

Legg Mason Martin Currie Real Income

Quarterly Investment Option Update

31 March 2021

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 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	100	98.5
Cash	0	1.5

Sector Allocation	%
Retail REITs	28.8
Diversified REITs	21.8
Electric Utilities	15.4
Office REITs	9.8
Highways & Railtracks	5.7
Industrial REITs	5.2
Railroads	5.0
Gas Utilities	4.4
Specialized REITs	2.4
Cash & Cash Equivalents	1.5

Top Holdings	%
Scentre Group	6.1
DEXUS Property Group	5.3
Shopping Centres	5.2
Charter Hall Long WALE	5.1
Aurizon Holdings	5.0
AusNet Services	4.8
Charter Hall Retail REIT	4.6
APA Group	4.4
Genesis Energy	4.3
Stockland	4.3

Portfolio Summary

The Australian real asset universe underperformed the broader Australian equity market in the March quarter.

- The listed real estate market was down 0.6% in the March quarter (as measured by the S&P/ASX 300 A-REIT Accumulation Index)
- Infrastructure was down 2.2% in the March quarter (as measured by the S&P/ASX Infrastructure Accumulation Index)
- Utilities were down 1.8% in the March quarter (as measured by the S&P/ASX 300 Utilities Accumulation Index)

In comparison, the Australian equity market rose 4.3% in the March quarter (as measured by the S&P/ASX 200 Accumulation Index)

Investment Option Commentary

The recovery in everyday activity levels continues, with indicators like foot traffic and road movements heading back quickly towards pre-crisis levels, as people show willingness to get back to their everyday lives as COVID restrictions have eased. Real assets have also experienced a strong rebound, although CBDs have lagged in recovery.

Rising interest rates were a dominating factor over the quarter, although there was some pullback towards the end of the period, resulting in better sector performance. Property fund managers were weaker as higher interest rate tailwinds shifted to headwinds. On the flipside, REITs with exposure to residential and the shorter end of the yield curve, for example urban sprawl land owners, childcare and land lease landlord names outperformed, while REITs with discretionary retail exposure continued to perform well on the re-opening theme. Since mid-December, New Zealand utilities have also been unusually volatile with large price rises and falls ostensibly driven by flows from clean energy index focussed ETFs.

Another significant factor was the positive February 2021 reporting season, which brought in the strongest earnings per share (EPS) revisions seen for Australian companies in 10 years, similar to the recovery observed coming out of the GFC lows in 2011. A key thematic was both the stability of some AREITs and the recovery in people movement, which has accompanied recovering cashflows and a cyclical dividend profile. Many of the REITs reported solid results and there were some dividend upgrades, namely Vicinity Centres, GPT Group, Charter Hall Retail REIT, Stockland Property Group and Waypoint REIT. Reporting season also highlighted that REIT legacy debt costs are relatively high, therefore cost of debt still has room to fall.

Market Commentary

The Australian equity market rose 4.3% in the March quarter (as measured by the S&P/ASX 200 Accumulation Index). In absolute terms, the portfolio was up 0.8% in the March quarter. Over the last 12 months, the portfolio gained 26.8%, and posted a dividend yield of 5.4%, a significant premium over the index income return of 2.8%.

Despite COVID-19 and La Nina weather disruptions, utilities such as gas pipelines and electricity grids face less risk, as returns are largely regulated or contracted, they satisfy basic household needs and remain defensive. Many transmission/distribution utilities are well positioned to facilitate growth of renewable energy connections.

Australian integrated generation utilities face short-term headwinds from lower energy prices and reduced volumes from La Nina weather patterns. However with wholesale energy prices below operating costs of some higher cost generators, supply side rationalisation is expected to increase electricity prices over the medium term. Business re-structuring is also a potential theme.

As COVID-19 restrictions ease, toll road traffic volume data is rapidly improving, with commuters showing a preference for private transport ahead of shared transport. Airport passenger recoveries are expected to take much longer and business travel will likely be negatively impacted long-term due to the significant uptake and success of video conferencing.

Outlook

The fund remains focussed on longer-term real assets that will continue to satisfy everyday needs of the growing population, which offer attractive valuations and yields.

Availability

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

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.