UBS Clarion Global Property Securities

Quarterly Investment Option Update

30 September 2018

Aim and Strategy

To provide capital growth and income from a diversified portfolio of listed global real estate companies. The option aims to outperform (after management costs) the FTSE EPRA/NAREIT Developed Rental Net Return Index (AUD Hedged) when measured over rolling three year periods. The strategy can invest in listed real estate securities, or those equity securities in the process of being listed, on any recognised stock exchange in the developed or emerging markets. The strategy may also invest in cash, financial derivatives and currency instruments.
The investment manager places an emphasis on analysing countries and property sectors experiencing the strongest fundamentals and invests in companies run by quality management team.

The Fund expects to hold about 60 to 90 securities and can invest up to 10% in cash.

Regional Allocation	%
North America	63.54
Europe (Ex. UK)	13.67
Japan	7.54
Australia & NZ	2.82
United Kingdom	5.03
Emerging Markets	1.09
Asia Pacific Ex. Japan	5.54

Top Holdings	%
Prologis	5.23
Simon Property	4.70
Equity Residential	3.34
Alexandria Real Estate Equities	3.29
Extra Space Storage	2.66
Equinix	2.56
Regency Centers	2.26
Ventas	2.22
Healthcare Trust Of America	2.19
Brixmor Property	2.05

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment category	Property and Infrastructure
Suggested investment timeframe	5 years
Relative risk rating	7 / Very High
Investment style	Global Listed Property - Active

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property and Infrastructure	100	99.22
Unlisted Property and Infrastructure	-	-
Cash	-	0.78

Investment Option Commentary

Over the quarter, stock selection decisions resulted in a net increased exposure to the Asia-Pacific region, and decreased exposure to the European region while the North America region exposure remained stable QoQ. In Continental Europe, UBS eliminated their position in Hispania after it was taken private by Blackstone. UBS also exited shopping center company Klepierre and U.K. landlord Derwent London, as neither company offered a compelling relative valuation outlook. UBS trimmed industrial company Segro, which has had a fantastic run, and while still offers a solid outlook, it was time to take some profits.

In the U.S., UBS added to an existing position in medical office building landlord Healthcare Trust of America ("HTA") and esstablished a new position in data center landlord QTS Realty Trust ("QTS"). Within the self-storage sector, UBS trimmed existing positions in CubeSmart and ExtraSpace storage. Through June 30th, the storage sector was one of the top performing sectors year to date and was one of the top performers in the second half of 2017. While the Fund continue to own CubeSmart and ExtraSpace, the relative outperformance compelled us to take some profits.

Market commentary

Real estate stocks were modestly higher for the third quarter with positive market performance in the North American and Asia-Pacific regions offset by negative performance in the European region. The macro-economic backdrop is supportive of real estate earnings and valuations globally, with continued economic growth and moderate pressure on inflation. Looking forward, investors will need to balance the prospect of higher interest rates, as the Fed raised policy rates for the 8th time this cycle in September by 25 bps to a target range of 2.0-2.25%, with economic releases that will be supportive of future economic expansion and positive corporate results.

Outlook

Solid economic growth and modestly increasing inflation will benefit real estate stocks looking forward. Monetary policy has tightened in certain markets, including the U.S., U.K. and Canada but remains more accommodative elsewhere. UBS expect the U.S. Fed to tighten monetary policy further in response to continued favorable economic growth. With real estate companies trading at an approximate 11% discount to the Fund Manager's estimate of inherent real estate value, or NAV, UBS believe real estate stocks remain attractively priced relative to private real estate and competing asset classes.

In the U.S., UBS favour the technology, residential and class A mall companies. Within residential, UBS like manufactured housing, single family home-for-rent companies and apartment REITs, which are benefitting from firming demand, particularly in the coastal markets.

In the Asia-Pacific region, UBS favour Hong Kong property companies, which are showing strong growth relative to real estate valuations, thus scoring well on both "growth" and "value" criteria in UBS's Sector Ranking Analysis. The Tokyo office market continues to experience improved rental growth as vacancies have fallen below 3%, a level at which landlords enjoy increasing pricing power, although know that patience is required in this market.

The Fund Manager are cautious and selective in markets and property types which screen expensive relative to the rate of earnings growth. This includes a number of REIT markets in Asia, Canada and the U.S. lodging, net lease, healthcare and industrial sectors. Asian REITs generally have low organic growth and external growth which is dependent on a constant need for new equity to fund the acquisitions, although valuations are becoming more attractive. In Australia, UBS's outlook is mixed as property companies are benefiting from an attractive combination of yield and growth, although strength in property fundamentals range from a robust office market, to an uncertain retail market and a residential market which is meeting headwinds of affordability. Increased M&A activity is generating an underlying bid for the Australian REITs.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1999AU
AMP Flexible Super - Retirement account	AMP2024AU
AMP Flexible Super - Super account	AMP2029AU
CustomSuper	AMP1999AU
Flexible Lifetime - Allocated Pension	AMP2004AU
Flexible Lifetime - Term Pension	AMP2019AU
Flexible Lifetime Investment (Series 2)	AMP2035AU
SignatureSuper	AMP2009AU
SignatureSuper Allocated Pension	AMP2016AU

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