

UBS Clarion Global Property Securities

Quarterly Investment Option Update

30 June 2021

Aim and Strategy

To provide capital growth and income from a diversified portfolio of listed global real estate companies. The option aims to outperform (after management costs) the FTSE EPRA/NAREIT Developed Rental Net Return Index (AUD Hedged) when measured over rolling three-year periods.

The strategy can invest in listed real estate securities, or those equity securities in the process of being listed, on any recognised stock exchange in the developed or emerging markets. The strategy may also invest in cash, financial derivatives and currency instruments. The investment manager places an emphasis on analysing countries and property sectors experiencing the strongest fundamentals and invests in companies run by quality management team. The fund expects to hold about 60 to 90 securities and can invest up to 10% in cash.

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	5 years
Relative risk rating	7 / Very High
Investment style	Active
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Listed Property and Infrastructure	100	99.13
Cash	0	0.87

Regional Allocation	%
North America	64.12
Europe (ex. UK)	12.95
Japan	7.74
Australia & NZ	4.35
United Kingdom	4.37
Asia Pacific ex Japan	4.75
Other	0.86
Cash	0.87

Top Holdings	%
Prologis	6.54
Simon Property	4.91
Extra Space Storage	4.72
CubeSmart	3.89
Camden Property Trust	3.59
Ventas	3.31
Duke Realty Investments	2.94
American Tower	2.57
Vonovia	2.56
Regency Centres	2.25

Investment Option Commentary

The portfolio outperformed the benchmark in the second quarter, building on the positive relative performance delivered in 1Q 2021. North America continues to be the strongest performing region year-to-date. From an attribution perspective, the portfolio outperformed the benchmark as the result of positive stock selection and sector allocation decisions.

In the U.S., outperformance was driven by positioning in the storage and net lease sectors. In the storage sector, the portfolio benefited from being overweight this best performing property sector in the 2Q (+25%) as well as from positive stock selection via overweights to ExtraSpace Storage and CubeSmart. In the net lease sector, the portfolio benefited from an overweight to VEREIT, which announced in late April that it was being acquired by best-in-class net lease company Realty Income in a stock-for-stock merger at a 17% premium to VEREIT's prior day closing stock price.

In the Asia-Pacific region, positive relative performance was driven by stock selection in Australia and Japan. In Australia, outperforming Home Consortium added value following: 1) news surrounding health-related fund creation; and 2) evidence of rising asset valuations supporting the business model. In the J-REIT sector, an overweight to outperforming small-cap office company Sankei Real Estate (+13.5%) and industrial company LaSalle Logiport (+11.8%) added value.

Within Europe, positive relative performance was driven by stock selection within the UK, in particular via overweight positions in self-storage names Big Yellow Group (+17.2%) and Safestore Holdings (+19.0%). In the industrial logistics sector, overweight positioning in Segro (+16.3%) and Catena (+19.8%) added value.

Market Commentary

Real estate stocks were up 9.8% in the second quarter of 2021. Year to date, real estate stocks are up 17.1%, outpacing the MSCI World Equity Index (+13.3%) and the Barclays Global Bond Index (-3.2%). After several years of relative underperformance, real estate stocks are among the best performing asset classes in 2021. The economic recovery is accelerating, driven by the rapid distribution of COVID vaccines, consumers with substantial savings and a desire to spend, businesses eager to hire, and policy support from governments and central banks.

Outlook

The fund views real estate securities as being attractively priced relative to the private real estate market, the fixed income market, and the broader stock market and that investors committing capital to listed real estate at this time have the potential to earn attractive absolute and relative long-term total returns. At June 30, 2021, real estate stocks are trading at a global average 3% discount to private market real estate value, with an implied unleveraged cash flow yield of 5.5%. Globally, and particularly in the U.S., the spread between implied cap rates and Baa corporate bonds is +167 basis points versus a long-term average of +99 basis points.

In addition to attractive valuation metrics, there are additional thematic reasons to be positive about real estate stocks at mid-year 2021, including the following market observations: 1) real estate stocks are outperforming broader stock market indices for the first time in the last five years, which suggests a change in stock market leadership; 2) real estate clearly benefits from a re-opening economy; 3) short lease duration sectors can quickly re-price rental rates in an inflationary environment, thus offering an inflation hedge; and 4) funds flows to real estate dedicated active and passive funds are positive in 2021 after several years of anaemic funds flows.

In the U.S., the fund is overweight towers, industrial, retail, hotels, and storage. In Japan, industrial, residential, and mid-cap office J-REITs are providing earnings resiliency at very attractive relative valuations, and the fund continues to own select Japanese REOCs that have exposure to office, retail, and residential and have committed to improving their corporate governance. In Hong Kong, the fund is overweight diversified companies with a residential bias, non-discretionary retail, and decentralized office. In Australia, residential, industrial, and a few select diversified companies are preferred.

In the U.K., the fund favours the storage and industrial sectors, and select larger cap diversified companies that trade at material discounts and may see earnings acceleration as the U.K. economy re-opens. In Continental Europe, the fund owns German residential companies, and continues to prefer property companies in markets with a positive earnings growth profile, which favours mid to small cap stocks in Germany and the Nordics.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1999AU
AMP Flexible Super - Retirement account	AMP2024AU
AMP Flexible Super - Super account	AMP2029AU
CustomSuper	AMP1999AU
Flexible Lifetime - Allocated Pension	AMP2004AU
Flexible Lifetime - Term Pension	AMP2019AU
Flexible Lifetime Investment (Series 2)**	AMP2035AU
SignatureSuper	AMP2009AU
SignatureSuper Allocated Pension	AMP2016AU

**Closed to new and existing investors

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