

# Specialist Property and Infrastructure

Quarterly Investment Option Update

31 December 2021

## Aim and Strategy

The strategy aims to provide total returns (income and capital growth) after costs and before tax, above the performance benchmark (20% - S&P/ASX 200 A-REIT Accumulation Index / 35% - FTSE EPRA NAREIT Developed Net Total Return Index (hedged to the Australian dollar) / 45% - Dow Jones Brookfield Global

Infrastructure Net Accumulation Index (hedged to the Australian dollar) on a rolling 3-year basis. The strategy provides exposure to a diversified portfolio of listed property and infrastructure securities, both in Australia and around the world. The portfolio may also invest in direct infrastructure and direct property from time to time. The strategy diversifies its listed property and infrastructure securities exposure across a range of both active and passive strategies. Active strategies are diversified across a range of active investment managers by using a multi-manager approach. Exposures to active managers are to managers who

demonstrate competitive advantages within the various investment styles that are used when investing in the Australian and international property and infrastructure markets. The strategy may invest up to 10% in cash however, in certain market conditions may hold higher levels of cash. The strategy diversifies investment styles that are used when investing in the Australian and international property and infrastructure markets to minimise the risk of underperformance should one particular investment style be out of favour within a particular investment timeframe.

## Investment Option Performance

To view the latest investment performances for each product, please visit [www.amp.com.au/performance](http://www.amp.com.au/performance)

## Investment Option Overview

|                            |                             |
|----------------------------|-----------------------------|
| <b>Investment category</b> | Property and infrastructure |
|----------------------------|-----------------------------|

|   |         |
|---|---------|
| <b>Suggested minimum investment timeframe</b> | 5 years |
|---|---------|

|                             |      |
|-----------------------------|------|
| <b>Relative risk rating</b> | High |
|-----------------------------|------|

|                         |        |
|-------------------------|--------|
| <b>Investment style</b> | Active |
|-------------------------|--------|

|                      |              |
|----------------------|--------------|
| <b>Manager style</b> | Multi Manger |
|----------------------|--------------|

| <b>Asset Allocation</b>      | <b>Benchmark (%)</b> |
|------------------------------|----------------------|
| Global listed infrastructure | 45                   |
| Global listed property       | 35                   |
| Australia listed property    | 20                   |
| Cash                         | 0                    |

|                   |   |
|-------------------|---|
| Unlisted property | 0 |
|-------------------|---|

| <b>Actual Allocation</b>             | <b>%</b> |
|--------------------------------------|----------|
| International Shares                 | 4.99     |
| Australian Shares                    | 19.98    |
| Listed Property and Infrastructure   | 74.17    |
| Unlisted Property and Infrastructure | 0.00     |
| Cash                                 | 0.85     |

| Top Holdings           | %     |
|------------------------|-------|
| Goodman Group          | 6.37  |
| AMERICAN TOWER CORP    | 3.23  |
| Sempra Energy          | 2.97  |
| National Grid PLC      | 2.72  |
| ENBRIDGE INC           | 2.67  |
| Prologis Inc           | 2.67  |
| Scentre Group          | 2.18  |
| WILLIAMS COMPANIES INC | 1.87  |
| Gibson Energy Inc      | 1.80  |
| CENTERPOINT ENERGY INC | 1.71  |
| Region Allocation      | %     |
| North America          | 47.20 |
| Australasia            | 22.55 |
| Europe ex UK           | 13.71 |
| Asia ex Japan          | 5.47  |
| United Kingdom         | 4.55  |
| Japan                  | 4.10  |
| Cash                   | 1.93  |
| Others                 | 0.47  |

## Fund Performance

The Specialist Property and Infrastructure Fund produced a very strong absolute return in the December quarter, though slightly underperformed the benchmark. The best performing underlying allocation, was again the AMP Capital Global Listed Property portfolio, which returned 11.52% for the period, outperforming its benchmark. The AMP Australian Listed Property Fund also turned in a very strong performance of 10.04%, approximately in line with its benchmark. Meanwhile, the allocation to the AMP Capital Global Listed Infrastructure Fund returned 4.93% for the period, underperforming its benchmark.

## Market Review

Global listed real estate markets were very strong over the December quarter, especially the Nordic and US markets. Early in the period, the US market was boosted by strong company earnings, solid economic data, and core inflation that was not as high as feared. Despite this, globally there were ongoing concerns about inflation and increasing interest rates, which were somewhat allayed as central banks indicated they would maintain accommodative monetary policy settings over the near-term. Later in the period, the emergence of the Omicron variant of COVID-19 provided a major source of uncertainty, however investors largely shrugged this off and markets rallied higher.

The Australian listed real estate market surged over the December quarter. Early in the period, important vaccination milestones were reached, and the major economies of New South Wales and Victoria reopened. The listed real estate market was also buoyed by several companies providing positive operations updates and valuation uplifts. This was particularly evident in the retail segment, amid its bounce-back from a horrendous 2020 following the onset of the pandemic. The industrial segment continued to benefit from its exposure to long-term secular growth trends such as e-commerce, data connectivity and retail supply-chain logistics, while the residential segment was buoyed by the upward price cycle, with borrowing rates remaining very low. Sentiment improved in the office segment due to the vaccination milestones reached, however there remained some concern about the medium-term demand for office space given the broad acceptance of more flexible working arrangements.

Global infrastructure markets were generally strong over the quarter. The focus was inflation, which in the US was shown to be 7.0% over the year to December, the highest in around 40 years, with many other countries also now at multi-year peaks. After months of negotiations, the US Congress passed the US\$1.2 trillion bipartisan infrastructure bill, considered to be the largest federal investment in the country's infrastructure for decades. The legislation includes US\$550 billion in new federal investments over the next eight years for ports, airports, rail, roads, bridges, and mass transit. The European Commission meanwhile announced a set of options for members to tackle high energy prices. The "toolbox" contains a mix of immediate measures to protect vulnerable consumers and

business, and more medium-term ideas to book market resilience alongside decarbonisation. The intention is to provide member states the ability to keep energy prices low without breaching strict competition rules.

## Outlook

We believe Global listed real estate markets are likely to be buoyed as the execution and distribution of vaccines progresses, and as extensive government stimulus continues to be rolled out. However, like most other risk assets, they are also likely to be punished on news of any setbacks in containing the pandemic, and concerns about rising inflation and interest rates. Earnings growth remains robust across the majority of real estate segments and geographies, fundamentals are solid and the outlook strong.

Regarding global listed infrastructure, we remain positive on North American oil, gas storage & transportation, as the cyclical recovery with strong commodity prices favours cash flow growth and deleverage. Our outlook for transportation meanwhile remains focused on global vaccination rates as an important signpost for traffic recovery. With high vaccination rates in developed markets, we see steady 'market opening' for international travel. We are positive on the thematic of digitalisation, connectivity, and data usage for the communication sector; however, valuations have broadly remained stretched in developed markets.

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## Availability

| Product Name                               | APIR        |
|--|-------------|
| Flexible Lifetime - Investments (Series 1) | AMP0850AU** |
| Flexible Lifetime - Investments (Series 2) | AMP1416AU** |
| SignatureSuper                             | AMP0823AU*  |
| SignatureSuper - Allocated Pension         | AMP1154AU*  |
| SignatureSuper Term Pension                | AMP1154AU*  |

\*Closed to new investors

\*\*Closed to new and existing investors

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