

# AMP Capital Global Property Securities

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 FTSE EPRA/NAREIT Developed Net Total Return Index (hedged back to Australian dollars) on a rolling three-year basis, by investing in property securities listed on sharemarkets around the world. Securities in which the portfolio invests are diversified across a range of asset classes, property sectors and geographic regions. The portfolio includes investments in real estate investment trusts and property securities companies across the Americas, Europe and Asia Pacific. The portfolio is managed by an investment team made up of on-the-ground regional investment specialists based in Sydney, Chicago, London and Hong Kong, implementing a research driven process that integrates a macroeconomic (top-down) approach to regional and country allocation, with a stock specific (bottom-up) selection process.

## Investment Option Performance

To view the latest investment performances for each product, please visit [www.amp.com.au/performance](http://www.amp.com.au/performance)

## Investment Option Overview

|   |                             |
|---|-----------------------------|
| <b>Investment category</b>                    | Property and infrastructure |
| <b>Suggested minimum investment timeframe</b> | 5 years                     |
| <b>Relative risk rating</b>                   | Very High                   |
| <b>Investment style</b>                       | Active                      |
| <b>Manager style</b>                          | Single                      |
| <b>Asset Allocation</b>                       | <b>Benchmark (%)</b>        |
| Listed Property and Infrastructure            | 100                         |
| Cash  | 0                           |

| <b>Actual Allocation</b>           | <b>%</b> |
|------------------------------------|----------|
| International Shares               | 14.10    |
| Australian Shares                  | 0.47     |
| Listed Property and Infrastructure | 82.79    |
| Cash                               | 2.64     |

| <b>Sector Allocation</b>           | <b>%</b> |
|------------------------------------|----------|
| Residential REITs                  | 17.06    |
| Industrial REITs                   | 15.40    |
| Office REITs                       | 10.82    |
| Retail REITs                       | 9.97     |
| Real Estate Operating Companies    | 9.91     |
| Specialised REITs                  | 8.88     |
| Diversified REITs                  | 7.99     |
| Diversified Real Estate Activities | 7.91     |
| Health Care REITs                  | 6.25     |
| Hotel & Resort REITs               | 2.71     |
| Cash                               | 2.64     |
| Real Estate Development            | 0.47     |

| <b>Top Holdings</b>            | <b>%</b> |
|--------------------------------|----------|
| Prologis Inc                   | 5.16     |
| Alexandria Real Estate Equitie | 3.08     |
| Welltower Inc                  | 2.68     |
| Sun Hung Kai Properties Ltd    | 2.65     |
| PUBLIC STORAGE                 | 2.65     |
| Vonovia SE                     | 2.45     |
| Sun Communities Inc            | 2.23     |
| Mitsui Fudosan Co Ltd          | 2.10     |
| Equity Residential             | 2.06     |
| Japan Real Estate Investment C | 1.94     |

| <b>Region Allocation</b> | <b>%</b> |
|--------------------------|----------|
| North America            | 53.92    |
| Asia                     | 20.74    |
| Europe                   | 18.68    |
| Australasia              | 4.02     |
| Cash                     | 2.64     |

## Fund Performance

The Fund produced a very strong return in the December quarter, though slightly underperformed the benchmark. Asset allocation was a negative contributor to the relative return, though stock selection was positive. Stock selection within the office and diversified sectors were significant positive contributors. Significant detractors meanwhile came from our small cash allocation, as well as being overweight to the industrial sector, which underperformed over the quarter, and underweight to the retail sector, which outperformed over the quarter. At an individual stock level, an overweight position in Ryman Hospitality Properties was a significant positive contributor to relative performance, while an overweight position in Prologis was a major detractor.

## Market Review

Global listed real estate markets generally rose in December. Early in the period, markets were supported by vaccine optimism, mostly stable economic data and renewed progress towards additional fiscal stimulus in the US. However, mid-way through the period some markets became more volatile. Two COVID-19 vaccines obtained emergency approval and began to be rolled out in the UK and US, but COVID-19 cases continued to increase and a new strain of the disease, apparently up to 70% more infectious than the original strain, emerged in the UK. Further lockdowns were imposed in many countries. US 10-year treasury yields increased 0.08% to 0.92% over the period.

In general, the listed real estate segments that were most impacted by lockdowns earlier in the year rallied, although some of those segments retreated later in the period as it became evident that people were delaying their return to cities. In addition, transaction activity was heightened.

In the US, the net lease segment gained as it is likely to be a beneficiary of the additional fiscal stimulus and vaccine roll out. Spirit Realty Capital provided a strong operations update, with improving rent collections for November and a significant level of acquisitions for the quarter. It also raised its full-year capital deployment guidance, including revenue-producing capital expenditures.

The healthcare segment was supported by the vaccine roll out. In the US, Medical Properties Trust rallied, despite no specific company news, as conditions in its hospital facilities are expected to become 'more normal' in 2021.

In Europe, healthcare operators continued to expand. In Belgium, Aedifica announced significant investments in The Netherlands and Finland. In France, ICADE announced agreements to acquire a portfolio of nursing home properties in Northern Italy. In the UK, Primary Health Properties announced its intention to acquire its longstanding external property adviser, Nexus, which would bring in a significant pipeline of future primary care developments.

The industrial segment remained robust, with companies taking advantage of this. US private equity group Blackstone reportedly intends selling its A\$3.5 billion Australian logistics property portfolio. There are several potential bidders for the industrial portfolio, including local managers that have strategies to expand their exposure to the industrial segment. Alternatively, the portfolio could be floated as a real estate investment trust on the Australian Stock Exchange.

The multi-family residential segment retreated due to lower renter demand and as young cohorts will be offered the vaccine later in the rollout period, many are reluctant to return to close-knit apartment living in densely populated areas. In the US, AvalonBay Communities suffered as it is also transitioning to a new Chief Executive Officer and the appointee is coming from a non-residential background, calling some to question his experience for the role.

The office segment pulled back as COVID-19 cases continued to increase and the vaccine roll out was

## Outlook

Global listed real estate markets will likely continue to be subject to near-term volatility, which is affecting all risk assets, due to the impact of the extensive COVID-19 containment measures on economic activity globally. Nevertheless, looking through this period, to a world of maximum vaccination and a slow return to normality, presents a wonderful opportunity to acquire some very cheap cyclical exposure. We have therefore reduced relative risk in segments that are in the cyclical sweet spot, such as lodging, and we will continue to assess and actively manage these risks, as well as those in segments that are indirectly impacted as additional information becomes available.

When there is a fall in the risk-free rate because central banks around the world are loosening their monetary policy, investors often turn to listed real estate as a reliable alternative for yield and a defensive asset class. This is starting to occur now that a vaccine appears to be imminent, especially given the relatively attractive valuation levels the pandemic has created. We expect this to continue as the execution and distribution of the vaccine progresses and as the extensive containment measures are relaxed and economic activity begins to recover.

---

Opportunities to acquire individual companies at attractive valuation levels may also arise as geopolitical developments lead to heightened volatility and diverging stock performance. However, retail is expected to remain challenged and see further store closures, especially those in peripheral locations with commoditised market propositions. Growth in online shopping, connectivity and data usage are likely to provide opportunities in logistics and data centres through the business cycle.

---

## Availability

| Product Name                               | APIR        |
|--|-------------|
| AMP Flexible Super - Retirement            | AMP1620AU   |
| AMP Flexible Super - Super                 | AMP1611AU   |
| CustomSuper                                | AMP1596AU   |
| Flexible Lifetime - Allocated Pension      | AMP1632AU   |
| Flexible Lifetime - Investments (Series 2) | AMP2043AU** |
| Flexible Lifetime - Super                  | AMP1596AU   |
| SignatureSuper                             | AMP1602AU   |
| SignatureSuper - Allocated Pension         | AMP1626AU   |

\*\*Closed to new and existing investors

## Contact Details

**Web:** [www.amp.com.au](http://www.amp.com.au)

**Email:** [askamp@amp.com.au](mailto:askamp@amp.com.au)

**Phone:** 131 267



### What you need to know

This publication has been prepared by AWM Services Pty Limited ABN 15 139 353 496, AFSL No. 366121 (AWM Services). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying investment manager only and not necessarily the views of AMP Limited ABN 49 079 354 519 (AMP Group). No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

The investment option referred to in this publication is available through products issued by N.M. Superannuation Proprietary Ltd ABN 31 008 428 322, AFSL 234654 (NM Super), AMP Capital Funds Management Limited ABN 15 159 557 721, AFSL 426455 (AMPCFM) and/or ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac). Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement (PDS) for the relevant product, available from the issuer or your financial planner.

Any advice in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner. In providing any general advice, AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in. The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither NM Super, AMPCFM, ipac, AWM Services, any other company in the AMP Group nor the underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document, unless expressly stated in the PDS. Past performance is not a reliable indicator of future performance. Any slight asset allocation deviations from 100% may be caused by rounding, asset categorisation and/or hedging.