Specialist Property and Infrastructure

Quarterly Investment Option Update

31 March 2022

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

Investment Option Overview

Investment category	Property and infrastructure
Suggested minimum investment timeframe	5 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global listed infrastructure	45
Global listed property	35
Austalia listed property	20
Cash	0
Unlisted property	0

Actual Allocation	%
International Shares	4.80
Australian Shares	18.87
Listed Property and Infrastructure	74.14
Unlisted Property and Infrastructure	0.00
Cash	2.19

Top Holdings	%
Goodman Group	4.54
Sempra Energy	2.96
ENBRIDGE INC	2.89
TC Energy Corp	2.59
Prologis Inc	2.55
AMERICAN TOWER CORP	2.55
NATIONAL GRID PLC	2.31
Scentre Group	1.70
Gibson Energy Inc	1.69
Terna - Rete Elettrica Naziona	1.64

Region Allocation	%
North America	43.68
Australasia	18.39
Europe ex UK	14.94
Cash	7.98
Japan	5.20
United Kingdom	4.94
Asia ex Japan	4.66
Others	0.22

Fund Performance

The Specialist Property and Infrastructure Fund produced a positive return and outperformed the benchmark for the quarter. The best performing underlying allocation, was again the Macquarie Global Infrastructure Fund, which returned 9.08% for the period against a benchmark of 3.19%. Our property allocations meanwhile struggled, with the AMP Listed Property Index Fund returning -7.02% vs a benchmark of -7.10%, while the Macquarie Global Property Securities Fund returned -4.75% vs a benchmark of -3.53%. The global property and infrastructure allocations were formerly managed by AMP Capital, prior to Macquarie taking over during the period.

Market Review

Global listed real estate markets fell over the March quarter, as further 'risk off' sentiment emerged. This was initially sparked by concerns that the US Federal Reserve was 'behind the curve' in its view that inflation was transitory, and following very strong US economic data, was expected to hike interest rates aggressively to keep it contained. Markets subsequently remained volatile as the Russian invasion of Ukraine caused significant uncertainty and raised expectations of increased energy prices, leading to higher inflation and the risk of higher interest rates. However, later in the period, markets generally regained some ground, despite interest rates increasing sharply. The US Federal Reserve increased its target cash rate by 0.25% and indicated it would raise it again at each of its six remaining meetings this year. At the same time, it pared expectations for economic growth and sharply raised its outlook for inflation.

The broader Australian listed real estate market fell over the March quarter, with the S&P/ASX 200 A-REIT index down by 7.10% on a total return basis. In addition to the outlook for interest rates and inflation in the US and Europe, and as the conflict between Ukraine and Russia continue to cause volatility in markets, higher than expected Australian consumer price inflation also led many commentators to expect the RBA to tighten monetary policy this year, instead of in 2024, as the central bank had previously indicated. This risk of higher interest rates led to a repricing within the listed real estate market, with more expensive growth segments, such as industrial underperforming value segments such as office and shopping centres. The dominance of this pattern also meant company share price performance largely followed segment performance somewhat, despite 1H 2022 results reported during the period.

Global infrastructure markets meanwhile rose through the volatile quarter with investment activities in the infrastructure sector continue to be active. At the beginning of the year, it was reported that Telecom Vodafone and Iliad were in talks to merge their businesses in Italy. However, Vodafone had later confirmed the offer to buy its Italian operation and that the offer was rejected in February. If the deal had been successful, it could create a telecoms powerhouse with a combined revenue of almost €6 billion. Meanwhile, the Spanish government approved a €6.96 billion investment plan to boost their electricity transmission network with a goal that renewables will make up for 67% of Spain's power mix by 2026 and reducing the need for gas-fired generation. Approximately €1.9 billion will be invested in the integration of renewables, €1.5 billion will go towards submarine interconnections with Spain's non-mainland territories, while €1.26 billion will be spent on building interconnectors with France, Morocco, Portugal and Andorra. In Australia, the Federal Government released its 2022/23 Federal Budget at the end of the March. committed an additional A$17.9 billion to infrastructure projects as part of its 10-year infrastructure investment pipeline, which has been increased to a record A$120 billion. For regional Australia, there will be an additional A$7.1 billion invested in transformative infrastructure projects in four key hubs identified as growth centres. Additionally, there will be further A$446.1 million committed towards energy and emissions reduction, consistent with Australia's Long Term Emissions Reduction Plan.

Outlook

We believe Australian and global listed property, and infrastructure securities, will continue to be subject to near-term volatility which is affecting all risk assets as inflation and rising rates continue to cause concern. Over the longer-term, real assets continue to provide desirable characteristics, including stable cashflow and capital growth potential.

The actions of the central banks and the movements in long-term interest rates around the world will likely be an important driver of relative global valuations. We are monitoring this theme closely as well as developments in inflation. Importantly, real assets may offer a degree of shelter from inflation, with higher inflation generating higher revenue.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP1007AU**
Flexible Lifetime - Investments (Series 2)	AMP1423AU**
SignatureSuper	AMP0954AU
SignatureSuper - Allocated Pension	AMP1161AU
SignatureSuper Term Pension	AMP1161AU

**Closed to new and existing investors

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267

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