

# Specialist Property and Infrastructure

## 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 performance benchmark (20% – S&P/ASX200 A-REIT Accumulation Index / 35% – FTSE EPRA NAREIT Developed Net Total Return Index (hedged to the Australian dollar) / 30% – Dow Jones Brookfield Global Infrastructure Net Accumulation Index (hedged to the Australian dollar) / 15% – Mercer/IPD Australia Core Wholesale Property Fund Index) on a rolling three-year basis. The strategy provides exposure to a diversified portfolio of direct property, listed property and infrastructure securities, both in Australia and around the world. The portfolio may also invest in direct infrastructure from time to time. The strategy diversifies its direct property and listed property and infrastructure securities exposure across a range of both active and passive strategies. Active strategies are diversified across a range of active investment managers by using a multi-manager approach. Exposures to active managers are to managers who demonstrate competitive advantages within the various investment styles that are used when investing in the Australian and international property and infrastructure markets. The strategy may invest up to 10% in cash however, in certain market conditions may hold higher levels of cash. The strategies diversifies investment styles that are used when investing in the Australian and international property and infrastructure markets to minimise the risk of underperformance should one particular investment style be out of favour within a particular investment timeframe.

### Investment Option Performance

To view the latest investment performances please visit [www.amp.com.au](http://www.amp.com.au)

### Investment Option Overview

|                                       |                             |
|---------------------------------------|-----------------------------|
| <b>Investment category</b>            | Property and Infrastructure |
| <b>Suggested investment timeframe</b> | 5 years                     |
| <b>Relative risk rating</b>           | High                        |
| <b>Investment style</b>               | Multi-Manager               |

| <b>Asset Allocation</b>            | <b>Benchmark (%)</b> |
|------------------------------------|----------------------|
| Listed property & infrastructure   | 85                   |
| Unlisted property & infrastructure | 15                   |
| Cash                               | 0                    |

| <b>Region Allocation</b> | <b>%</b> |
|--------------------------|----------|
| North America            | 37.93    |
| Australasia              | 37.31    |
| Europe ex UK             | 9.88     |
| United Kingdom           | 5.16     |
| Asia ex Japan            | 4.21     |
| Japan                    | 3.54     |
| Cash                     | 1.84     |
| Others                   | 0.13     |

| <b>Actual Allocation</b>             | <b>%</b> |
|--------------------------------------|----------|
| International shares                 | 2.87     |
| Australian shares                    | 22.36    |
| Listed property and infrastructure   | 61.95    |
| Unlisted property and infrastructure | 11.94    |
| Cash                                 | 0.88     |

## Fund Performance

As markets recovered from the heavy falls of the previous quarter, the Specialist Property and Infrastructure Fund produced a very strong return, comfortably outperforming the benchmark. The best performing underlying allocations included the AMP Capital Global Listed Infrastructure Fund, which returned 18.61% for the period and the AMP Capital Global Listed Property Fund, which returned 17.05%. The unlisted property funds generated reasonable returns, however underperformed listed sectors.

## Market Review

Global listed real estate markets rose strongly over the March quarter, generally outperforming broader global share markets as investors shifted capital into more defensive assets, such as listed real estate. This shift was spurred by slowing global growth, central banks becoming more dovish and the subsequent falls in 10-year government bond yields. In particular, US 10-year treasury yields fell significantly over the period, dipping below three-month treasury bills for the first time since 2007.

In regard to global listed infrastructure markets, in the ongoing environment of economic uncertainty, sentiment has 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. 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.

## Outlook

Global listed real estate markets are likely to be further impacted by short-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. However, listed real estate plays a defensive role in portfolios and is therefore likely to remain well supported while volatility is high. Modest global growth, 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 major commercial centres in Europe, Tokyo, Sydney and Melbourne, continue to see rental growth and strong transaction activity.

However, retail is expected to remain challenged and see further store closures, especially those in peripheral locations with commoditised market propositions. Long-term structural growth trends in e-commerce and connectivity as well as demographic headwinds are likely to provide growth opportunities in logistics, data centres and healthcare through the business cycle.

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.

## Availability

| Product name                               | APIR      |
|--|-----------|
| AMP Flexible Super - Super account         | AMP1488AU |
| CustomSuper                                | AMP0861AU |
| Flexible Lifetime - Allocated Pension      | AMP0877AU |
| SignatureSuper Select                      | AMP0954AU |
| AMP Flexible Lifetime Super                | AMP0861AU |
| AMP Flexible Super - Retirement account    | AMP1359AU |
| Flexible Lifetime - Investments (Series 1) | AMP1007AU |
| Flexible Lifetime - Investments (Series 2) | AMP1423AU |
| SignatureSuper                             | AMP0954AU |
| SignatureSuper - Allocated Pension         | AMP1161AU |
| AMP Growth Bond                            | AMP1192AU |
| Flexible Lifetime - Term Pension           | AMP0931AU |

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