

Specialist Property and Infrastructure

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 return of 20% of the S&P/ASX200 A-REIT Accumulation, 35% FTSE EPRA NAREIT Developed Net Total Return (hedged to the Australian dollar), 30% Dow Jones Brookfield Global Infrastructure Net Accumulation (hedged to the Australian dollar) and 15% Mercer/IPD Australia Core Wholesale Property Fund indices on a rolling three-year basis. The strategy provides exposure to a diversified portfolio of direct property, listed property and infrastructure securities, both in Australia and around the world. The portfolio may also invest in direct infrastructure from time to time. The strategy diversifies its direct property and listed property and infrastructure securities exposure across a range of both active and passive strategies. The strategy may invest up to 10% in cash however, in certain market conditions may hold higher levels of cash.

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
Unlisted Property and Infrastructure	0
Cash	0

Actual Allocation	%
International Shares	3.81
Australian Shares	20.08
Listed Property and Infrastructure	71.18
Unlisted Property and Infrastructure	5.23

Top Holdings	%
Goodman Group	5.45
AUSTRALIAN PRIME PROPERT	5.23
ENBRIDGE INC	3.43
AMERICAN TOWER CORP	3.13
SEMPRA ENERGY	2.94
National Grid PLC	2.67
Scentre Group	2.46
WILLIAMS COMPANIES INC	2.30
TC Energy Corp	2.20
CENTERPOINT ENERGY INC	2.07

Region Allocation	%
North America	43.92
Australasia	27.80
Europe ex UK	14.05
Asia ex Japan	5.97
United Kingdom	4.45
Japan	3.67
Cash	0.14

Fund Performance

The Specialist Property and Infrastructure Fund produced another strong absolute return in the March quarter, though was slightly behind-benchmark. The best performing underlying allocation, in absolute terms, was the AMP Capital Global Listed Property Fund, which returned 6.20% for the period. The AMP Capital Global Listed Infrastructure Fund also performed very strongly, returning 6.10% for the period. The allocation to the Australian Prime Property Fund meanwhile eked out a small positive return of 0.12%, while the AMP Capital Australian Listed Property Fund, after making double-digit returns in the previous quarter, posted a negative return of -0.47% for the March quarter.

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 continue to recover quickly. 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. 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.

The Australian listed real estate market meanwhile lost ground slightly in the March quarter and the S&P/ASX 200 A-REIT index finished down by 0.47%, on a total return basis. The Australian 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.

Global infrastructure markets rose over the quarter. In the US, a US\$1.9 trillion support programme was passed in an attempt to provide further stimulus to the economy and make good an initial election promise to reduce some economic inequality. Markets are hoping the programme will be able to stimulate activity without stoking inflation. The passing of the bill has imparted some confidence to the new administration and Joe Biden gave his first press conference, albeit somewhat later than expected, with optimism. The market is now looking ahead to the proposed next spending bill, mooted to be around the US\$3 trillion mark, this time more focussed on infrastructure, investment, and education. Improvements in the US-Sino relationship have stalled however, after Biden criticised China's reduction of democratically elected Hong Kong lawmakers.

Outlook

Global listed real estate markets will likely be subject to near-term volatility, as are will 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. That said, a world with maximum vaccination and a slow return to normality presents the opportunity to acquire some very cheap cyclical exposure. As central banks loosen monetary policy, investors often turn to listed real estate's defensive attributes and as a reliable yield alternative, which appears to be occurring now that the distribution of vaccines is well progressed.

For global listed infrastructure, we are positive on the North American oil, gas storage & transportation sector, as a vaccine-driven cyclical recovery favours cashflow growth and deleveraging. Balance sheets continue to improve as many companies cut capital expenditure budgets substantially in favour of paying down debt. The transportation sector, meanwhile, remains focussed on economies reopening and the uncertainties around returning to prior levels of activity. Subsectors less dependent on mass transit such as freight, rail, or toll roads will be likely relative beneficiaries of economies reopening, whereas other subsectors such as passenger rail or airports will see their recovery more dependent on the success of the vaccine programmes. Overall, we continue to see potential for future outperformance, as investors seek quality defensive assets that provide sustainable yield profiles in the current low interest rate environment.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1359AU*
AMP Flexible Super - Super	AMP1488AU*
CustomSuper	AMP0861AU*
Flexible Lifetime - Allocated Pension	AMP0877AU*
Flexible Lifetime - Investments (Series 1)	AMP1007AU**
Flexible Lifetime - Investments (Series 2)	AMP1423AU**
Flexible Lifetime - Super	AMP0861AU*
Flexible Lifetime - Term Pension	AMP0931AU*
SignatureSuper	AMP0954AU*
SignatureSuper - Allocated Pension	AMP1161AU*
SignatureSuper Select	AMP0954AU*

*Closed to new investors

**Closed to new and existing investors

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