

UBS Property Securities

Quarterly Investment Option Update

30-June-2016

Availability

Product name	APIR
AMP Flexible Super – Choice (Retirement)	AMP1377AU
AMP Flexible Super – Choice (Super)	AMP1506AU
CustomSuper	AMP0667AU
Flexible Lifetime – Allocated Pension	AMP0637AU
Flexible Lifetime – Super	AMP0667AU
Flexible Lifetime – Term Pension	AMP0945AU
SignatureSuper	AMP0814AU
SignatureSuper – Allocated Pension	AMP1178AU
Flexible Lifetime Investment	AMP0842AU
Flexible Lifetime Investment (Series 2)	AMP1439AU

Investment Option Performance

Investment performances are subject to product fees and where relevant tax as outlined in the product PDS. Therefore investment performance may differ between products. In addition, activity on your account such as contributions and deductions will also impact the investment performance specific to you. To view the latest investment performances for each product, please visit www.amp.com.au. You can also view the last investment performance specific to you by visiting your My Portfolio account.

Contact Us

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267 (Mon. to Fri 8:30am to 6:00pm AEST)

Overview

Aim & Strategy: The portfolio aims to provide investors with a total return (after management costs) in excess of the benchmark which is the S&P/ASX 300 Property Accumulation Index when measured over rolling five-year periods. The portfolio aims to provide a well-diversified portfolio of mainly Australian property securities. The strategy can hold a maximum of 20% international property securities and a maximum of 5% Australian listed non-benchmark securities. If international property securities are held in the portfolio, they will not necessarily be hedged to the Australian dollar.

Investment category: Australian listed property

Suggested Investment Timeframe: 5 years

Standard Risk Measure: 6/ High

Asset Allocation	Benchmark (%)	Range (%)
Australian REITs*	100	95-100
Cash	0	0-5

* Up to 20% can be invested into non-benchmark securities

Holdings

Industry Exposure	%
Diversified	31.75
Industrial	11.30
Office	4.46
Retail	46.98
Specialised	1.25
Health Care	1.80
Cash	2.46

Regional Exposure	%
Australia	97.54
Cash	2.46

Top Ten Securities	%
Scentre	17.89
Westfield	15.75
Stockland	13.46
Vicinity Centers	11.91
Goodman	11.30
Mirvac	9.46
Charter Hall Group	4.88
GPT	3.94
Investa Office Fund	2.23
Dexus Property	2.22

Market Commentary

The Australian REIT market (S&P/ASX 300 A-REIT Accumulation Index) delivered a +9.2% return in the June quarter, outperforming the broader equities return of 3.9% (S&P/ASX 200 Accumulation Index). The main driver of the REIT performance during the June quarter was the firming in the 10 year bond yield from 2.5% to 2.0%. Within the sector, GPT announced that it has sold its 12.98% stake in the GPT Metro Office Fund to Growthpoint (GOZ). Scentre Group (SCG) announced that it has agreed to redeem \$600m of its \$1.2bn outstanding Property Linked Notes. The Aventus Retail Property Fund (AVN) acquired five large format retail (LFR) centres for \$219m, partly funded by a 3:20 non-renounceable rights offer raising ~\$104m. The proposed Dexus/Investa (DXS/IOF) merger failed with DXS unable to secure 75% unitholder approval. The bid was thwarted by Cromwell Property Group (CMW) purchasing a 9.8% stake days before the vote and voting against the deal.

Investment Option Commentary

Performance was positively impacted by an overweight to Stockland (SGP) while an underweight to Dexus Property Group (DXS) detracted from performance.

Outlook

The sector is presently paying a 4.6% distribution yield with dividend growth of 4.0% expected over the next 2 year, thus providing a total return of around 8-9% pa. This compares to a cash rate of 1.75% and similarly modest offerings from cash management accounts. The sector benefits from solid operating fundamentals, strong financials (low gearing), good dividend coverage and strong demand for institutional grade real estate. A continuation of low interest rates, improving consumer confidence, and corporate activity / M&A will support the sector, while any softening in bond yields would negatively impact pricing.

What you need to know

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