

AMP Capital Global Property Securities

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 FTSE EPRA/NAREIT Developed Net Total Return Index (hedged back to Australian dollars) on a rolling three-year basis, by investing in property securities listed on share markets around the world. Securities in which the portfolio invests are diversified across a range of asset classes, property sectors and geographic regions. The portfolio includes investments in real estate investment trusts and property securities companies across the Americas, Europe and Asia Pacific. The portfolio is managed by an investment team made up of on-the-ground regional investment specialists based in Sydney, Chicago, London and Hong Kong, implementing a research driven process that integrates a macroeconomic (top-down) approach to regional and country allocation, with a stock specific (bottom-up) selection process.

Investment Option Performance

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

Investment Option Overview

Investment category	Multi-Sector
Suggested investment timeframe	5 years
Relative risk rating	High
Investment style	Growth

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

Regional Allocation	%
North America	54.18
Asia	22.94
Europe	19.01
Australasia	5.58
Cash	-1.71

Sector Allocation	%
Industrial REITs	13.35
Residential REITs	15.00
Office REITs	11.57
Retail REITs	11.76
Diversified REITs	13.75
Real Estate Operating Companies	10.97
Diversified Real Estate	7.16
Specialised REITs	5.41
Health Care REITs	5.62
Hotel & Resort REITs	3.59
Real Estate Development	1.98
Cash	-1.71
Others	1.56

Top Holdings	%
Prologis Inc	4.99
Mitsui Fudosan Co Ltd	3.71
AvalonBay Communities Inc	3.20
Alexandria Real Estate Equities	3.02
Goodman Group	3.01
Welltower Inc	2.95
Simon Property Group Inc	2.86
Invitation Homes Inc	2.49
Vonovia SE	2.29
Link REIT	2.21

Portfolio Summary

- The Fund was negative in the December quarter and underperformed the global benchmark.
- Broader global property and equity markets fell significantly over the period amid continued trade tensions and concerns around the US interest rate trajectory going forward.
- A reasonably strong global economy supported by low interest rates is an environment in which global listed real estate is expected to deliver reasonably solid medium-term returns. The December quarter pullback has left much of the market valued at more attractive levels.

Investment Option Commentary

The fund produced a negative return in the December quarter, underperforming the global benchmark.

On an industry sector basis, asset allocation was negative, though stock selection positively contributed to the Fund's relative performance. Retail and diversified holdings in the portfolio were the largest positive contributors to the return, while specialised and net lease holdings provided the greatest detraction.

At a stock level, the largest positive contribution to the Fund's relative performance came from our overweight position in Goodman Group. Goodman Group is an integrated industrial property group; largely concentrated in Australia, it also has operations in New Zealand, the UK, Asia and Europe. Its activities include property investment, funds management, property development and property services. Its portfolio includes business parks, industrial estates, office parks and warehouse/distribution centres. The company is likely to be one of the greatest beneficiaries of Amazon's market entry into Australia. During the period the company outperformed the market when it announced a new logistics park in the Ile-de-France region comprised of three separate buildings.

The largest negative contribution to relative performance came from our overweight holding in Taubman Centers. The company owns, develops, acquires, leases and manages regional, super-regional and outlet shopping centres in the US and Asia that have a relatively high productivity. Operating fundamentals remain among the strongest in the market and its recent announcement of a second project in South Korea with partner Shinsegae was well received by investors, reflecting the enormous success of the company's first project in the country. However, retail real estate as a sector underperformed the market during the period as economic sentiment turned more negative and investors focussed on longer-term concerns as shopping habits move on-line.

Outlook

The global listed real estate market is likely to be further impacted by the shorter-term volatility that is affecting all risk assets, while investor focus remains on trade tensions, the path of global interest rate rises and concerns about slowing economic growth. Listed real estate plays a defensive role in balanced portfolios and is therefore likely to remain well supported in uncertain times.

The correction leaves much of the market valued at more attractive levels from which positive medium-term returns can be delivered. A reasonably strong global economy supported by historically low interest rates, is an environment in which global listed real estate is expected to deliver reasonably solid medium-term returns. Opportunities to acquire individual companies at attractive valuation levels may arise in 2019 as geopolitical developments lead to heightened volatility and diverging stock performance.

Office markets in Europe's major commercial centres continue to see rental growth and strong transaction activity. However, retail is expected to continue to see further store closures, especially those in peripheral locations with commoditised market propositions. Long-term structural growth trends in e-commerce and connectivity and demographic headwinds are likely to provide growth opportunities to logistics, data centres and healthcare through the business cycle.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1596AU
AMP Flexible Super - Retirement account	AMP1620AU
AMP Flexible Super - Super account	AMP1611AU
CustomSuper	AMP1596AU
Flexible Lifetime - Allocated Pension	AMP1632AU
Flexible Lifetime - Investments (Series 2)	AMP2043AU
SignatureSuper	AMP1602AU
SignatureSuper - Allocated Pension	AMP1626AU

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