

AMP Capital Global Infrastructure Securities

Quarterly Investment Option Update

31 December 2017



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	%
AMERICAN TOWER CORP	8.00
Enbridge Inc	7.80
KINDER MORGAN INC/DELAWA	7.04
TransCanada Corp	6.43
SEMPRA ENERGY	5.74
Williams Cos Inc/The	4.48
Pembina Pipeline Corp	3.36
Pennon Group PLC	3.14
Infrastrutture Wireless Italia	3.09
RAI Way SpA	2.78

Investment Option Overview

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

Region	%
North America	60.18
Europe ex UK	18.48
United Kingdom	8.59
Australasia	4.50
Cash	3.27
Asia ex Japan	2.87

Region	%
Latin America	2.11
Japan	0.00

Portfolio Summary

- > The Fund outperformed the index in December
- > Australian infrastructure development progresses
- > Fires impact Californian infrastructure companies

Investment Option Commentary

The Fund outperformed the index during December on a total return local basis. At a sector level, the Fund is overweight in oil, gas storage & transportation, water, communications, airports and toll roads and is underweight in transmission & distribution, diversified and ports. Overall positive contributions to relative returns came from the transmission & distribution, oil, gas storage & transportation, water and airports sectors whilst the communications, diversified, toll roads and ports sectors were detractors.

The top three individual contributors to relative performance were from overweight positions in Kinder Morgan and The Williams Companies in oil, gas storage & transportation and an underweight position PG&E Corp in transmission & distribution. Kinder Morgan performed well as the market reacted positively to the announcement of the new Gulf Coast Express pipeline and encouraging 2018 financial guidance. The William Companies' placement into service of the Virginia Southside II expansion project was received well. PG&E Corp was negatively impacted over concerns in regards to the wildfires in California.

The bottom three contributors to relative performance came from overweight positions in Sempra Energy and APA Group and an underweight position in Targa Resources Corp, all in oil, gas storage & transportation. Sempra Energy was impacted by concerns in regards to the wildfires in California. APA Group was impacted following the release of the Australian Consumer and Competition Commission's domestic gas shortage inquiry and concerns over the possibility the regulator will look to drive down energy prices by targeting the gas pipelines market. Targa Resources Corp experienced a positive reaction to the announcement of the new Gulf Coast Express pipeline.

Market review

Further infrastructure projects were announced in Australia, with the Victorian Government finalising the contract for the West Gate Tunnel, a A\$6.7 billion transport infrastructure project to be developed by Transurban Group; and the New South Wales Government progressing the development of the WestConnex project, a series of toll roads in Sydney, with an estimated price tag of A\$16 billion.

The State of California saw further disastrous wildfires, which has impacted infrastructure companies in the area.

Companies in the news

Enbridge holds a major privately owned global crude oil pipeline network with a diversified portfolio of energy infrastructure assets. It has merged with Spectra Energy and has finalised its post-merger financial strategy and outlook. The company is projecting a growth rate of 10% per annum through to 2020. The company will consolidate its assets to focus on regulated pipelines and utility businesses, particularly in liquids pipelines & terminals, gas transmission & storage and gas utilities.

Eversource Energy is a regulated electricity and gas utility in the US that is leveraged to growth in gas penetration in Connecticut and Massachusetts. It announced it was finalising its purchase of the Aquarion Water Company and to become the only US-based electric utility to also own a water utility. The Aquarion Water Company has nearly four million electric, natural gas and water customers combined in Connecticut, Massachusetts and New Hampshire. The deal diversifies the company's asset base and leverages its reputation for operational excellence.

Portfolio strategy & outlook

Moving into January, the investment team continues to rely on its investment process, focussing on the long-term cash flow generation of core infrastructure assets, which we firmly believe is the correct way to analyse and value these companies. Whilst macroeconomic trends and political events have the potential to have a disproportionate impact on the listed infrastructure asset class; we believe such periods can result in large dislocations between fundamental values and market prices. This offers attractive medium to long-term investment opportunities.

Contact Us

Web: www.amp.com.au

Email: askamp@amp.com.au

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

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