AMP Listed Property Trusts

Quarterly Investment Option Update

30 June 2018

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	88.22
International Shares	5.25
Cash	3.87
International Listed Property	1.63
Australian Equities	1.03

Allocation Type	%
Retail REITs	32.19
Diversified REITs	28.84
Industrial REITs	18.54
Office REITs	12.03
Cash	3.87
Health Care REITs	3.28
Specialised REITs	1.25

Portfolio Summary

- The Fund produced a very strong return in the June quarter and slightly outperformed the benchmark.
- The Australian REIT market finished the period significantly lower following the global equity market correction, as investors discounted potentially steeper global interest rate rises upon stronger inflationary pressures.
- A low interest environment and a generally robust macro-economic outlook are likely to continue to support reasonable returns in the Australian listed real estate market.

Investment Option Commentary

The Fund produced a very strong return in the June quarter and slightly outperformed the benchmark ASX 200 A-REIT Accumulation Index.

At a sector level, the portfolio's diversified sector holdings were the largest positive contributor to the quarter's relative return, with strong absolute performances coming from our industrial, office, retail and specialised sector holdings. Stock selection was strong overall for the quarter, with asset allocation a small negative.

At a stock level, Scentre Group and Goodman Group were two of the strongest contributors to performance. There were very few negative individual contributors this quarter; however they included Vital Healthcare Property Trust, OneMarket Ltd and the portfolio's small cash reserve, which all provided slight detractions to the relative return amid the strongly rising market.

Market commentary

Australian listed real estate made a strong positive return during the period.

The pressurised retail listed real estate market was boosted when Scentre Group released its first quarter earnings update, which rose by 1.1% in the first quarter, driven by the major retailers. Earlier in the period it surprised the market by announcing an on-market share buy-back of up to approximately A$700 million. However, the challenge facing retail was illustrated by Vicinity Centres' announcement that it plans to sell up to A$1 billion of sub-regional and neighbourhood shopping centres and news that the Australian business of Toys 'R' Us entered voluntary administration. In other retail news, shareholders approved the takeover of Westfield Corp by Unibail-Rodamco.

The e-commerce challenge facing Australian retailers increased during the month when Amazon launched its Prime service. It will offer free two-business day delivery on eligible products and access to videos, e-books and gaming for A$6.99 a month.

The logistics company Goodman Group announced its nine months to 31 March 2018 earnings results that revealed a 3.1% like-for-like net property income growth over the period. This reflects the company's attractive exposure to e-commerce growth, especially its relationship with Amazon as it progresses its Australian market entry strategy.

The Blackstone Group made a A$3.14 billion offer to acquire Investa Office Group, a 13.2% premium to its 25 May closing market price and a 4.0% premium to net tangible assets. Mirvac Group in Australia exercised a pre-emptive right in June to acquire a 50% stake in 275 Kent Street, Sydney from The Blackstone Group for a 'base transaction price' of A$721.9 million. These deals illustrate the robust transactional market that continues to attract international office investors focussed on long-term growth despite the low yields.

During the period it was reported that Healthscope was close to agreeing the sale of its A$1.3 billion book value 19-property portfolio to one of a number of Australian and global real estate investors.

The residential market continues to soften, especially in Sydney and Melbourne where prices have reached historic highs, as banks tighten lending criteria and mortgage rates show signs of moving upwards. Weekend auction clearance rates in both cities fell below 60% in late June.

Outlook

A low interest environment and a generally robust macro-economic outlook are likely to continue to support reasonable returns in the Australian listed real estate market. In the Sydney and Melbourne office markets, constrained supply and high tenant demand are likely to be positive for rental growth. However, companies exposed to the retail market are likely to continue to disappoint as they struggle to adjust to changing consumer habits and changing market dynamics. The residential markets in the east coast capital cities are likely to have peaked as high levels of personal debt, tighter lending standards and the absence of wage growth are expected to keep the market subdued.

Contact Us

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267 (Mon. to Fri. 8:30am to 6:00pm AEST)

What you need to know