

AMP Capital Global Infrastructure Securities (Hedged)

Quarterly Investment Option Update

30 September 2018

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) 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 focuses 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 oil and gas transportation and storage, transportation – including toll roads, and airports, communications and utilities.

The manager may select unlisted securities only where it considers 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 strategies 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.

| Region Allocation | % |
|-------------------|-------|
| North America | 64.33 |
| Europe ex UK | 14.50 |
| United Kingdom | 11.19 |
| Australasia | 4.45 |
| Latin America | 2.09 |
| Cash | 1.94 |
| Asia ex Japan | 1.50 |
| Japan | 0.00 |

| Top Holdings | % |
|------------------------|------|
| AMERICAN TOWER CORP | 8.42 |
| Enbridge Inc | 7.12 |
| TransCanada Corp | 6.53 |
| SEMPRA ENERGY | 6.49 |
| KINDER MORGAN INC | 6.44 |
| WILLIAMS COMPANIES INC | 4.66 |
| Pennon Group PLC | 3.89 |
| Pembina Pipeline Corp | 3.79 |
| RAI Way SpA | 3.39 |
| PG&E Corp | 3.23 |

Investment Option Performance

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

Investment Option Overview

| | |
|--------------------------------|---------------------------|
| Investment category | Property & Infrastructure |
| Suggested investment timeframe | 5 years |
| Relative risk rating | High |
| Investment style | Active |

| Asset Allocation | Benchmark (%) |
|----------------------------------|---------------|
| Listed property & infrastructure | 100 |
| Cash | 0 |

Fund Performance

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

The top three individual contributors to relative performance in the period were from overweight positions in Gibson Energy in oil, gas storage & transportation and Grupo Aeroportuario del Centro Norte in airports and an underweight position in Transurban Group in toll roads. Gibson Energy is taking advantage of its wholesale segment opportunities which the market views positively. Grupo Aeroportuario del Centro Norte has good valuation support and has benefitted from the new trade agreement with the US. Transurban Group had a large capital raising to fund the WestConnex transaction which translated into relatively weak performance.

The bottom three individual contributors to relative performance in the period were from overweight positions in Pennon Group in water, Rai Way in communications and Severn Trent, also in water. Both Pennon Group and Severn Trent were weaker on the back of renewed political instability the UK and concerns regarding the potential nationalisation of UK water utilities. Rai Way has been impacted by political instability and concerns over fiscal prudence in Italy.

Portfolio Positioning

Severn Trent is a water utility concentrating on water purification, sewage treatment and recycling. Its businesses are based in the UK, US and Europe. The company announced the acquisition of Agrivert Holdings, a leader in renewable energy, for £120 million. The acquisition will increase energy generation capacity currently produced by Severn Trent's broader energy and renewables portfolio and will take Severn Trent's investment in energy and renewables to approximately £300 million by 2020. The transaction should be completed by the end of the calendar year and represents an important strategic addition in the company's aim to become a leading player in the renewable energy space.

APA Group is Australia's largest natural gas infrastructure business which includes gas distribution networks, pipelines and other assets. The Australian Competition and Consumer Commission announced it did not oppose CK Group's takeover of APA Group. The agreement comes with the condition that CK Group will, post-acquisition, divest certain APA Group's pipelines and plants. However, the deal still needs to undergo a political review by the Foreign Investment Review Board and Critical Infrastructure Committee.

Outlook

The outlook for global listed infrastructure remains very positive, supported by robust economic activity and stable funding markets. 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 best way to value these companies. Recent macro and geopolitical events have caused an increase in volatility within the asset class. However, we believe that this has led to significant dislocations between fundamental value and prices which offers attractive medium to long-term investment opportunities.

Availability

| Product name | APIR |
|--|-----------|
| AMP Flexible Lifetime Super | AMP1874AU |
| AMP Flexible Super - Retirement account | AMP1879AU |
| AMP Flexible Super - Super account | AMP1878AU |
| CustomSuper | AMP1874AU |
| Flexible Lifetime - Allocated Pension | AMP1875AU |
| Flexible Lifetime - Investments (Series 2) | AMP2030AU |
| SignatureSuper | AMP1876AU |
| SignatureSuper - Allocated Pension | AMP1877AU |

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