

Specialist Property and Infrastructure

Quarterly Investment Option Update

30 June 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	3.79
Australian Shares	21.21
Listed Property and Infrastructure	73.74
Unlisted Property and Infrastructure	0.00
Cash	1.25

Top Holdings	%
Goodman Group	6.01
ENBRIDGE INC	3.73
AMERICAN TOWER CORP	3.46
SEMPRA ENERGY	2.89
National Grid PLC	2.83
WILLIAMS COMPANIES INC	2.43
TC Energy Corp	2.32
Scentre Group	2.28
CENTERPOINT ENERGY INC	2.20
Gibson Energy Inc	2.06

Region Allocation	%
North America	46.25
Australasia	23.65
Europe ex UK	14.23
Asia ex Japan	6.14
United Kingdom	4.41
Japan	3.83
Cash	1.50

Fund Performance

The Specialist Property and Infrastructure Fund produced a very strong absolute return in the June quarter, though slightly underperformed the benchmark. The best performing underlying allocation, in absolute terms, was the AMP Capital Global Listed Property portfolio, which returned 10.61% for the period. The AMP Capital Australian Listed Property Fund was also a strong performer, returning 10.42% for the quarter. Meanwhile, the allocation to the AMP Capital Global Listed Infrastructure Fund turned in a performance of 7.64% for the period.

Market Review

Global listed real estate markets generally rose strongly during the June quarter, buoyed by improving company results amid economies reopening and recovering as COVID-19 vaccines continued to be rolled out. Despite being 'spooked' around the middle of the period by the announcement of worse than expected inflation in the US in April, markets otherwise found support from lower interest rates, which fell as investors were reassured that central banks, particularly the US Federal Reserve, would continue to provide monetary support in the near-term. Later in the period, European markets also came under pressure as concerns about the spread of the 'Delta' strain of COVID-19 escalated. US 10-year treasury yields declined 0.27% to 1.47% over the period.

Australian listed real estate also rallied strongly, buoyed by good company earnings results, continued low interest rates and economic recovery as COVID-19 vaccines are rolled out. The domestic market also found support from the Federal Budget, which included several new stimulus initiatives, and was little moved by "snap lockdowns" imposed around the country late in the period, in response to outbreaks of the more contagious 'Delta' variant of COVID-19.

Global infrastructure markets were also up strongly over the quarter. Strong US demand is coming up against some supply-demand mismatches and bottlenecks which are also boosting market fears of inflation. However, the US Federal Reserve is playing down inflationary risks, citing they are transitory, which is currently assuaging markets. The Biden administration meanwhile agreed a US\$1 trillion infrastructure package with the Senate. Although this falls short of the original US\$2.3 trillion proposal, some of the balance will likely be made up through the reconciliation process, although some trimming is likely. The agreed package will be focussed on upgrades to roads, bridges, and broadband networks, to be rolled out over the next eight years.

Outlook

We believe global listed real estate 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 opportunities to acquire some very cheap cyclical exposure.

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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