

Macquarie Property Securities

Quarterly Investment Option Update

31 March 2022

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

Sector Allocation	%
Diversified	32.54
Retail	23.52
Industrial	29.46
Commercial	9.40
Specialised	3.24
Residential	1.31
Other	0.10
Cash	0.43

Top Holdings	%
Scentre Group Ltd	0.29
Abacus Property Group	0.18
Vicinity Centres	0.16
Dexus Property Group	0.14
Mirvac Group	0.14
National Storage REIT	0.12
Stockland	0.10
HealthCo Healthcare & Wellness REIT	0.10
Newmark Property REIT Stapled Units	0.06
Charter Hall Group	0.05

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property	95-100	99.57
Cash	0-5	0.43

Investment Option Commentary

The biggest contributors to relative performance for the quarter included an overweight position in Goodman Group (GMG), and underweight positions in Cromwell Property (CMW) and Waypoint REIT (WPR).

Cromwell Property (CMW) underperformed as sentiment regarding its HY22 results, which included a 9% reduction in 1H net profit on-year, continued to negatively impact the company.

The main detractors from relative performance included overweight positions in (MGR) and (ABP), and an underweight position in Growthpoint Properties Australia (GOZ).

Growthpoint Properties Australia (GOZ) outperformed after the business reported an increase in statutory profit after tax to \$374.3mn as compared to \$205.8mn in 1H21.

Market Commentary

The S&P/ASX 200 Property Accumulation Index returned -7.10% for the March quarter, materially underperforming the broader S&P/ASX 200 Accumulation Index which returned 2.24%. For the past 12 months, AREITs returned 17.74%, while the broader equity market returned 14.97%.

Globally, REITs returned -2.2% (in USD terms) for the quarter. Singapore (+4.6%) was the best performing region, while Europe (-6.0%) was the worse.

After a weak start to the year, AREITs rebounded in February and March, albeit not as strongly as the broader market. Rising inflation and higher interest rates, and their potential effects on consumer spending and economic growth, appeared to unnerve investors. Russia's invasion of Ukraine and the ensuing sanctions imposed by western democracies created further disruption, straining energy markets and interfering with the post-pandemic global economic recovery.

As rising bond yields again come back into focus, Macquarie are reminded that real estate represents a 'bond proxy with growth' – that is, if rates are rising on inflation and growth expectations, sectors with pricing power will see rising rents and real estate's inflation hedging characteristics should endure.

Outlook

As rules surrounding isolation and testing continue to be relaxed in Australia, markets are expected to normalise. However, investor focus remains on the impact of the Omicron variant and potential emergence of further virus mutations.

Domestically, the economic rebound continues to be a key theme for investors, with the easing of restrictions being met with strong consumer and corporate demand. With a Federal election expected in May, government policy will be an important contributor to economic activity in the coming months.

In global markets, inflation above pre-COVID levels will continue to impact investment decisions. As a result, central bank policy should be monitored closely by investors, with higher interest rates likely throughout 2022.

The REITs yield compared to 10 year bonds still remains attractive, as the average forward dividend yield of 3.9% is 2.2% greater than the 10 year bond yield (currently 1.67%).

Availability

Product name	APIR
SignatureSuper*	AMP0961AU

*Restricted. Please see your Product Disclosure Statement

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