AMP Listed Property Trusts

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the S&P/ASX 200 A-REIT Accumulation Index on a rolling 12-month basis. The portfolio predominantly invests in property (and property related) securities.

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au

Investment Option Overview

Investment category	Property and infrastructure
Suggested minimum investment timeframe	5 years
Relative risk rating	High
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Listed Property and Infrastructure	100
Cash	0

Actual Allocation	%
Australian Shares	0.40
Listed Property and Infrastructure	99.18
Cash	0.42

Sector Allocation	%
Diversified REITs	40.09
Industrial REITs	22.15
Retail REITs	17.96
Office REITs	13.86
Specialised REITs	3.32
Health Care REITs	1.12
Residential REITs	1.09
Cash	0.42

Top Holdings	%
Goodman Group	22.15
Dexus	12.61
Mirvac Group	11.20
Scentre Group	11.18
GPT Group/The	8.83
Charter Hall Group	7.42
Stockland	4.90
Charter Hall Long Wale REIT	4.15
Shopping Centres Australasia P	2.89
Abacus Property Group	2.51

Region Allocation	%
Australasia	99.58
Cash	0.42

Fund Performance

The Fund was positive for the September quarter in absolute terms, though it underperformed the benchmark ASX 200 A-REIT total return index over the period.

At a sector level, the Fund's overweight positioning in diversified, health care and residential REITs aided the relative return, while other sectors generally detracted. Stock selection was close to neutral, while asset allocation was the main driver of the relative underperformance.

At a stock level, an overweight holding in Charter Hall Long Wale REIT was the largest positive contributor to the relative return, while an underweight holding in Stockland was the largest detractor

Market Review

The Australian listed real estate market rose in October and outperformed the broader Australian share market, which was weighed down by heightened concerns about global economic growth. Together with slowing Australian economic conditions, these concerns led the Reserve Bank of Australia to lower the official cash rate by 0.25% to an historical low of 0.75%. This resulted in investors shifting capital into defensive assets, supporting the listed real estate market. Australian 10-year bond yields remained very low but ticked up 0.12% to 1.14% over the period.

The listed real estate market was also supported by several companies reporting solid September quarter updates. This was the case for Australia's largest office landlord Dexus, which reported 98.1% occupancy across its office portfolio. It remained optimistic about being able to drive rental growth in its quality office properties in Sydney and Melbourne and indicated that offshore interest in its office properties was increasing. The company also announced a buy-back of up to 5% of its shares on issue.

Diversified property group Mirvac Group also reported strong results for its office business, with occupancy at a five -year high of 98.4% and the weighted average lease expiry increasing to 6.9 years, from 6.4 years in the previous quarter. The company indicated that its residential business had obtained increased enquiries, which it hoped to translate into sales volumes. Its retail business recorded slightly lower moving average turnover sales growth of 2.6%, compared to 2.7% in the previous quarter, due to supermarket sales moderating.

Another diversified property group Stockland reported that its residential business grew net deposits by 36% compared to the previous quarter, although they were down 11% compared to the same period last year. The company noted that its net deposits are expected to improve further over the full-year 2020. Its retail business recorded mixed results, with occupancy costs higher, but moving average turnover sales growth of 2.6%, compared to 2.3% in the previous quarter.

Meanwhile, retail landlord Vicinity Centres reported its overall moving average turnover sales growth fell slightly to 2.0%, compared to 2.1% in the previous quarter despite recent stimulus from lower interest rates and reduced personal income tax rates. However, its specialty store moving average turnover sales growth was particularly strong, up 2.0% compared to 1.7% in the previous quarter and 6% higher than the same period last year.

Both Mirvac Group and Stockland highlighted improvements appearing in their residential businesses. This was reinforced by research from CoreLogic that showed Sydney and Melbourne dwelling prices increased in September, with the strongest gains in 'prestige' dwellings, although prices in other state capital cities were flat or declined. In addition, housing loan approvals, excluding refinancing, rose 2.9% in August which is a positive forward indicator of demand for residential real estate.

Retail business conditions remain weak as the trend in monthly retail sales growth declined to 0.1% in August, its slowest pace in two years. This was evident in the results of ISPT Retail Australia Property Trust, which delivered a 3.3% after fees return over the year to the end of September, which was 10% below its return last year. The company also warned that retail property owners face both falling rents and asset values that will not correct soon.

This weak retail outlook likely prompted the Lowy family to continue its retreat from shopping centre investments, as it reportedly sold its remaining A$815 million stake in Scentre Group, which is around 3.9% of the company.

Transaction activity remained high and several companies raised capital. Charter Hall Group's wholesale industrial fund closed its A$725 million equity raising which provides it capacity to grow to more than A$5 billion, from A$3.9 billion, through acquisitions and by funding developments. Meanwhile, Ingenia Communities Group announced that it will conduct a A$131.1 million equity raising to fund the acquisition of three new lifestyle communities.

The initial public offering market is also opening up, with large-format landlord Home Consortium listing to further its plans to convert former Masters Home Improvement sites into convenience-style retail outlets. On the day of listing, the company's share price closed at a 17Z% premium to its net tangible asset value. Also, property fund manager Primewest Group is seeking to raise A$100 million through its listing in November, valuing the company at around A$349.1 million.

Outlook

A low interest rate environment and a generally supportive macro-economic outlook, beyond short term risks, are likely to continue to support reasonable medium-term returns in the Australian listed real estate market, albeit they will be more constrained than seen recently. Industrial properties exposed to longer-term secular growth trends such as e-commerce, data connectivity and logistics are expected to perform well. The office market continues to benefit from strong business confidence and global investor interest; hence it appears reasonably well positioned to absorb upcoming additional supply in the major capital cities. The retail market faces the challenges of e-commerce, structural changes and shifting customer habits; however well-located centres that offer an attractive leisure environment are likely to grow earnings faster than commoditised peripheral venues.

Availability

Product Name	APIR
AMP Flexible Super - Retirement account	AMP1326AU
Flexible Lifetime - Allocated Pension	AMP0611AU
Flexible Lifetime - Term Pension	AMP0903AU
SignatureSuper - Allocated Pension	AMP1134AU

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