

# Accessing infrastructure and commercial real estate investments for retirement

With interest rates currently sitting at record lows and this likely to be the case for some time, in our view, it can be challenging to generate the levels of stable income many investors and self-funded retirees need to meet their living expenses. At the same time, we have been seeing high levels of volatility and economic uncertainty around the world. Real assets (infrastructure and real estate) can help build resilience into a diversified portfolio, offering both capital growth and income potential through a less traditional investment capability.

Through AMP Capital's diverse range of investment options, investors can gain direct exposure to high quality domestic and global real estate and infrastructure assets, typically only available to large institutions.

## What are real assets?

Real assets comprise real estate (such as shopping centres, office buildings and logistics centres); and infrastructure (such as tunnels, airports, schools, wind farms and hospitals) - sectors in which AMP Capital brings expertise, strong heritage and scale. Investor demand for real assets has continued to strengthen in recent years due to their potential to deliver a variety of portfolio benefits that suit the risk/return profile of retirees and their need for an income stream.

<sup>1</sup> Source: Infrastructure Investor 50 2020

<sup>2</sup> Source: ANREV/INREV/NCREIF Fund Manager Survey 2021  
Image: ITS ConGlobal, North America

## Why AMP Capital for real assets?

AMP Capital has more than 60 years of leadership in real asset investment. We have been recognised as one of the largest infrastructure managers globally<sup>1</sup>, and one of the largest direct real estate fund managers in the Asia Pacific<sup>2</sup>.

- Our funds make real assets accessible to individual investors with a higher level of liquidity than is normally associated with unlisted assets
- Access to high quality assets normally only available to institutional investors
- A strong focus on owning and managing a diverse range of assets, which seeks to enhance risk adjusted returns
- An active management approach backed by 600+ real estate and 100+ infrastructure professionals with deep expertise in real estate and infrastructure
- A strong focus on Environmental, Social and Governance (ESG) factors, including a target of achieving Zero Net Carbon across our managed real estate assets by 2030



# Commercial real estate

Investors in both residential and commercial real estate have benefited from strong capital growth over the last decade. Now that we are in a lower interest rate environment, the appeal of commercial real estate is increasing versus residential, given the stability of income generated from longer-term leases.

That potential for predictability and stability is amongst the reasons why we've seen commercial real estate attract institutional investors for decades. Although these return characteristics also suit many small investors, buying an office building or shopping centre is far from affordable for most. Furthermore, these properties require a large team of professionals to manage them on a day-to-day basis. For that reason, investing in a fund is the most achievable way for individual investors to gain well-diversified exposure to commercial real estate.



## Benefits of investing in commercial real estate

- Stable income - income comes from the rents collected from corporate and government tenants, typically bound by lease agreements that run from 3 to 10 years, sometimes longer. Additionally, these rents often increase each year by a fixed, agreed rate of about 3% to 4.5%, meaning income from commercial property generally increases over time.
- Diversification - commercial real estate has low correlation and behaves differently to other asset classes, providing diversification in an investment portfolio.
- Less volatility than equities - unlisted real estate asset values don't rise and fall every day like equities.
- Hedge against inflation - in the long-term, both asset values and the income they generate tend to keep pace with increases in inflation and the cost of living, which is particularly important for investors in retirement as life expectancy continues to rise.

The most established sectors within the asset class are office, retail and logistics. Each serves distinct parts of the economy and are constantly evolving, so it is through a carefully constructed portfolio that AMP Capital seeks to provide investment options that may suit those approaching retirement.





Image: Quay Quarter Tower, Sydney (Artist's impression as under development)

## Office

As workplaces transform coming out of 2020, it becomes increasingly important that corporate and government tenants are provided with the size, amenities and accessibility they seek. AMP Capital provides specialised expertise in the management of some of Australia's most well recognised commercial office buildings and office parks. We own and manage a combination of both large and medium sized assets in centralised CBD locations and suburban hubs, proving resilient in meeting the needs of a diverse pool of tenants. See our funds featured below for more information on gaining access to diverse office assets.



Image: Indooroopilly Shopping Centre, Brisbane

## Retail

Shopping centres in major cities are often anchored by supermarkets and fresh food, and as consumer demands change, the need to ensure that retail portfolios are positioned to leverage new opportunities becomes increasingly important. In recent months, we have seen favourable conditions for smaller, convenience-sized retail properties which form a substantial portion of AMP Capital's portfolio. Our team of specialised retail experts is active in managing some of Australia's and New Zealand's most successful and high-performing retail centres. We manage 1.1 million square metres of retail floor space, and see over 145 million visits annually across our portfolio of retail centres<sup>3</sup>.



Image: 13-19 William Angliss Drive, Laverton North

## Logistics

Demand for logistics assets is underpinned by changes in demographics, undersupply and e-commerce. These trends create opportunities for investors to gain exposure to assets that can offer a growing, stable income source, particularly as we see this sector emerge as a key beneficiary of the rise in online retailing. Some of Australia's key logistic estates form the portfolio of 12<sup>4</sup> domestic assets we manage on behalf of our clients.

<sup>3</sup> As at 30 June 2021

<sup>4</sup> As at 30 June 2021



## Connect Corporate Centre, Mascot, Sydney

- **Mixed use** - this property comprises retail, car parking and office space
- **Well serviced by transport infrastructure** - located in a suburb on Sydney's railway network, close to domestic and international airports as well as the city's major shipping container terminal
- **Attractive characteristics:** 100% occupancy rate<sup>5</sup> and over 35,000 sqm of lettable area



Image: 12 Moore St, Canberra

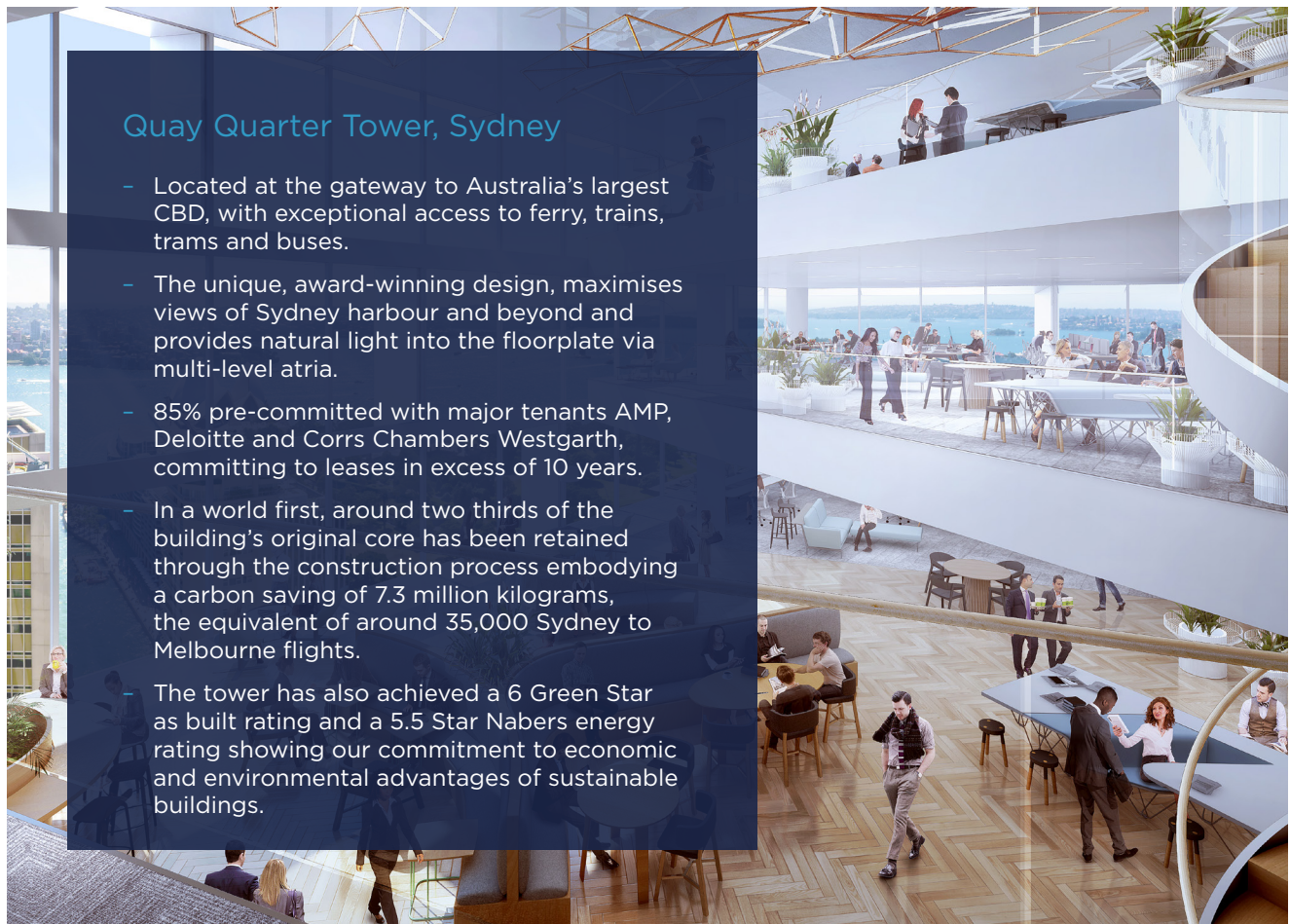
## Wholesale Australian Property Fund

The Wholesale Australian Property Fund (WAPF), established in 1985, is an unlisted property fund with a strong history of delivering consistent distributions to investors through diversified exposure to office, retail and industrial properties around Australia. The investment team focuses on what we consider to be the market's sweet spot - properties worth \$20-\$250 million that are too expensive for individual investors, but too small for institutional investors. By operating in a segment of the market with limited competition, we can selectively build a portfolio of assets that attracts high quality tenants from diverse industries.

To learn more about WAPF, please go to: [www.ampcapital.com/wholesale-australian-property-fund](http://www.ampcapital.com/wholesale-australian-property-fund)

<sup>5</sup> As at 30 September 2020





## Quay Quarter Tower, Sydney

- Located at the gateway to Australia's largest CBD, with exceptional access to ferry, trains, trams and buses.
- The unique, award-winning design, maximises views of Sydney harbour and beyond and provides natural light into the floorplate via multi-level atria.
- 85% pre-committed with major tenants AMP, Deloitte and Corrs Chambers Westgarth, committing to leases in excess of 10 years.
- In a world first, around two thirds of the building's original core has been retained through the construction process embodying a carbon saving of 7.3 million kilograms, the equivalent of around 35,000 Sydney to Melbourne flights.
- The tower has also achieved a 6 Green Star as built rating and a 5.5 Star Nabers energy rating showing our commitment to economic and environmental advantages of sustainable buildings.



Image: Macquarie Centre, Sydney

## AMP Capital Core Property Fund

Established in 2005, the AMP Capital Core Property Fund (CPF) invests in a strategic blend of unlisted and listed real estate globally, seeking to generate income and capital growth while mitigating risk through diversification. The Fund's global mandate provides exposure to markets and sectors that are challenging to invest in domestically. It provides access to what we consider to be high quality institutional grade real estate that may otherwise be difficult for individuals to gain exposure to, targeting a premium price point – the average property size in the unlisted portfolio is \$868 million<sup>6</sup>. Uniquely, CPF leverages the diversity of AMP Capital's broader real estate team to ensure strong conviction in the assets being invested into.

To learn more about CPF, please go to: [www.ampcapital.com/core-property-fund](http://www.ampcapital.com/core-property-fund)

<sup>6</sup> As at 30 June 2021. Assets held in the unlisted real estate portfolio through units held in the AMP Capital Wholesale Office fund (AWOF) and AMP Capital Shopping Centre Fund (ASCF). Figures shown represent 100% value of the asset and not just the AMP Capital Core Property Fund's proportionate ownership of the vehicles that own these assets

Image: Connect Corporate Centre, Mascot

# Infrastructure

The world needs to invest \$3.3 trillion a year in infrastructure as emerging markets develop, developed markets renew ageing infrastructure, and governments look to infrastructure investment to fuel economic recovery<sup>7</sup>. At AMP Capital, investors can gain exposure by investing in a strategic blend of listed and unlisted infrastructure, so for those approaching retirement who seek both sustainable income and capital growth over the long term, this offers a significant opportunity.



## Benefits of investing in infrastructure

- **Essential services assets** – many infrastructure assets deliver essential services such as electricity and water. Therefore, they can be less influenced by market cycles than many other types of assets.
- **Stable, long-term income** – many infrastructure assets have long-term, stable revenue streams, underpinned by regulatory frameworks and long-term contracts.
- **Significant barriers to entry** – the significant barriers to entry for infrastructure assets means that they are typically less exposed to new competition and threats to profitability.
- **Low correlation to tradition asset classes** – many investors use infrastructure assets as a source of diversification since returns are generally not correlated to other asset classes many investors already hold, thereby helping reduce overall portfolio risk.

Infrastructure assets provide the essential services that promote productivity, drive economic growth and underpin the day-to-day operation of society. They span a broad set of sectors including water, energy, renewables, airports, seaports, roads, communications, health and education.

## AMP Capital Core Infrastructure Fund

The AMP Capital Core Infrastructure Fund (CIF) provides investors access to a global portfolio of infrastructure assets which are diversified by asset type, sector and location. To control risk and provide investors with diversification and liquidity, the Fund takes an integrated approach to building a strategically blended portfolio of unlisted infrastructure assets and listed infrastructure securities in Australia and globally. The Fund offers strong total risk adjusted return (income and capital growth) potential and is expected to have a low correlation to other asset classes, such as equities and bonds. By investing in the Fund, investors have access to infrastructure assets across airport, power transmission, rail, telecommunications, fuel storage, renewables and education sectors.

To learn more about CIF, please go to: [www.ampcapital.com/core-infrastructure-fund](http://www.ampcapital.com/core-infrastructure-fund)

<sup>7</sup> Source: McKinsey Global Institute, 'Bridging Global Infrastructure Gaps', June 2016  
Image: Mark Oliphant College, Adelaide





### Macarthur Wind Farm, Victoria

- Long-term contracted revenues – fixed-price fixed-volume off-take contract until 2038, following which there is an opportunity to extend the operations for a further period
- Limited operational risk – Macarthur has agreements (including off-take, operations and maintenance, and asset management) in place until 2038, which effectively outsource many of the risks typically associated with a wind farm to third parties
- Investment-grade counterparty – AGL Hydro Partnership, a subsidiary of, and backed by, AGL Limited, which operates Australia's largest electricity generation portfolio and is the largest renewable energy investor on the ASX

The three funds mentioned are available to:

- Individual investors
- Corporate investors (trustees or directors)
- SMSF trustees

They are available through:

- The AMP Capital website directly
- A wide range of investment administration platforms

Contact us or speak to your adviser for more details.

## Key risks to investing in real assets

Real asset investments are subject to:

- Liquidity risk - assets subject to liquidity risk may be difficult to trade and it may take longer for their full value to be realised. In circumstances where a fund's portfolio ceases to be 'liquid' for Corporations Act purposes, there may be significant delays or a freeze on withdrawal requests.
- Value risk – asset values are influenced by location, supply and demand, rental agreements, occupancy/patronage levels, obsolescence, tenant covenants, environmental issues and government or planning regulations.
- Sector risk – this includes increased levels of competition, increases in taxes and operating expenses, demographic trends and variations in rental income or revenues from contracts.
- Interest rates - the risk that income and capital returns on cash and fixed income investments are impacted by movements in interest rates.
- International investments risks (where investments are made outside of Australia) – including exchange rate loss and the risk that political or economic climates may change without notice.

For those funds that include a listed component, share market investment risks also exist – the value of a fund's listed securities may decrease as a result of adverse share market movements.

Image: Macarthur Wind Farm, Victoria



**Important information:** AMP Capital Funds Management Limited (ABN 15 159 557 721, AFSL 426455) (**AMPCFM**) is the responsible entity of and the issuer of units in the AMP Capital Core Infrastructure Fund. The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235150) (**The Trust Company**), a wholly owned subsidiary of The Trust Company Limited (ABN 59 004 027 749), is the responsible entity of and the issuer of units in the AMP Capital Core Property Fund. National Mutual Funds Management Ltd (ABN 32 006 787 720, AFSL 234652) (**NMFM**) is the responsible entity of and the issuer of units in the Wholesale Australian Property Fund. To invest in any of the Funds, investors will need to obtain the current Product Disclosure Statement (PDS) for the relevant Fund from AMP Capital Investors Limited (ABN 59 001 777 591, AFSL 232 497) (AMP Capital). The PDS contains important information about investing in the Funds and it is important investors read the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Funds. Neither AMP Capital, AMPCFM nor any other company in the AMP Group guarantees the repayment of capital or the performance of any product or any particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance. While every care has been taken in the preparation of this document, AMP Capital makes no representation or warranty as to the accuracy or completeness of any statement in it including without limitation, any forecasts. This document has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. Investors should, before making any investment decisions, consider the appropriateness of the information in this document, and seek professional advice, having regard to their objectives, financial situation and needs. This information is not intended for distribution or use in any jurisdiction where it would be contrary to applicable laws, regulations or directives and does not constitute a recommendation, offer, solicitation or invitation to invest. © Copyright 2020 AMP Capital Investors Limited. All rights reserved. A target market determination has been made in respect of each of the Funds, available at [www.ampcapital.com/tmd](http://www.ampcapital.com/tmd)