

RARE Infrastructure Value

Quarterly Investment Option Update

31 December 2020

Aim and Strategy

The portfolio's investment objective is to provide investors with regular and stable income, comprised of dividends, distributions and interest, plus capital growth from a portfolio of global infrastructure securities while hedging the Fund's currency exposure back to AUD. The portfolio will aim to outperform a benchmark comprising OECD G7 inflation plus 5.5% p.a. The performance objective for the portfolio is to outperform the benchmark on a per annum basis after fees, hedged back into AUD, over rolling five-year periods.

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	6 / High
Investment style	Value
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property and Infrastructure	100	96.91
Cash	0	3.09

Sector Allocation	%
Electric	31.40
Toll Road	15.29
Renewables	13.93
Railway	11.33
Communications	8.36
Airport	5.86
Water	4.73
Energy Infrastructure	4.08

Regional Allocation	%
USA & Canada	51.31
Western Europe	38.82
Asia Pacific Developed	6.78
Cash	3.09

Top Holdings	%
Union Pacific Corporation	5.25
Public Service Enterprise Group Inc	4.74
VINCI SA	4.40
Severn Trent Plc	4.08
Sempra Energy	3.98
Transurban Group Ltd.	3.71
NextEra Energy, Inc.	3.62
American Tower Corporation	3.61
Cheniere Energy, Inc.	3.28
Edison International	3.25

Investment Option Commentary

On a regional basis, North America was the top contributor to quarterly performance (+6.43%), of which Canadian renewables utility Brookfield Renewables Partners (+1.47%), U.S. energy infrastructure company Cheniere (+1.01%) and U.S. electric utility Edison International (+0.87%) were the lead performers.

Brookfield Renewable Partners (BEP) is a pure-play renewables operator and developer headquartered in Canada, focused on international hydro, solar, wind and storage technology. Brookfield announced accretive acquisitions during the quarter that were well-received by the market.

Cheniere Energy is an energy infrastructure company that owns and operates U.S. liquefied natural gas (LNG) export facilities. The vaccine announcements have helped improve the outlook for a recovery from COVID-19, which in turn improved the outlook for LNG. Cheniere is seeing continued strong demand in exports to emerging markets.

Edison International is the parent company of Southern California Edison (SCE), one of the largest electric utilities in the U.S., and Edison Energy, a nonregulated energy services company. SCE serves more than 14 million people in California. Shares were up on little incremental news.

In Western Europe, French rail operator Getlink (+0.79%) and Danish renewables utility Orsted (+1.31%) also performed well.

U.S. communications company American Tower (-0.23%) was the largest detractor from quarterly performance. American Tower owns, operates and develops wireless communication towers, leasing tower space to wireless phone operators. It owns around 52,000 towers, of which 22,000 are located in the U.S. During the quarter, the company underperformed as concerns arose around the amount of churn resulting from the merger of T-Mobile with Sprint. The towers sector also underperformed as vaccine potential caused investors to switch into growth opportunities rather than continuing to hold the relative stability and safety of the tower business.

All returns are in local currency.

Market Commentary

The Fund performed strongly in the fourth quarter and in line with both infrastructure and global equity indexes, which rose handily as two effective vaccines for COVID-19 and their subsequent approval for use in many countries raised expectations of a strong recovery in 2021.

The vaccine announcements raised hopes for higher economic growth as well as a return for travel and leisure, lifting cyclical areas of the market and economically sensitive user pays infrastructure assets. Renewables continued their strong performance, while energy rebounded.

The quarter saw a gradual reduction in political uncertainty as Joe Biden won the race for U.S. president and will govern with a small majority in Congress and the Senate. The lack of an overwhelming Democratic mandate could remove the near-term risk of structurally higher taxes and more stringent regulation.

Stimulus remained front and centre: the EU approved a €1.8 trillion stimulus plan and agreed to more aggressive cuts in greenhouse gas emissions over the next decade as it aims to be the first climate-neutral continent. The U.S. also passed another stimulus package, focused on delivering USD\$900 billion in support with a focus on consumers, small businesses and vaccine distribution.

Hard economic data showed signs of slowing as unemployment levels remained elevated, albeit softened by support from government stimulus and job support programs, as well as accommodative monetary conditions.

Outlook

On a regional level, the Strategy's largest exposure is in the U.S. & Canada (51%) and consists of exposure to regulated and contracted utilities (34%) and economically sensitive user pays infrastructure (17%). For the Global Infrastructure Value Strategy, the primary quantitative tool in portfolio construction is excess return, on which RARE's stock-ranking system is based. As such, driven by valuation, the Investment Committee initiated positions in U.S. rail operator CSX, Spanish electric utility Iberdrola, U.S. electric utility Southern Company, Canadian energy infrastructure company Enbridge and Spanish communications company Cellnex.

The Fund also used the opportunity to crystallise some gains by exiting U.S. water utility Essential Utilities, Spanish electric utility Red Electrica, U.S. electric utility American Electric Power and Canadian electric utility Emera.

Availability

Product Name	APIR Code
AMP Flexible Super - Super	AMP1576AU
AMP Flexible Super - Retirement	AMP1588AU
CustomSuper	AMP1528AU
Flexible Lifetime - Super	AMP1528AU
Flexible Lifetime - Allocated Pension	AMP1540AU
Flexible Lifetime - Investments (Series 2)	AMP2042AU**
SignatureSuper	AMP1552AU
SignatureSuper Select	AMP1552AU
SignatureSuper - Allocated Pension	AMP1564AU

**Closed to new and existing investors

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