AMP Capital Global Infrastructure Securities (Hedged)

Quarterly Investment Option Update

31 December 2020

Aim and Strategy

To provide total returns (income and capital growth) after costs and before tax, above the Dow Jones Brookfield Global Infrastructure Index (Australian dollar hedged) over the long term. The portfolio invests primarily in infrastructure securities around the world, with a focus on infrastructure companies operating in developed markets, and may invest in infrastructure companies operating in growing, emerging markets. The portfolio focuses on companies that own and operate infrastructure assets, derive most of their cash flow from those assets, and have liquid market listings on major global stock exchanges. Investments are diversified across geographic regions and infrastructure sectors, with a focus on four major sectors: energy - including oil and gas transportation and storage, transportation - including toll roads, and airports, communications and utilities. The manager may select unlisted securities only where it considers that the security is likely to be listed within 12 months of its inclusion in the portfolio. The portfolio may also invest in other financial products such as managed strategies where this is consistent with the investment objective and approach. International investments are generally hedged back to Australian dollars. The portfolio may also use derivatives such as options and futures.

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 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	%
International Shares	88.09
Listed Property and Infrastructure	11.12
Cash	0.78

Sector Allocation	%
Oil, Gas Storage & Transportn	43.96
Communications	13.98
Diversified	10.94
Transmission & Distribution	10.10
Airports	8.52
Toll Roads	7.59
Water	2.61
Rail	1.52
Cash	0.78

Top Holdings	%
ENBRIDGE INC	7.17
SEMPRA ENERGY	6.36
National Grid PLC	5.40
AMERICAN TOWER CORP	5.32
WILLIAMS COMPANIES INC	5.08
CENTERPOINT ENERGY INC	4.55
Flughafen Zurich AG	4.43
Gibson Energy Inc	4.39
RAI Way SpA	4.39
TC Energy Corp	4.10

Region Allocation	%
North America	56.90
Europe ex UK	23.01
Asia ex Japan	6.96
United Kingdom	6.65
Australasia	3.37
Japan	1.52
Latin America	0.80
Cash	0.78

Fund Performance

The Fund outperformed the index during December on a total return local basis.

At a sector level, the Fund is overweight in oil, gas storage & transportation, airports, diversified, toll roads, and rail; and is underweight in communications, transmission & distribution, water, and ports.

Overall positive contributions to relative returns came from toll roads, communications, transmission & distribution, and airports; whilst oil, gas storage & transportation, water, diversified, ports, and rail detracted. From an asset allocation perspective, positive contributions to relative returns came from communications, airports, oil, gas storage & transportation, and toll roads; whilst water, transmission & distribution, diversified, and rail detracted. At a stock selection level, positive contributions came from toll roads, transmission & distribution, and communications; whilst there were negative contributions from oil, gas storage & transportation, diversified, water, and airports. There was a neutral effect from ports and rail.

The top three individual contributors to relative performance in the period were from overweight positions in Zhejiang Expressway in toll roads and Plains GP Holdings in oil, gas storage & transportation; and an underweight position in Crown Castle International Corp in communications. Zhejiang Expressway's traffic continued to recover strongly while the company also acquired two roads in the Zhejiang province at reasonable prices. Plains GP Holdings benefitted from increased inflation expectations, which assists future revenue streams for companies in the sector, together with strong midstream seasonality. Crown Castle International Corp continued its consolidating price action in December, as investors rotated out of US towers on the back of reduced expectations for US leasing growth in 2021.

The bottom three individual contributors to relative performance during the period were from an overweight position in CenterPoint Energy in diversified; and underweight positions in ONEOK and ENN Energy Holdings in oil, gas storage & transportation. CenterPoint Energy held its analyst day during the period and disappointed the market's expectations it might exit its midstream investment, Enable Midstream Partners LP. Instead the company stated it would provide another update, suggesting it might not progress a full sale. ONEOK has recently outperformed its peers, supported by positive earnings and the potential for ethane recovery in 2021. ENN Energy Holdings performed well due to higher than expected retail gas sales volumes.

Portfolio Positioning

We maintained a sizeable overweight allocation to the North American oil, gas storage & transportation sector. Our outlook for the energy sector remains positive as we believe that low-cost US production will continue to drive export growth as overall demand recovers in the long term.

We also held an overweight position in the transportation sector. The sector was at the forefront of the impact from the COVID-19 pandemic whilst also a key player in the recovery. We remain reliant on our long-term time horizon to search for dislocations in value. We will continue to be selective in our positioning, favouring highly discounted valuations based on conservative forecasts and robust financial structures which are able to withstand short-term demand shocks.

We also retained a considerable underweight position in the communications sector. Secular trends such as e-commerce penetration, video streaming, working from home and the continued rapid growth in data usage have only been accelerated by the pandemic. Although we are positive on the tailwinds for the sector, valuations have become even more stretched on the back of the flight to safety due to COVID-19 concerns.

Market Review

December saw some closure and improved visibility on issues that had been weighing on the market for most of 2020. Despite further COVID-19 waves, breakouts and new strains, tangible plans for vaccine rollouts in 2021 showed an improved path to normalcy. The UK and Europe finally agreed a Brexit deal, although there remains some uncertainty on financial services provisions. All-in-all, the global environment imparted a more positive sentiment backdrop during the month which kept equity markets supported. However, many equity markets now look stretched and signs of excessive optimism have been reflected in IPOs often trading significantly above their launch valuations, with sketchy or sometimes zero profitability. On the other hand, global listed infrastructure ended the year underperforming the global equities market.

In the US, the Biden administration is likely to introduce a more comprehensive stimulus package in 2021, when he is in power officially. Biden's proposed raft of tax increases has still not been fully digested by the markets; however, these have the potential to impact the US equity market in 2021 should they pass the legislative process. Shorter-term COVID-19 relief provisions were passed at the last minute by the Trump administration to avoid a government shutdown. Economic data in the month was mixed with strong Institute for Supply Management business conditions readings, a rise in construction and solid home sales, but slower than expected jobs growth. Against this, the expected ongoing stimulus programme and international trade uncertainty has seen the dollar weaken.

In Europe, core consumer price inflation remains weak on a year-on-year basis. Amidst the shifting economic environment, the approved Brexit deal has drawn a line under much of the uncertainty that has plagued UK-eurozone relations since the 2016 UK referendum. Any sign of increased stability will be welcomed. Europe implemented its vaccine plan late taken from an international perspective. This leaves the spectre of possible further lockdowns and a prolonged vaccine implementation timetable, which could impair the ability of periphery economies to adequately service their debts the longer pandemic measures persist.

In Asia, Japanese industrial production has recovered more than expected and the ratio of job openings to applicants has improved. There has been a solid rise in machine orders and stronger household spending; however, there has also been a fall in business and household confidence. In China, latest business conditions purchasing managers' indices have continued to improve and are at levels consistent with an ongoing economic expansion. There has been a surprising strength in exports, particularly to the US, and strong credit growth. However, a ramp-up in US-Sino trade tensions could alter the dynamics quickly as the Biden administration beds down and implements its policies. The hope is that Biden will seek to calm the waters.

Global markets will be looking ahead to 2021, hoping the impact of 2020 will be able to be reversed as soon as possible once vaccine programmes start to make their full effect felt.

Outlook

2020 will long be remembered for the COVID-19 pandemic and the associated and unprecedented decline in economic activity around the world. However, it will also be well-remembered for size and the speed of the response from central banks and governments, globally, to soften the impact on workers, companies and the population at-large. The significant further loosening of monetary policy and the direct or indirect lowering of interest rates was a positive development for a long-life asset class like infrastructure. The expectation that central banks will maintain such an accommodative stance well into the future we believe is also supportive.

For global listed infrastructure as an asset class we continue to see the potential for future outperformance as investors seek quality defensive assets that provide sustainable yield profiles in the current low interest rate environment. 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. Whilst we are closely monitoring current developments, we will continue to look to take advantage of opportunities as they emerge with a long-term investment horizon.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1879AU
AMP Flexible Super - Super	AMP1878AU
CustomSuper	AMP1874AU
Flexible Lifetime - Allocated Pension	AMP1875AU
Flexible Lifetime - Investments (Series 2)	AMP2030AU**
Flexible Lifetime - Super	AMP1874AU
SignatureSuper	AMP1876AU
SignatureSuper - Allocated Pension	AMP1877AU

**Closed to new and existing investors

Contact Details

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

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