

RARE Infrastructure Value

Quarterly Investment Option Update

31-December-2017

Availability

Product name	APIR
Flexible Super – Choice (Retirement)	AMP1588AU
Flexible Super – Choice (Super)	AMP1576AU
CustomSuper	AMP1528AU
Flexible Lifetime – Allocated Pension	AMP1540AU
Flexible Lifetime – Super	AMP1528AU
Signature Super	AMP1552AU
Signature Super – Allocated Pension	AMP1564AU

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.

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Overview

Aim & Strategy: To provide investors with regular and stable income comprised of dividends, distributions and interest received, plus capital growth. The benchmark used is an accumulation index comprised of the OECD G7 Inflation Index plus 5.5% per annum. The portfolio intends to invest in securities which offer positive absolute returns, rather than selecting securities because they are included in a particular industry standard index. It aims to provide investors with sustainable returns over the medium-to-long term from a diversified portfolio of global securities with attractive risk/return characteristics. The main investments include:

- securities listed on stock exchanges from around the world (developed and developing nations);
- cash (and cash equivalents such as other investment grade interest-bearing securities);
- derivatives; and
- depository receipts or other such securities where the underlying securities are inaccessible or illiquid.

The investment manager may invest up to 20% of the portfolio in unlisted securities should opportunities arise. The investment manager:

- may use options, futures and other derivatives to reduce risk or gain exposure to underlying physical investments. Derivatives are not used speculatively and are not used for the purpose of gearing;
- may borrow for the purposes of ensuring the portfolio maintains adequate liquidity but will not borrow to make investments; and
- intends to substantially hedge all currency exposure back to Australian dollars.

Investment category: Alternative strategies

Suggested Investment Timeframe: 3 to 5 years

Relative Risk Rating: Medium to high

Investment Style: Active

Asset Allocation	Actual (%)	Range (%)
Listed Infrastructure securities	95%	80-100
Unlisted Infrastructure securities	0%	0-20
Cash	5%	0-20

Holdings

Industry Exposure	%
Gas	22.06%
Water	8.10%
Toll Roads	14.11%
Airports	5.29%
Rail	14.85%
Ports	3.10%
Communications	10.84%
Electric	21.14%
Cash	0.51%

Regional Exposure	%
USA & Canada	32.46%
Western Europe	41.57%
Asia Pacific Developed	13.38%
Latin America	8.51%
Middle East	1.33%
Asia Pacific Emerging	2.24%
Cash	0.51%

Top Ten Securities	%
Enbridge Inc.	6.33%
Atlantia S.p.A	6.00%
Crown Castle International Corp	4.99%
VINCI SA	4.64%
Spark Infrastructure Group Ltd.	4.45%
East Japan Railway Company	4.14%
Getlink SE	4.02%
United Utilities Group PLC	3.47%
National Grid	3.53%
Cheniere Energy, Inc.	3.35%

Market Commentary

During the December quarter, the RARE Infrastructure Value Fund Hedged returned -1.1% (net) underperforming its benchmark (+1.9%) and the MSCI AC World Index (local) (+5.3%).

Investment Option Commentary

This quarter's weak performance was largely attributable to the Portfolio's exposure to Western Europe satellite companies, specifically SES (-1.06%) and Eutelsat Communications (-0.70%). The weak performance of both companies was due to underwhelming Q3 results and lowered short-term revenue guidance. Common to both companies' results is lower

guidance for revenue growth. This is indicative of a weaker supply/demand market for satellite capacity than had been expected. Additionally, both companies report in Euros and suffered from currency headwinds.

Elsewhere, US electric PG&E significantly pulled back during the quarter as the market reacted to the company's potential connection to the recent Northern California bushfires. We believe that the underlying fundamentals of this company remain strong and the management team is solid. As such, we retain our conviction in this company. However, we are mindful of the overall portfolio exposure to Californian regulation as several of the companies are now dealing with or have potential bushfire exposures.

Conversely, Crown Castle International (CCI), a US communications company was the largest contributor to quarterly performance (+0.53%). The share price of CCI rallied due to positive Q3 results, the tailwind from the FirstNet build out and their small cell roll out. Additionally, the failed merger between Sprint and T-Mobile was a positive for CCI as it alleviated fears surrounding the consolidation of the US wireless market.

Cheniere Energy, the owner and operator of US LNG export facilities, also performed solidly during the quarter, contributing +0.49%. Underpinning this strong performance was positive news regarding potential expansion on their Corpus Christie facility. This was driven by a positive meeting between the CEO and Chinese government, the signing of the EPC contract for the expansion and improving LNG prices.

All returns are in local currency.

Outlook

On a regional level, the Portfolio's largest exposure is in Western Europe and consists of exposure to utilities (16%) and economically sensitive sectors (20%). RARE expect the continued quantitative easing by the European Central Bank to support economic growth in the medium-term (solid but unexciting growth), which in turn supports the valuations of economically sensitive securities, namely toll roads, airports, communications and rail stocks.

During the first half of the year, the Investment Committee decreased the Portfolio's holdings in the United States (via trimming select US rails exposure) and reallocating capital toward Western Europe (in particular the UK water sector and continental infrastructure). As at the end of the year, the Portfolio had a 32% exposure to USA and Canada, comprising 7% in electric, 5% in US communications towers, 4% in rail and 16% in gas companies.

During the quarter, underpinned by positive valuation signals, we initiated new positions in French toll road Vinci, Spanish

airports AENA, Australian toll road operator Transurban Group, US electric SCANA, Chinese airport Beijing Capital International and Mexican rail operator GMexico (an initial public offering, IPO). Please see 'Quarterly Stock Highlight' below for RARE's investment thesis on this stock.

RARE also took the opportunity to crystallise some gains by exiting our holdings in Spanish electric Red Electrica, US communications American Tower Corporation, Australian electric AusNet Services, US electric companies Edison International and American Electric Power, German airport Fraport and US rail company CSX Corporation.

What you need to know

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