Macquarie Property Securities

Quarterly Investment Option Update

30 June 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	95-100	99.68
Cash	0-5	0.32

Sector Allocation	%
Diversified	34.83
Retail	23.12
Industrial	29.52
Commercial	9.70
Specialised	1.54
Health Care	0.97
Cash	0.32

Top Holdings	%
Goodman Group	0.53
Waypoint REIT Ltd	0.45
Charter Hall Group	0.36
Aventus Retail Property Fund	0.31
Investec Australia Property Fund	0.29
Charter Hall Retail REIT	0.19
BGP Holdings Plc	0.17
Charter Hall Long WALE REIT	0.13
Abacus Property Group	0.12
Mirvac Group	0.10

Portfolio Summary

The fund underperformed the benchmark over the second quarter of 2021.

Investment Option Commentary

The largest contributors to relative performance for the quarter included overweight positions in Mirvac Group (MGR) and Goodman Group (GMG), and an underweight position in Vicinity Centres (VCX).

Mirvac Group (MGR) outperformed after announcing an earnings upgrade in its operational update for the quarter to March 2021, as well as upgrading FY21 earnings guidance. In its May update, management noted a number of positive indicators across the Australian office markets including a 98% cash collection rate, 6.5 year weighted average lease (WALE), and a 95.3% occupancy rate.

The main detractors from relative performance included an overweight position in Waypoint REIT (WPR), and underweight positions in Ingenia Communities (INA) and Cromwell Property Group (CMW).

Community living and holiday park operator Ingenia Communities (INA) outperformed after announcing its purchase of 5 additional coastal holiday parks, capitalising on the domestic tourism boom fuelled by international travel restrictions. The purchase includes 844 holiday cabins and camping sites, increasing Ingenia's holiday park portfolio by more than 20%. The company also announced the purchase of a large coastal land parcel in QLD, with approval for a 344-home lifestyle community.

As 30 June 2021, the largest overweight positions in the Fund were Goodman Group (GMG), Waypoint REIT (WPR), and Charter Hall Group (CHC).

Market Commentary

The S&P/ASX 200 Property Accumulation Index returned 10.46% for the June quarter, outperforming the broader S&P/ASX 300 Accumulation Index which returned 8.48%. For the past 12 months, AREITs returned -33.24%, while the broader equity market returned 28.49%.

The composition of the global real estate market has shifted markedly over the past 12 months. The renaissance of the industrial sector as demand for warehousing and logistics has boomed, the emergence of new technology-serving opportunities (e.g. data centres) and the relative resilience in residential sectors has driven strong secular growth in these areas. Meanwhile, the once dominant retail sector continues to suffer from e-commerce threats at a time where balance sheets remain stretched, and the debate on the effect of working from home on offices continues to rage on.

Globally, REITs were up 7.9% for the quarter (USD terms). In USD terms, the United States (+11.3%) and the United Kingdom (+7.5%) were the best performing regions, while Japan (+3.8%) and New Zealand (-0.5%) lagged.

In the domestic market, the unbroken streak of positive monthly returns for 2021 continued, as broadly better-than-expected economic data and rising commodity prices pushed markets higher. While the economy appeared to be bouncing back from the pandemic, a multi-city lockdown at the end of the quarter has cast a doubt over Australia's recovery trajectory. Community backlash to the on-and-off lockdown process resulted in the Federal Government recently announcing its four-phase "Pathway out of COVID-19", which outlines Australia's plan to transition from its suppression-focussed policy toward a more managed approach once vaccinations reach certain levels. In other COVID news, global case numbers declined as vaccination programs continued to progress, with 50% of the population vaccinated in the UK, 47% in the US and Australia trailing somewhat at 7.4%.

After rising on inflationary concerns in Q1, bond yields pulled back in the second quarter of 2021. This was triggered by the pause in US growth, which was driven by the conclusion of fiscal stimulus payments to consumers. The US 10 year government bond yield fell 28 basis points to 1.45%, whilst the Australian 10 year government bond yield also fell by 28 basis points to 1.51%.

One theme of the quarter was the ongoing Value/Growth rotation. The last financial year has favoured Value, which outpaced Growth by 24%. The value rotation was supported by a strong cyclical recovery, positive vaccine news, the Democrat's clean sweep and the combination of stronger inflation and higher bond yields compared to a year ago. That said, growth outperformed at the end of the June quarter, driven predominantly by gains in tech stocks.

Outlook

The pandemic continues to exert its unprecedented influence across global real estate markets. It has accelerated a number of trends that were largely in motion already, widening the gap between real estate's winners and losers. For structurally supported sectors, real estate's income profile should continue to look attractive. In a world of continued low rates and a scramble for yield, quality real estate with good tenant covenant has remained well bid, supporting cap rates, asset prices and therefore NAVs.

Although some real estate subsectors continue to face challenges, the macro environment is becoming more favourable and, in places where growth has not yet resumed, moderation in the pace of decline has broadly taken place.

Availability

Product name	APIR
SignatureSuper	AMP0961AU#

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