

AMP Capital Global Infrastructure Securities (Hedged)

Quarterly Investment Option Update

31 March 2019

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	59.31
Europe ex UK	18.59
United Kingdom	10.80
Australasia	4.32
Latin America	2.31
Cash	2.19
Asia ex Japan	2.48
Japan	0.00

Top Holdings	%
Enbridge Inc	7.79
American Tower Corp	7.78
Transcanada Corp	7.11
Sempra Energy	6.98
Kinder Morgan Inc	5.93
Williams Companies Inc	4.32
Vinci SA	4.23
Gibson Energy Inc	4.04
Pennon Group PLC	3.61
Rai Way SPA	3.35

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

The top three individual contributors to relative performance in the period were from an overweight position in Gibson Energy in oil, gas storage & transportation, an underweight position in ENN Energy Holdings (where we held no position) in oil, gas storage & transportation, and an overweight position in Zhejiang Expressway Co in toll roads. Gibson Energy outperformed ahead of the analyst day. ENN Energy Holdings experienced some volatility during the period. Zhejiang Expressway Co's strong annual results focussed investor attention back on its low valuation and hence investment opportunity.

The bottom three individual contributors to relative performance in the period were from an overweight position in Pennon Group in water, an overweight position in Rai Way in communications, and an underweight position in Crown Castle International Corp in communications.

Pennon Group was weaker after a strong performance earlier in the year as political issues in the UK raised risks of an early election. Rai Way saw some weakness as enthusiasm regarding the potential for accretive mergers and acquisitions waned. Crown Castle International Corp was strong on the back of positive momentum and expectations for new leasing growth for both macro sites and fibre/small cells.

Portfolio Positioning

Enav provides services to the aeronautical industry including air traffic control, aircraft servicing and maintenance and meteorological services. It released its annual results to 31 December 2018. On a year-on-year basis en-route and terminal traffic grew at 9.3% and 5.1% respectively, net revenue by 0.9%, net profit by 12.7%, and earnings before interest, tax, depreciation and amortisation by 4.9%. The company remains well-placed for growth.

Infrastrutture Wireless Italiane focusses on radio transmission infrastructure and offers the largest dedicated exposure to telecommunications towers in Italy. It has announced, as a joint project with Ferrovie Dello Stato Italiane, that it will develop its 5G capability at railway stations using a distributed antenna system. Railway stations are popular meeting places in Italy and the new system aims to increase reception via a series of micro antennas distributed throughout all areas of the stations.

Market Review

In the ongoing environment of economic uncertainty, global equities have vacillated between a risk-on and a risk-off bias; exacerbated by the unresolved US-China trade negotiations. Particular sticking points on the negotiations include a requirement for adequate protection of intellectual property, a loosening up of agricultural levies and the opening up of markets in general. The sharp rally in global equities since the December 2018 pull-back also leaves them vulnerable to falls.

US economic data continues to be mixed. There were stronger capital goods orders but weaker industrial production and falling new-home sales. Inflation continues to be under control. However, there are increasing concerns over the widening twin deficit (trade and fiscal); especially given the elevated and increasing government and household debt levels. On a more positive note, the US administration found some succour in the conclusion of the Mueller report into Russian interference in the election process, which recommended no further prosecutions be initiated.

The US Federal Reserve imparted some cause for market concern with its unusual recent communications, indicating it would be unlikely to raise interest rates until 2020 at the earliest; and with an intention to halt the wind-down of its balance sheet by September 2019. This suggests it believes the US economy is more fragile than was previously believed and has also locked it into a path, reducing its flexibility. In addition, short-term changes to policy, with no clearly definable data-driven rationale, has dented its credibility somewhat and raised questions in some quarters as to the independence of its decision-making structure. The yield curve is now inverted, suggesting the market is also worried about the US economy longer term.

Outlook

The outlook for global listed infrastructure remains very positive, supported by robust economic activity and industry-wide structural investment tailwinds. 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.

Our outlook for North American oil, gas storage & transportation remains positive as the shale gas revolution supports attractive volume growth in the region. Efforts to reduce carbon emissions have seen China's liquefied natural gas imports surge and supply investment is still required to avoid the forecasted shortfall by mid-2020.

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

Contact Details

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

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believe to accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL), AMP Capital Funds Management Limited ABN 15 159 557 724, AFSL 426455 (AMPCFM), ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from the issuer or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

No other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.

AMP Life Limited
84 079 300 379