Elizabeth Street store” in Sydney for A\$510m. The group also announced an expected 1H21 dividend of 18.6 cents per share.

The main detractors from relative performance included underweight positions in Vicinity Centres (VCX) and GPT Group (GPT), and an overweight position in Waypoint REIT (WPR).

As 31 December 2020, the largest overweight positions in the Fund were Charter Hall Group (CHC), Scentre Group (SCG), and Irongate Property Fund (IAP).

Market Commentary

The S&P/ASX 200 Property Accumulation Index returned 13.31% for the December quarter, which was relatively in line with the broader S&P/ASX 200 Accumulation Index which returned 13.70%. For the past 12 months, AREITs returned -4.61%, while the market returned 1.40%.

Globally, REITs were up 12.8% for the quarter (USD terms). For the past 12 months, Global REITs have returned -9.2% (USD terms). The Australian 10 year bond yield, which is a driver of REIT stock returns increased 0.14% throughout the quarter, to finish at 0.97%. In USD terms, Australia was the best performing region globally (25.2%), followed by the United Kingdom (20.3%). Japan (8.5%) and Singapore (8.8%) were the worse performing regions.

Key themes that emerged as a result of the pandemic continued to play out during the quarter. These include: a shift to online retail as shoppers avoided malls and shifted spend online; lower physical occupancy in offices with workers adapting to remote working with generally good success; a continuation of cap rate compression which has been driven by ultra-low interest rates; stimulus driving the residential sector which continues to enjoy very strong sales volumes, helped by government stimulus including the HomeBuilder scheme, state grants, and mortgage rates lower than 2%.

Outlook

While uncertainties continue to make it difficult to forecast the post-COVID-19 outlook for REITS, the rollout of COVID-19 vaccines is driving positive market sentiment. Interest rates are likely to remain low which may eventually be a positive for the residential-exposed REITS and, while many REITS are continuing to provide little earnings guidance for the short term, the yield compared to 10 year bonds still remains attractive. The average dividend yield of 4.2% is 3.2% greater than the 10 year bond yield (currently 0.97%).

Availability

Product Name	APIR Code
SignatureSuper	AMP0961AU#

#Restricted. Please refer to your plan summary to see if this option is available to you.

Contact Details

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



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