

Macquarie Property Securities

Quarterly Investment Option Update

30 September 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

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property	95-100	99.09
Cash	0-5	0.91

Sector Allocation	%
Diversified	30.78
Retail	28.39
Industrial	26.42
Commercial	8.38
Specialised	3.85
Residential	1.27
Other	0.00
Cash	0.91

Top Holdings	%
Charter Hall Group	0.31
Charter Hall Retail REIT	0.20
Vicinity Centres	0.20
National Storage REIT	0.20
Goodman Group	0.19

Investment Option Commentary

The biggest contributors to relative performance for the quarter included an overweight position in Charter Hall Group (CHC), and underweight positions in Centuria Capital (CNI) and Arena REIT (ARF).

Integrated property investment manager Charter Hall Group (CHC) performed strongly for the period after releasing strong FY22 full year results, including increased earnings, profit, and distribution payments for investors.

Specialist listed property fund (REIT) manager Centuria Capital (CNI) underperformed as the impact of higher interest costs was felt across the property sector with many companies flagging distributions to be flat or to fall in FY23.

The main detractors from relative performance included overweight positions in Home Consortium (HMC) and Ingenia Communities Group (INA), and an underweight position in GPT Group (GPT).

Market Commentary

The S&P/ASX 200 Property Accumulation Index returned -6.72% for the September quarter, underperforming the broader S&P/ASX 200 Accumulation Index which returned 0.39%.

The quarter was another challenging period for Listed Real Estate, both on an absolute basis and relative to broader equities as funding costs continue to move higher as central banks address the challenges of sustained high inflation. Rising yields and recent questions over economic growth have weighed heavily on Australian REITs.

A rebound in Australian equities in July and August driven by improving investor sentiment unravelled in September when markets globally lost further ground. Investors were burdened by the same issues plaguing markets throughout most of 2022 including persistent inflation, ongoing and aggressive rate hikes, and concerns over a global recession. Markets have also been impacted by ongoing political concerns as the Russian and Ukraine conflict, and tensions mounted between the USA and China.

Ongoing rate hikes also impacted bond yields, with Australian 10-year yields increasing 0.23% to 3.89% and in the US, 10-year yields rising by 0.82% to 3.80%. The AUD depreciated against the USD by 6.8% to end the quarter at US\$0.64.

At the time of writing this report, the RBA cash rate is 2.60% after the RBA raised the rate by a less-than-expected 0.25% on Tuesday 4th October 2022.

Outlook

Volatility is likely to remain elevated as markets grapple with higher interest rates, a slowing global economy and potential falls in corporate earnings. Rising geo-political tensions add to the uncertainty.

However, markets have fallen significantly, offering increasing valuation support at current levels. Any signs that central banks are looking to temper interest rate rises would likely see a strong rebound in investor sentiment.

Availability

Product name	APIR
SignatureSuper*	AMP0961AU

*Restricted. Please see your Product Disclosure Statement

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