

RARE Infrastructure Value

Quarterly Investment Option Update

31 March 2021

Aim and Strategy

The portfolio's investment objective is to provide investors with regular and stable income, comprised of dividends, distributions and interest, plus capital growth from a portfolio of global infrastructure securities while hedging the fund's currency exposure back to AUD. The portfolio aims to outperform a benchmark comprising OECD G7 inflation plus 5.5% p.a. after fees, hedged back into AUD, over rolling five-year periods.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au/performance

Investment Option Overview

Investment Category	Property and Infrastructure
Suggested Investment timeframe	7 years
Relative risk rating	6 / High
Investment style	Value
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property and Infrastructure	100	97.87
Cash	0	2.13

Sector Allocation	%
Electric	31.94
Toll Road	16.64
Railway	15.75
Communications	8.77
Renewables	7.72
Airport	5.78
Energy Infrastructure	5.31
Gas	3.98
Water	1.98
Cash	2.13

Regional Allocation	%
USA & Canada	54.87
Western Europe	33.97
Asia Pacific Developed	9.03
Cash	2.13

Top Holdings	%
Union Pacific Corporation	5.61
Public Service Enterprise Group Inc	4.95
VINCI SA	4.59
Getlink SE	4.19
Exelon Corporation	4.06
CSX Corporation	4.05
Enbridge Inc.	3.98
Cheniere Energy, Inc.	3.88
Transurban Group Ltd.	3.42
SSE plc	3.24

Investment Option Commentary

The fund underperformed infrastructure indices, which marginally underperformed equities for the quarter, largely due to higher weights in rate-sensitive stocks among infrastructure sectors.

On a regional basis, North America was the top contributor to quarterly performance (+2.14%), of which U.S. energy infrastructure company Cheniere Energy (+0.88%) and Canadian energy infrastructure company Enbridge (+0.42%) were the lead performers.

Cheniere Energy is an energy infrastructure company that owns and operates U.S. liquefied natural gas (LNG) export facilities. Cheniere delivered a strong fourth quarter that resulted in upgrades to the company's forward 2021 guidance. Cheniere should benefit from an Improving LNG contracting environment following the strong cyclical recovery.

Enbridge owns and operates one of the largest oil and gas pipeline networks in North America. The company also owns regulated gas distribution utilities in Ontario, Canada. Energy stocks were in favour during the first quarter, as they are viewed as beneficiaries of the eventual economic recovery, as COVID-19 vaccines get rolled out through 2021. Enbridge has already experienced substantial recovery in its oil throughput in their pipeline systems, and is expected to fully recover by year-end as refinery demand normalises.

Elsewhere in the region, U.S. rail operator Union Pacific (+0.33%) also performed well. Union Pacific is the largest listed railroad company in North America. Despite impacts from the polar vortex, Union Pacific was the beneficiary of a market shift into high-beta stocks, further bolstered by Biden's stimulus package and potential infrastructure bill.

In Western Europe, French toll road operator Vinci performed strongly, contributing +0.32% to quarterly performance. Vinci operates half of France's toll road network under long-term concession agreements, a portfolio of airport concessions and a global contracting business. Vinci's toll roads and contracting earnings is expected to substantially recover to pre-covid levels by year-end, while its Airports business will take longer to recover.

Danish renewables utility Orsted (-0.89%) was the largest detractor from quarterly performance. Orsted is the global industry leader in the offshore wind industry, with about 30% market share. Over the past few years, Orsted has gradually exited its fossil fuel activities and more recently its energy distribution and retail business, transforming itself into a green solutions provider. It is a pure play in renewables with over 90% of its earnings from regulated and contracted activities in 2019–25. A green recovery in the EU with a hydrogen strategy to combat climate change should be long-term drivers for Orsted. Shares saw weakness driven mainly by a global renewables selloff, due to a market rotation out of 'growth' sectors into 'value' sectors, as well as increasing competition concerns in the Offshore wind industry with Oil majors continuing to aggressively bid for projects.

Market Commentary

The quarter saw rapid increases in both bond rates and inflation expectations as the economic recovery continued, strongly aided by a quickening vaccine rollout and massive levels of government stimulus. Consensus growth expectations were revised higher during the quarter. Inflation is expected to increase in the coming months due to transitory effects before returning to a more normalised rate. Bond rates are expected to increase in a more orderly path for the remainder of 2021 before settling around 2.0%–2.5% for the U.S. 10-year Treasury note.

Vaccine rollouts continued to accelerate in many regions, driving optimism about reductions in mobility restrictions, despite increasing COVID-19 cases in regions such as Europe. Reductions in mobility restrictions are expected to impact the second half of 2021 and are required for the recovery of the services sector, which lags the largely recovered goods sector. This will likely drive further increases in revenues for transport assets. Stimulus remained plentiful, particularly in the U.S. with Biden's \$1.9 trillion stimulus plan approved during the quarter and closely followed by a proposal for a \$2 trillion infrastructure bill. Strong levels of stimulus will continue to support economic growth.

Outlook

On a regional level, the fund's largest exposure is in the U.S. & Canada (55%) and consists of allocations to regulated and contracted utilities (34%) and economically sensitive user pays infrastructure (21%).

The fund initiated positions in U.S. electric utility Alliant Energy, French toll road operator Eiffage, Japanese rail operator East Japan Railway and Canadian energy infrastructure company Pembina Pipeline.

The fund exited Italian gas utility Snam, U.S. electric utility Edison International and Danish renewables utility Orsted to use as funding sources.

Availability

Product Name	APIR Code
AMP Flexible Super - Super	AMP1576AU
AMP Flexible Super - Retirement	AMP1588AU
CustomSuper	AMP1528AU
Flexible Lifetime - Super	AMP1528AU
Flexible Lifetime - Allocated Pension	AMP1540AU
Flexible Lifetime - Investments (Series 2)	AMP2042AU**
SignatureSuper	AMP1552AU
SignatureSuper Select	AMP1552AU
SignatureSuper - Allocated Pension	AMP1564AU

**Closed to new and existing investors

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