AMP Capital Australian Property Securities

Quarterly Investment Option Update

31 March 2021

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 invests in property (and property related) securities listed on the ASX and may also invest in property securities listed on securities exchanges outside of Australia and unlisted securities if listing is anticipated within 12 months. Under normal circumstances this investment option must have a minimum exposure of at least 90% to listed property, with at least an 80% exposure to securities listed on the ASX

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	Very High
Investment style	Active
Manager style	Single

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

Actual Allocation	%
International Shares	0.41
Australian Shares	4.94
Listed Property and Infrastructure	94.58
Cash	0.07

Sector Allocation	%
Diversified REITs	34.55
Industrial REITs	28.68
Retail REITs	17.13
Office REITs	9.64
Specialised REITs	3.64
Residential REITs	2.83
Health Care REITs	2.05
Real Estate Development	1.41
Cash	0.07

Top Holdings	%
Goodman Group	28.02
Scentre Group	11.36
Stockland	10.29
Dexus	9.64
Mirvac Group	7.63
Charter Hall Group	7.03
GPT Group/The	2.95
Ingenia Communities Group	2.83
Shopping Centres Australasia P	2.78
National Storage REIT	2.62

Region Allocation	%
Australasia	99.93
Cash	0.07

Fund Performance

The Fund delivered a negative return, underperforming the ASX 200 A-REIT total return index over the quarter.

At an overall sector level, the Fund's overweight allocation to the real estate development REIT and underweight allocation to the retail REIT sectors were the largest contributors to relative returns; whilst overweight allocations to the diversified, industrial, and specialised REIT sectors were the largest detractors. From a sector asset allocation perspective, specialised and real estate development REITs were the largest contributors to relative returns; whilst retail and office REITS were the largest detractors. In terms of stock selection, retail REITs was the largest contributor to relative return; whilst diversified and specialised REITs were the largest detractors.

At an individual stock level, the top three contributors to relative return were from an underweight position in BWP Trust, an overweight position in Home Consortium, and an underweight position in Waypoint REIT; whilst the largest three detractors were an overweight position in Charter Hall Group, and underweight positions in GPT Group and Vicinity Centres.

Market Review

The Australian listed real estate market lost ground slightly in the March quarter, underperforming the broader Australian share market. The S&P/ASX 200 A-REIT index finished down by 0.47%, on a total return basis. The REIT market was particularly challenged earlier in the period, as optimism about further economic stimulus in the US and robust Australian economic data set a bullish tone, dampening the more defensive listed real estate market. The market also came under pressure as the yield curve steepened, with long-term interest rates following US 10-year Treasury yields higher whereas short-term rates were largely unmoved, as well as being impacted by a global trend of investors switching their portfolios to take advantage of improving economic conditions. Growth companies that reported strong results during the earnings season were generally sold down in favour of value companies. At the sector level, investor interest in the office space was spurred later in the period by the rollout of vaccines, albeit it was disappointingly slow. Elsewhere, the industrial segment continued to benefit from long-term secular growth trends such as e-commerce, data connectivity and retail supply chain logistics, while residential continues to go from strength to strength.

Outlook

Australian listed real estate will likely continue to be subject to near-term volatility, which is affecting all markets, due to rising bond yields. Despite this, listed real estate dividend yields are still attractive compared to bond yields, and prices are significantly discounted to broader industrial shares. Industrial real estate is expected to remain robust as it is favourably exposed to long-term secular growth trends such as e-commerce, data connectivity and retail supply-chain logistics. Office real estate sentiment should improve as COVID-19 vaccines are rolled-out and the return to office working accelerates, however there remains some concern about the medium-term demand for office space given the remote working experiment of the past year. Residential real estate, particularly Sydney and Melbourne house prices, are expected to continue to increase over the medium term, and whilst apartment prices have lagged, they are also expected to accelerate in 2021. Retail real estate is expected to be mixed, with malls facing long-term structural challenges wrought by e-commerce, whilst large-format retail is likely to benefit from residential price increases.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP1049AU**
Flexible Lifetime - Investments (Series 2)	AMP1397AU**

**Closed to new and existing investors

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