

AMP Capital Global Infrastructure Securities

Quarterly Investment Option Update

30 June 2016



Aim and Strategy

To provide total returns (income and capital growth) after costs and before tax, above the Dow Jones Brookfield Global Infrastructure Index (Australian Dollar Hedged) performance benchmark over the long term. The portfolio invests primarily in infrastructure securities around the world, with a focus on infrastructure companies operating in developed markets, and may invest in infrastructure companies operating in growing, emerging markets.

The portfolio focusses on companies that own and operate infrastructure assets, derive most of their cash flow from those assets, and have liquid market listings on major global stock exchanges. Investments are diversified across geographic regions and infrastructure sectors, with a focus on four major sectors: energy – including electricity transmission and distribution, and oil and gas transportation and storage; transportation – including toll roads, airports and ports; communication; and water.

The manager may select unlisted securities only where they consider that the security is likely to be listed within 12 months of its inclusion in the portfolio.

The portfolio may also invest in other financial products such as managed funds where this is consistent with the investment objective and approach.

International investments are generally hedged back to Australian dollars. The portfolio may also use derivatives such as options and futures.

Investment Option Performance

To view the latest investment performances please visit www.amp.com.au

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1874AU
AMP Flexible Super - Retirement account	AMP1879AU
AMP Flexible Super - Super account	AMP1878AU
CUSTOM SUPER	AMP1874AU
Flexible Lifetime - Allocated Pension	AMP1875AU
Flexible Lifetime Investment (Series 2)	AMP2030AU
METCASH SUPERANNUATION PLAN	AMP1874AU
Signature Super	AMP1876AU
Signature Super Allocated Pension	AMP1877AU

Asset Allocation	Benchmark	Range (%)
Global Infrastructure	100	90-100
Cash	0	0-10

Top 10 Securities Exposure	%
KINDER MORGAN INC/DELAWA	8.52
AMERICAN TOWER CORP	7.86
Enbridge Inc	7.82
TransCanada Corp	6.69
SEMPRA ENERGY	5.18
Edison International	4.02
National Grid PLC	3.78
Infrastrutture Wireless Italia	3.41
Ei Towers SpA	3.36
APA Group	3.35

Investment Option Overview

Investment category	Infrastructure
Suggested investment timeframe	5 years
Relative risk rating	High
Investment style	Growth

Actual Allocation	%
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Region	%
North America	59.53
Europe ex UK	19.65
United Kingdom	7.01
Cash	4.01
Australasia	3.35
Asia ex Japan	3.20
Japan	1.85
Latin America	1.41

Portfolio Summary

- > The fund underperformed the index during the month
- > Listed infrastructure outperformed global equities
- > Asset class's defensive qualities were exhibited in volatile environment

Investment Option Commentary

The fund underperformed the index during the month. From a sector perspective, the fund is overweight in communications, oil gas storage & transportation, water and diversified and is underweight in transmission & distribution, toll roads, ports and airports. Positive contributions to performance, relative to the benchmark, came from the fund's allocation to the oil, gas storage & transportation, diversified, water, ports and airports sectors whilst the communications, transmission & distribution and toll roads sectors were detractors.

Market review

June was dominated by concerns over event risk. The most important of these was the referendum in the UK to decide whether to remain in or leave the European Union. Other influencing events during the month included continued speculation on the timing of a US interest rate hike, the validation by Germany's constitutional court of the European Union's Outright Monetary Transaction programme and the Spanish election.

The UK referendum, on 23 June, resulted in a decision to leave the European Union. The result blindsided global markets, which had largely factored in a decision to remain, and led to an immediate risk-off stance. Following the decision, the British Prime Minister, David Cameron, resigned. The decision has also brought into focus current dissent within the European Union and fears that it may lead to contagion, with some European political parties now openly suggesting other member countries should also conduct a similar referendum. Both the UK and Europe now face a protracted period of political and economic uncertainty. The British pound and shares fell sharply immediately following the decision, as did the euro and European shares, albeit to a lesser extent. Global shares were also swiftly impacted. Safe haven assets including gold, the US dollar, the Japanese yen and bonds all rose. Following the decision, central banks were quick to emphasise they would provide whatever liquidity is required to stabilise markets. Should the result to leave result in a persistently strong US dollar, it would have the potential to negatively impact the renminbi, commodities and emerging markets, reigniting global growth fears.

Given the lower beta nature of the asset class, infrastructure outperformed global equities as investors favoured defensive asset classes amidst an uncertain environment and weaker global markets towards the end of the month. Within infrastructure, utility stocks in North America were strong relative outperformers, with investors disregarding very high valuations in the search for safety. European infrastructure was a notable underperformer, as the UK referendum result exacerbated fears of a breakup of the European Union and led to a strong sell-off. Oil, gas storage & transportation also outperformed, as commodity prices continued to show signs of stability, which shifted focus back onto the cash flows of companies within the industry. Markets are likely to be volatile over the coming months as implications of the UK referendum result are better understood.

Companies in the news

TransCanada focuses on energy infrastructure in North America, particularly on natural gas transmission and power services. It is the market leader in natural gas transmission in Canada. It announced that its joint venture with IEnova and Infraestructura Marina del Golfo, had been selected to build, own and operate the US\$2.1 billion Sur de Texas-Tuxpan natural gas pipeline in Mexico. The project will be contractually supported with a 25-year agreement with

Mexico's state government power company. The project further develops the company's presence in Mexico, doubles its natural gas supply capacity in the country, and assists Mexico in reducing its reliance on heavier fuels whilst developing its energy infrastructure asset base.

Pennon Group is a UK water and waste utility organisation that benefits from both the stability of the regulated water industry and growth from the waste industry. It announced strong 2015/16 results. Significant earnings came from the development of its energy recovery facilities. The results support the organisation's dividend policy of 4% growth above the retail prices index per annum.

APA Group is Australia's largest natural gas infrastructure business, which includes gas distribution networks, pipelines and other assets. It announced it had opened its Integrated Operations Centre in Brisbane. The Integrated Operations Centre will integrate pipeline gas flow control, engineering and operations teams into a central site. The facility will provide 24-hour support, streamline operations and provide a platform for improved efficiencies and growth. The centre is the latest initiative in the company's ongoing streamlining of its processes.

Portfolio strategy & outlook

As we move into July, global listed infrastructure as a whole has weathered the UK's decision to leave the European Union reasonably well, reflecting the asset class's defensive characteristics and long-term visibility of earnings. However, there remains a significant element of sentiment and short-term driven bias in the market which may result in significant stock price movements. We will look for such situations to initiate or add to positions in quality infrastructure assets when divergence of market prices from fundamentals provides compelling investment opportunities. The focus for us continues to be on the cash flows generated by quality infrastructure companies. The long-term growth prospects for real assets with high and sustainable yields remain strong. Overall, we see global listed infrastructure being supported by a secular growth tailwind, sustainable cash flows and above-average dividend yields.

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