UBS CBRE Global Property Securities

Quarterly Investment Option Update

31 December 2021

Aim and Strategy

To provide capital growth and income from a diversified portfolio of listed global real estate companies. The option aims to outperform (after management costs) the FTSE EPRA/NAREIT Developed Rental Net Return Index (AUD Hedged) when measured over rolling three-year periods.

The strategy can invest in listed real estate securities, or those equity securities in the process of being listed, on any recognised stock exchange in the developed or emerging markets. The strategy may also invest in cash, financial derivatives and currency instruments. The investment manager places an emphasis on analysing countries and property sectors experiencing the strongest fundamentals and invests in companies run by quality management team. The fund expects to hold about 60 to 90 securities and can invest up to 10% in cash.

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	5 years
Relative risk rating	7 / Very High
Investment style	Active
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property and Infrastructure	100	97.53
Cash	0	2.47

Regional Allocation	%
North America	67.12
Europe (ex. UK)	9.86
Japan	5.54
Australia & NZ	3.96
United Kingdom	4.05
Asia Pacific ex Japan	5.40
Other	1.60
Cash	2.47

Top Holdings	%
Prologis	6.87
Extra Space Storage	5.10
Sun Communities	4.58
Cubesmart	4.56
Camden Property Trust	4.17
Simon Property	3.92
Essex Property Trust	3.10
Digital Realty Trust	2.97
Realty Income	2.57
Rexford Industrial Realty	2.00

Investment Option Commentary

The portfolio materially outperformed the benchmark in 4Q21, adding to the significant positive relative performance delivered for the full year in 2021.

For the quarter, North America was the best performing region, followed by Europe and Asia-Pacific. The portfolio outperformance versus the benchmark was balanced between stock selection and sector allocation.

In the U.S., outperformance was driven by positioning in the industrial, storage and net lease sectors. In the industrial sector, the portfolio benefited from an overweight to this top-performing property sector and from stock overweights to outperforming Rexford Industrial, Prologis and Duke Realty Corporation. All three companies reported third quarter earnings results that offered mid-to-high single-digit same store ~~NOI~~ growth, impressive development value creation and an outlook for continued double-digit earnings growth. In the storage sector, the portfolio benefited from being overweight this outperforming sector and the top-performing name in Extra Space Storage after it raised 2021 earnings guidance for the fourth time in 4Q21.

Positive stock selection in both the U.K. and on the Continent drove outperformance in Europe for the quarter. Portfolio positioning benefited from an overweight to outperforming storage and industrial stocks, as well as select positions in the Nordic Region (SBBB, Catena and Nyfosa). In the storage sector, being overweight outperforming Shurgard, Safestore and Big Yellow positively contributed to performance. As observed in the U.S., storage fundamentals in Europe are strong as companies held occupancy throughout the pandemic. Now, as the economy is improving, storage landlords have pricing power.

In the Asia-Pacific region, portfolio outperformance was driven by positive stock selection in Singapore. Stock selection in Singapore benefited from an overweight to newly-listed data centre stock Digital Core REIT (+28%) with an initial portfolio of 10 data centres located in the U.S. and Canada. An overweight to Korean industrial logistics company ESR Kendall Square REIT was a detractor to performance after it announced plans to acquire a portfolio of 7 prime logistics assets and a subsequent equity rights issue.

Market Commentary

Real estate stocks were up +12% in 4Q21, outperforming the MSCI World Index (+8%) and the Barclays Global Bond Index (-1%).

For 2021, real estate stocks finished up +31.5%, outpacing the MSCI World Equity Index (+25%) and the Barclays Global Bond Index (-5%). After several years of relative underperformance, real estate stocks are among the best performing asset classes in 2021. Rising from the depths of the "pandemic recession" in 2020, real estate stocks benefit from improving employment, pent-up consumer demand, and supportive government and central bank policies. All these factors support CBRE's earnings outlook for real estate stocks, which has been revised higher and now exceeds 10% for 2022.

Stock performance in the fourth quarter was defined by the news that a highly transmissible form of COVID called the "Omicron Variant" was discovered. This news raised the prospect for investors of a new global battle against COVID and its possible effects on the global economy. In the weeks ahead, there will be additional information about this new variant that will need to be discounted by investors but to date the fact pattern suggests the variant is more contagious but less severe, particularly with those that have been vaccinated.

In the short term, news about the "Omicron variant" can create volatility. In the long run, CBRE believe the earnings outlook should drive real estate stock performance, and as a result CBRE feels very good about the outlook for real estate stocks in 2022. Globally, CBRE's analysts cover close to 500 real estate stocks. CBRE currently estimate 2022 earnings growth should be above 10%, up from 7.5% earlier in the year and accelerating from the +9% growth in 2021. In addition, CBRE have increased their NAVs for most property sectors as the wall of capital looking to invest in real assets remains strong in the private markets, and cap rates continue to inch downward given current transaction pricing that incorporates an accelerating growth outlook.

Outlook

CBRE believes that real estate securities are attractively priced relative to the private real estate market, the fixed income market, and the broader stock market. The earnings outlook for real estate stocks is improving as we transition into 2022 and that outlook is superior to broad market earnings, where growth is moderating. CBRE believes investors committing capital to listed real estate at this time have the potential to earn an attractive absolute and relative long-term total return.

At year-end 2021, real estate stocks are trading at a discount to the private market with an implied unleveraged cash flow yield of 5.6%. In the U.S., the spread between implied cap rates and Baa corporate bonds is +153 basis points versus a long-term average of +100 basis points. Outside the U.S., these spreads are wide as well. The forward multiple of global REIT earnings is 19.7x versus the 19.5x Price-to-Earnings ratio of the MSCI World Equity Index. Given the improving earnings growth outlook for global real estate stocks, coupled with the decelerating growth expected in broad equities, CBRE believes the global REIT earnings multiple has the ability to trade at a premium to the MSCI World Equity Index. This historically occurs when real estate fundamentals and earnings are accelerating.

In the U.S., CBRE are overweight storage, residential, malls, towers, and hotels. In Japan, CBRE prefer industrial, and mid-cap diversified and office J-REITs that are providing earnings resiliency at a very attractive relative valuation. In Hong Kong, CBRE are overweight diversified companies with a commercial/retail bias, and non-discretionary retail. In Australia, CBRE prefer retail, commercial, and a few select diversified companies.

In the U.K., CBRE favour the storage and industrial sectors. In Continental Europe, CBRE owns industrial companies, the German residential companies and CBRE continues to prefer property companies in markets with a positive earnings growth profile, which favours mid to small cap stocks in the Nordics.

CBRE believes active management has the ability to offer significant relative return potential at this time when investors have a unique opportunity to invest in listed real estate at attractive valuations.

Based on CBRE's "information advantage" and the disciplined use of CBRE's proprietary analytical tools, CBRE have been able to outperform a passive investment strategy in a variety of market environments—including those of the rapidly changing Covid-19 pandemic. As we look ahead, CBRE believe the portfolio is well-positioned to deliver continued relative outperformance.

Availability

Product name	APIR
SignatureSuper*	AMP2009AU
SignatureSuper Allocated Pension*	AMP2016AU
SignatureSuper Term Pension*	AMP2016AU
Flexible Lifetime Investment (Series 2)**	AMP2035AU

*Closed to new investors
**Closed to new and existing investors

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