

AMP Listed Property Trusts

Quarterly Investment Option Update

31 December 2017

Aim and Strategy

Aim and strategy: To provide a total return (income and capital growth) after costs and before tax, above the S&P/ASX 200 A-REIT Accumulation Index on a rolling 12 month basis. The portfolio invests in property (and property related) securities listed on the Australian Securities Exchange, and may also invest in property securities listed on securities exchanges outside of Australia; and unlisted securities if listing is anticipated within 12 months. Under normal circumstances this option must have a minimum exposure of at least 90% to listed property, with at least an 80% exposure to securities listed on the Australian Securities Exchange.

Investment Option Performance

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

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0169AU
AMP Flexible Super - Retirement account	AMP1326AU
AMP Flexible Super - Super account	AMP1456AU
CUSTOM SUPER	AMP0169AU
Flexible Lifetime - Allocated Pension	AMP0611AU
Flexible Lifetime - Term Pension	AMP0903AU
Investment Linked Deferred Annuity	AMP0204AU
Investment Linked Single Premium	AMP0207AU
METCASH SUPERANNUATION PLAN	AMP0169AU
MultiFund Flexible Income Plan	AMP0473AU
Signature Super	AMP0777AU
Signature Super Allocated Pension	AMP1134AU

Investment Option Overview

Investment category	Property
Suggested investment timeframe	4-5 years
Relative risk rating	Medium - High
Investment style	Value

Asset Allocation	Benchmark	Range (%)
Australian Property	100	90-100
Cash	0	0-10

Actual Allocation	%
Australian Listed Property	95.00
Cash	1.69
International Listed Property	1.42
Australian Equities	1.09
International Shares	0.80

Allocation Type	%
Retail REITs	41.71
Diversified REITs	29.06
Industrial REITs	12.66
Office REITs	10.78
Health Care REITs	3.30
Cash	1.69
Specialised REITs	0.79

Portfolio Summary

- > The Fund produced a very strong return for the quarter, though slightly underperformed the benchmark.
- > The Australian REIT market rose nearly 8% over the period.
- > Australian listed real estate continues to be supported by strong economic data that demonstrates good levels of business confidence, investment and job creation.

Investment Option Commentary

The Fund produced a very strong return for the December quarter, though still tracked slightly behind the benchmark ASX 200 A-REIT Accumulation Index.

At the sector level, stock selection within specialised REITs again provided a significant contribution to the month's return. Asset allocation was also positive. Being slightly underweight to retail REITs was a detractor, as the sector outperformed.

The most significant positive contributors to the Fund's relative performance over the period were our overweight holdings in NEXTDC Ltd and Charter Hall Group, and our underweight holding in Iron Mountain Inc, as the stock underperformed.

Detractions to the Fund's relative performance over the period came from being slightly underweight in Westfield Corp as the stock outperformed, as well as our overweight holdings in Arena REIT and Investa Office Fund.

Market commentary

Australian listed real estate strengthened during the period when the major news story was the surprise announcement by Unibail-Rodamco that it had agreed the acquisition of Westfield Corp, owner of 35 Westfield-branded malls in the US and UK, in a A\$33 billion deal. This represents a purchase price at a 17.8% premium to the previous close; 35% of the proceeds is payable in cash and the balance in Unibail-Rodamco shares – an alternative locally traded security will be available for Australian investors. The deal seeks to better position Westfield Corp investors in light of the challenge from the secular growth trend in e-commerce. The new Unibail-Rodamco will have 104 assets in 27 countries and a market capitalisation of €6.1 billion. Westfield Corp investors will also receive shares in OneMarket, formerly Westfield Retail Solutions, the group's retail technology platform that is to be spun-off and listed on the ASX.

Charter Hall Long Wale REIT announced the acquisition of Virgin Australia Holdings' head office in Brisbane for A\$90.8 million to be funded by a A\$94.1 million rights offer to investors. The property is 100% occupied by the ASX-listed airline with a weighted-average lease expiry of 8.4 years. This increases the portfolio's exposure to office from 26% to 31% and reflects investor confidence in the Brisbane office market.

Seasonally-adjusted retail sales rose by 1.8% in October relative to the previous comparable period, a slight increase on the previous month. However this is well below the five-year average of 3.9% and underlines the weakness in spending by highly-g geared consumers who face rising interest rates and stricter borrowing requirements. This further challenges retail listed real estate companies as they adapt to the e-commerce challenge in Australia from Amazon and others.

This weakening of consumer sentiment was again illustrated by further falls in auction rates in the Sydney and Melbourne residential markets. The slow-down is considered to be in excess of the normal pre-holiday trend.

Outlook

Australian listed real estate continues to be supported by strong economic data that demonstrates good levels of business confidence, investment and job creation. This is reflected in good office rental growth and low vacancy rates in the east coast capital cities. However consumer confidence is likely to continue to be impacted by stagnant wages, underemployment and rising housing costs as interest rates and lending criteria tighten. This is expected to suppress any future increases in residential property values in the most elevated markets, especially Sydney and Melbourne. This negative sentiment will further impact retail as it faces the challenge of Amazon's recent market entry and changing shopping habits. However the takeover of Westfield Corp is likely to see investors re-invest significant funds back into the market, which is likely to support near-term market price levels.

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