

AMP Capital Global Infrastructure Securities (Hedged)

Quarterly Investment Option Update

31 December 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	62.78
Europe ex UK	18.07
United Kingdom	11.83
Australasia	4.42
Latin America	3.06
Cash	-0.86
Asia ex Japan	0.70
Japan	0.00

Top Holdings	%
Enbridge Inc	9.83
American Tower Corp	9.15
Sempra Energy	7.13
Transcanada Corp	6.85
Kinder Morgan Inc	5.82
Williams Companies Inc	4.30
Pennon Group Plc	3.98
RAI Way SpA	3.92
Gibson Energy Inc	3.77
Pembina Pipeline Corp	3.65

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

Investment Option Commentary

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

The top three individual contributors to relative performance in the period were from an overweight position in RAI Way in communications, an underweight position in ONEOK in oil, gas storage & transportation and an overweight position in Grupo Aeroportuario del Centro Norte in airports.

RAI Way was up over the month during a volatile quarter that saw a large fall in equity markets. It is supported by very stable cash flows and is leveraged to the tower consolidating theme in Italy. ONEOK underperformed the peer group due to higher leverage during a period of widening credit spreads. Grupo Aeroportuario del Centro Norte has good valuation support. However, the shares remain subject to increased volatility as the new Mexican president's objectives are digested by the market. Fundamentally, we see a stable outlook for the economy.

The bottom three individual contributors to relative performance in the period were from an overweight position in Gibson Energy, an underweight position in Transurban Group and an overweight position in TransCanada Corp.

Gibson Energy was impacted by Alberta's oil production curtailment, reducing wholesale cash flows. There was no major fundamental news flow around Transurban Group, however its defensive aspects were appreciated by investors during December volatility. TransCanada Corp was impacted by concerns on funding and higher leverage versus its peers which fed into share price performance.

Vinci is involved in the management, operations and maintenance of public infrastructure including motorways, airports, roads and rail. Its subsidiary, Eurovia, has finalised an agreement with the Salini Impregilo Group to acquire the Plants and Paving division of its subsidiary, The Lane Construction Corp. The new acquisition operates in 10 eastern seaboard states and in Texas and includes asphalt production plants and quarries producing more than one million tonnes of aggregate annually. The acquisition expands the company's strategic footprint in the US.

Hydro One is an electrical utility organisation based in Canada. It owns both a high and low-voltage network through which it services residential, industrial and municipal customers. Its recent bid for energy producer and distributor Avista Corporation has been rejected by the Washington Utilities and Transportation Commission regulator. The regulator cited the decision was made on the basis that the acquisition would not be in the net best interests of Avista Corporation's customers.

Outlook

Our outlook for the North American oil, gas storage & transportation segment remains positive, as previous regulatory news flow caused the sector to trade at a large discount compared to our valuation.

Given the expected general trajectory of rising interest rates, AMP Capital remains cautious on utilities. The segment as a whole is currently trading at an unattractive valuation and is particularly sensitive to interest rates. However, they do see pockets of value emerging, particularly in the UK, due the regulatory concerns regarding returns in the next regulatory period, as well as political risks regarding the potential for nationalisation. These concerns have excessively impacted valuations. Private transactions in this area continue to highlight the segment's relative attractiveness, as the listed-water utilities are currently trading at a material discount to the multiples paid in these transactions.

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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