

RARE Infrastructure Value

Quarterly Investment Option Update

30 September 2020

Aim and Strategy

The portfolio's investment objective is to provide investors with regular and stable income, comprised of dividends, distributions and interest, plus capital growth from a portfolio of global infrastructure securities while hedging the Fund's currency exposure back to AUD. The portfolio will aim to outperform a benchmark comprising OECD G7 inflation plus 5.5% p.a. The performance objective for the portfolio is to outperform the benchmark on a per annum basis after fees, hedged back into AUD, over rolling five-year periods.

Investment Option Performance

To view the latest investment performances for each product please visit:

www.amp.com.au/performance

Investment Option Overview

Investment Category	Property and Infrastructure
Suggested Investment timeframe	7 years
Relative risk rating	6 / High
Investment style	Value
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property and Infrastructure	100	98.16
Cash	0	1.84

Sector Allocation	%
Electric	33.72
Toll Road	16.59
Renewables	13.31
Railway	9.31
Communications	7.00
Airport	6.76
Water	5.79
Energy Infrastructure	3.62

Regional Allocation	%
USA & Canada	53.31
Western Europe	36.89
Asia Pacific Developed	7.96
Cash	1.84

Top Holdings	%
Union Pacific Corporation	5.71
Public Service Enterprise Group Inc	5.14
VINCI SA	4.27
Severn Trent Plc	4.14
Sempra Energy	3.90
Transurban Group Ltd.	3.88
NextEra Energy, Inc.	3.84
American Tower Corporation	3.65
Cheniere Energy, Inc.	3.62
Edison International	3.62

Investment Option Commentary

On a regional basis, North America was the top contributor to quarterly performance (+3.53%), of which Canadian renewables utility Brookfield Renewable Partners (+1.16%), U.S. rail company Union Pacific (+0.73%) and U.S. electric utility Public Services Enterprise Group (+0.41%) were the lead performers.

Brookfield Renewable Partners (BEP) is a pure-play renewables operator and developer headquartered in Canada, focused on international hydro, solar, wind and storage technology. The investment community continues to support the renewables theme and recognises BEP as a leader in the space. Additionally, BEP's investor day was well-received, with the company guiding to double-digit funds from operations growth outlook through 2025, driven by a combination of a robust development backlog, and some acquisitions.

Union Pacific (UNP) is the largest listed railroad company in North America. UNP's freight transportation services are crucial to the functioning of the U.S. economy. Investors welcomed UNP's continued volume recovery, which has been comfortably above the market's conservative expectations. UNP has demonstrated strong cost controls amidst carloads, which were impacted by the pandemic.

Public Services Enterprise Group (PEG) is a U.S. diversified energy company. PEG's electric and gas distribution revenues are regulated by the New Jersey utility commission, and its electric transmission assets are regulated by the Federal Energy Regulatory Commission (FERC). PEG announced a strategic review of its gas-fired generation assets, which would potentially reduce the company's ownership of fossil fuel assets to zero and improve the company's ESG credentials. Additionally, PEG received a constructive outcome on its energy efficiency filing, receiving 80% of its ask over a three-year period, which allowed the company to revise its asset base outlook upwards to 7%–8% per annum through to 2024.

In Western Europe, Danish renewables utility Orsted also performed well, contributing +0.40% to quarterly performance.

Orsted is the global industry leader in the offshore wind industry, with about 30% market share. Over the past few years, Orsted has gradually exited the oil, coal and gas businesses. More recently it has exited the energy retail business and transformed this business into a green solutions provider. It is a pure play in renewables with over 90% of its earnings from regulated and contracted activities in 2019–25. Shares were higher on positive sentiment around renewables, supported by news from the EU on green recovery and a hydrogen strategy to combat climate change.

French toll road operator Vinci (-0.64%) was the largest detractor from quarterly performance.

Vinci operates half of France's toll road network under long-term concession agreements, a growing portfolio of airport concessions, and a global contracting business. A rise in COVID-19 cases in Europe during the quarter caused concerns around the outlook for traffic recovery, pressuring Vinci's stock.

All returns are in local currency.

Market Commentary

Economic data continued to show signs of a strong rebound from the COVID-19-induced lows of the second quarter, albeit the rebound moderated. COVID-19 infections continued to spread in many regions, resulting in targeted changes to mobility restrictions, particularly in the U.S. and emerging markets and more recently Europe. As such, market expectations for a V-shaped economic recovery tempered during the quarter. Government stimulus was further extended in many regions, including the landmark €750bn European Recovery Fund. Stimulus, easy monetary policy, expectations of bond rates remaining low for a significant period and positive news flow around vaccine development all combined to support financial markets. Concerns around rising inflation risk continued given the accommodative monetary policy but is offset by the significant economic slack globally.

Outlook

On a regional level, the Strategy's largest exposure is in the U.S. & Canada (53%) and consists of exposure to utilities (40%) and economically sensitive sectors (13%).

For the **RARE Infrastructure Value Strategy**, the primary quantitative tool in portfolio construction is the excess return, on which our stock-ranking system is based. The Investment Committee initiated a position in Portuguese renewables utility Energias de Portugal, supported by our valuation framework, which incorporates our positive view on the renewables growth outlook globally and the company's market-leadership position which enables them to capitalise on that growth.

The strategy also used the opportunity to crystallise some gains by exiting U.S. electric utility CenterPoint Energy, New Zealand airport operator Auckland Airport and U.K. water company United Utilities.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1528AU
AMP Flexible Super - Retirement account	AMP1588AU
AMP Flexible Super - Super account	AMP1576AU
CustomSuper	AMP1528AU
Flexible Lifetime - Allocated Pension	AMP1540AU
Flexible Lifetime Investment (Series 2)	AMP2042AU
SignatureSuper	AMP1552AU
SignatureSuper Allocated Pension	AMP1564AU
SignatureSuper Select	AMP1552AU

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