

UBS Clarion Global Property Securities

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To provide capital growth and income from a diversified portfolio of listed global real estate companies. The option aims to outperform (after management costs) the FTSE EPRA/NAREIT Developed Rental Net Return Index (AUD Hedged) when measured over rolling three year periods. The strategy can invest in listed real estate securities, or those equity securities in the process of being listed, on any recognised stock exchange in the developed or emerging markets. The strategy may also invest in cash, financial derivatives and currency instruments. The investment manager places an emphasis on analysing countries and property sectors experiencing the strongest fundamentals and invests in companies run by quality management team.

The Fund expects to hold about 60 to 90 securities and can invest up to 10% in cash.

Investment Option Performance

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

Investment Option Overview

Investment Category	
Suggested Investment timeframe	
Relative risk rating	
Investment style	
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property and Infrastructure	100	98.32
Cash	0-	1.68

Regional Allocation	%
North America	64.46
Europe (Ex. UK)	12.94
Japan	9.59
Australia & NZ	2.29
United Kingdom	5.04
Asia Pacific Ex. Japan	3.99

Top Holdings	%
Prologis	4.35
Equity Residential	3.64
HCP	3.40
Cubesmart	2.74
Invitation Homes	2.54
Sankei Real Estate	2.36
Alexandria Real Estate Equities	2.17
Link REIT	2.17
Healthcare Trust Of America	2.15
Welltower	2.11

Investment Option Commentary

X Real estate stocks have continued to perform in an environment of low interest rates and moderate economic growth. Listed real estate generated positive total return during a quarter which saw a change in factor leadership late in the quarter. Specifically, September saw a reversionary or “value rally” as a number of sectors and stocks which had previously underperformed began to outperform. U.S. malls, shopping centres and hotels, for example, outperformed for the month, versus industrial, self-storage and residential which underperformed. Retail, in particular (malls and shopping centres), came to life after an extended period of underperformance.

In Europe, retail companies similarly outperformed in September, including bellwether Unibail Rodamco, and mall company Hammerson in the U.K. as well as the major diversified companies Land Securities and British Land, which are roughly 50/50 office/retail. Conversely, the “growth” market of Scandinavia underperformed. While European positioning had a tough month, it added value for the quarter.

Overall positioning in the Asia-Pacific region added value in the third-quarter, Australia the stand-out performer benefitting from exposure to strongly performing Ingenia Communities Group. Clarion’s positioning in Hong Kong remains conservative with respect to business model given continued US/China trade war uncertainties and ongoing protests in Hong Kong.

Despite the overall drag for the month, relative performance finished positive for the 3Q and remains materially positive for the year. The balance in their portfolio construction proved to be resilient during a significant rotation in market dynamics.

Changes in positioning during the quarter were modest and consistent with their Sector Ranking Analysis. In the U.S., investment in the office and net lease sectors were increased during 3Q, sourced with trims of industrial, healthcare and self-storage. Capital was added to the technology sector which continues to demonstrate strong earnings growth. In general, outperforming sectors and stocks were trimmed and underperforming sectors and stocks conversely bought.

Capital movements in the Asia-Pacific region centred on lightening up in Hong Kong, which is being impacted by ongoing geo-political tension given protests and trade tariff disputes between the U.S. and China. Investments in the Japanese REITs involved some rotation among names, as these stable businesses offer attractive relative dividend yield and steady prospective earnings growth.

In Europe, capital was rotated by trimming positions in Spain and Ireland, the latter due to the privatization of portfolio hold Green REIT at an attractive premium.

Portfolio shifts otherwise focused on stock selection.

Market Commentary

Real estate stocks moved higher in the third quarter. Listed real estate total return was again positive in the third-quarter with year-to-date total return now above 20%. Real estate companies are benefitting from defensive characteristics of well-covered dividend yield supported by growing contractual cash flows amid an uncertain macro-economic and geo-political backdrop. Bond yields nudged higher during the month as the yield on the U.S. 10-year Treasury bond finished at 1.68% versus 1.50% one month ago.

Outlook

Clarion believe this moderate global economic environment is good for real estate stocks. The economic expansion will continue this year but is slowing, potentially exacerbated by geo-political risk including Brexit, U.S. trade policy uncertainty, and a slowing/bottoming China. Inflationary pressures are easing, and monetary policy globally is accommodative.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1999AU
AMP Flexible Super - Retirement account	AMP2024AU
AMP Flexible Super - Super account	AMP2029AU
CustomSuper	AMP1999AU
Flexible Lifetime - Allocated Pension	AMP2004AU
Flexible Lifetime - Term Pension	AMP2019AU
Flexible Lifetime Investment (Series 2)	AMP2035AU
SignatureSuper	AMP2009AU
SignatureSuper Allocated Pension	AMP2016AU

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267



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