Macquarie Property Securities

Quarterly Investment Option Update

31 March 2021

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

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property	100	99.61
Cash	0	0.39

Sector Allocation	%
Diversified	33.77
Retail	26.45
Industrial	27.21
Commercial	9.86
Specialised	1.45
Health Care	0.87
Cash	0.39

Top Holdings	%
Goodman Group	0.36
Dexus Property Group	0.36
Vicinity Centres	0.31
Waypoint REIT Ltd	0.27
Scentre Group Ltd	0.25
Investec Australia Property Fund	0.21
BGP Holdings Plc	0.18
Aventus Retail Property Fund	0.15

Portfolio Summary

The fund underperforming the benchmark over the first quarter of 2021.

Investment Option Commentary

Key contributors to relative performance for the quarter included overweight positions in Scentre Group (SCG), Irongate Group (IAP), and Stockland Corporation (SGP).

Shopping centre operator Scentre Group (SCG) outperformed after announcing reasonable results given COVID impacts and provided distribution guidance of 14 cents per share. Scentre Group, which owns and operates 42 Westfield shopping centres across Australia and New Zealand, is also a key beneficiary of the strong COVID recovery in Australia.

Stockland Corporation (SGP) outperformed with anticipation of continued strength in the residential sector expected to continue, with prices expected to remain strong during 2021.

Key detractors from relative performance included overweight positions in Charter Hall Group (CHC), Vicinity Centres (VCX), and Dexus Property Group (DXS).

Diversified Real Estate business Charter Hall Group (CHC) underperformed after reporting earnings for 1H FY21 that were slightly below expectations. Regardless, the company reported a 14% increase in funds under management and a total property investment return of 10.9% for the period. A sharp rise in bond yields, generally used to price real estate assets, was also a performance headwind for the property group during February.

As 31 March 2021, the largest overweight positions in the Fund were Goodman Group (GMG), Dexus Property Group (DXS), and Vicinity Centres (VCX).

Market Commentary

The S&P/ASX 200 Property Accumulation Index returned -0.47% for the March quarter, underperforming the broader S&P/ASX 200 Accumulation Index which returned 4.26%. For the past 12 months, AREITs returned 44.66%, while the broader equity market returned 37.47%.

Globally, REITs were up 6.0% for the quarter (USD terms). In USD terms, Hong Kong (+10.7%) and the United States (+9.6%) were the best performing regions, while Australia (0.6%) and New Zealand (-5.0%) lagged.

A key theme observed during the quarter was inflation, with the prospect of higher bond yields potentially challenging the narrative of a ‘lower-for-longer’ environment which favours real estate’s generous yield. However, it is important to note that higher bond yields aren’t necessarily bad news as the implied growth and inflation can bring higher rents. Despite higher bond yields posing a potential headwind, the sector has been supported by the reopening trade, vaccine optimism, and the value rotation.

Outlook

While uncertainties continue to make it difficult to forecast the post-COVID outlook for REITS, the rollout of vaccines is continuing to drive positive market sentiment. Interest rates, despite rising slightly in the quarter, are likely to remain at suppressed levels for the foreseeable future which may be a positive for the residential-exposed REITS. The yield compared to 10 year bonds still remains attractive. The average dividend yield of 4.2% is 2.4% greater than the 10 year bond yield (currently 1.8%).

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

INSIGHTS IDEAS RESULTS

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.