

AMP Capital Global Property Securities

Quarterly Investment Option Update

31 March 2021

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

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	12.85
Australian Shares	0.47
Listed Property and Infrastructure	87.09

Sector Allocation	%
Residential REITs	18.00
Industrial REITs	13.39
Office REITs	11.68
Retail REITs	11.17
Specialised REITs	9.72
Diversified Real Estate Activities	8.93
Diversified REITs	8.24
Real Estate Operating Companies	8.03
Health Care REITs	6.59
Hotel & Resort REITs	3.64
Real Estate Development	1.02

Top Holdings	%
Prologis Inc	5.47
Welltower Inc	3.74
Simon Property Group Inc	3.09
Alexandria Real Estate Equitie	3.03
Sun Hung Kai Properties Ltd	2.85
PUBLIC STORAGE	2.82
Equity Residential	2.69
VICI Properties Inc	2.66
Mitsui Fudosan Co Ltd	2.51
Essex Property Trust Inc	2.48

Region Allocation	%
North America	57.84
Asia	20.47
Europe	17.82
Australasia	4.28

Fund Performance

The Fund produced another very strong return in the March quarter, though slightly underperformed the benchmark. On a sector basis, asset allocation was a negative contributor to the relative return, though stock selection was positive. Strong absolute returns came from our holdings in healthcare, senior housing and hotels segments, while some weaker absolute returns were seen from our holdings in the strip centre segment. On a regional basis, strongest returns were seen from our North American holdings, while our European holdings were negative over the period. At an individual stock level, our overweight position in Sun Hung Kai Properties Ltd was the largest positive contributor to relative performance, while our overweight position in Alexandria Real Estate Equities was the largest detractor.

Market Review

Global listed real estate markets generally rose strongly while experiencing bouts of volatility during the March quarter, with the FTSE EPRA/NAREIT Developed Net Index (Hedged AUD) returning 7.27%. Led by the US, markets rallied despite steepening yield curves, suggesting that the US economy is expected to recover quickly from the pandemic-induced downturn. The notable exceptions were the Australian and Singapore listed real estate markets, which underperformed as long-term interest rates increased. Markets also found support as the vaccine roll-out ramped up, with optimism surrounding many economies reopening and the extensive government stimulus in the US also contributing. Later in the period, markets were however impacted at times by concerns about rising inflation and interest rates. US 10-year treasury yields were up 0.82% to 1.74% over the period.

Global listed real estate markets were also affected by 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 that reported soft results with improving outlooks. A wide divergence in segment returns reflected this, with hotel and lodging performing well while the retail segment rallied strongly, mainly due to 'reflation rotation' where fundamentals are expected to improve as consumer confidence benefits from economies reopening and vaccine roll-outs. Conversely, the segments which gained most during the pandemic period, including the data centres, towers, industrial and manufactured homes segments lagged, as investors used these segments to help fund the rotation into cheaper, more cyclical segments.

Outlook

Global listed real estate markets will likely continue to be subject to near-term volatility, which is affecting all risk assets. Markets are likely to be buoyed as the execution and distribution of vaccines progress, and as extensive government stimulus is rolled out. However, they are also likely to be punished on news of any setbacks and concerns about rising inflation and interest rates. 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 office, 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 occurring now that the execution and distribution of vaccines is well progressed, especially given the relatively attractive valuation levels the pandemic created. We expect this to continue as economies reopen. Opportunities to acquire individual companies at attractive valuations may also arise as geopolitical developments lead to heightened volatility and diverging stock performance.

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

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