UBS CBRE Global Property Securities

Quarterly Investment Option Update

31 March 2022

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	n/a	94.70
Cash	n/a	5.30

Regional Allocation	%
North America	67.13
Europe (ex. UK)	9.47
Japan	6.45
Australia & NZ	3.40
United Kingdom	4.14
Asia Pacific ex Japan	3.68
Other	0.43
Cash	5.30

Top Holdings	%
Prologis	6.51
Cubesmart	4.44
Sun Communities	4.24
Extra Space Storage	3.85
Realty Income	3.44
Simon Property	3.15
Camden Property Trust	3.15
Crown Castle International	2.89
Essex Property Trust	2.86
Rexford Industrial Realty	2.39

Investment Option Commentary

The portfolio underperformed the benchmark for the quarter after a very strong year of absolute and relative performance in 2021.

For the quarter, Asia-Pacific was the best performing region (-1.4%), followed by North America (-4.1%), with Europe being the laggard for both March and year-to-date (0.8% and -5.0% respectively).

During the quarter, relative underperformance was driven primarily by portfolio positioning in the U.S. storage and office sectors. CBRE are overweight the storage sector, and after being a top performing sector during the fourth quarter 2021 and the full year, the sector experienced what could be described as "profit-taking" by investors in early 2022. The sector fell in January and February but rebounded strongly in March, up +10%. CBRE have maintained their overweight throughout, but experienced some relative performance drag as CBRE's top holdings (CubeSmart and Extra Space) underperformed. CBRE believes these stocks should continue to generate both double-digit FFO and dividend growth per share. In the office sector, CBRE's underperformance for the quarter was driven by sector allocation, as CBRE have been and remain underweight the sector. For the quarter, the office sector was up +8%, materially outperforming the benchmark after underperforming in 2021. While U.S. office fundamentals are no longer deteriorating, CBRE are unable to underwrite any material improvement in fundamentals and earnings and remain underweight the sector.

In the Asia-Pacific region, the portfolio outperformed the benchmark for the quarter. The portfolio benefited from an overweight to the outperforming Singapore and Korean markets, as well as a lower allocation to underperforming Japanese REITs. Australian stock selection was a detractor for the quarter driven by positioning in Home Co., which underperformed due to fears surrounding rising bond yields and how that may impact the Group's ability to attract equity flows.

In the European Region, relative performance lagged the benchmark for the quarter. Negative contributors included Swedish diversified company SBBB. SBBB outperformed in 2021 as the company aggressively acquired assets but has fallen to start 2022 as the market has become more sceptical of the company's ability to acquire additional properties in an accretive manner. In the U.K., stock selection was negatively impacted by the underperformance of portfolio holdings within the storage sector as Big Yellow Group fell -10% despite continued fundamental strength.

Market Commentary

In the first quarter of 2022, equity markets had to navigate inflation fears and accelerating expectations of global rate hikes. In late February, Russia invaded Ukraine, rattling already unsettled equity markets. After falling in the first two months of 2022, global real estate stocks rebounded in March, up +5%. With the rebound in March, global real estate stocks are modestly outperforming the S&P 500 and the MSCI World Index year-to-date.

The conflict in Ukraine has been weighing on equities globally, including the stocks in CBRE's global real estate strategy. CBRE does not know how long this conflict will last or the outcome of the conflict. What do know is that CBRE's global real estate strategy: 1) has no holdings related to Russia or Ukraine; 2) have been and continue to be underweight Europe as a result of CBRE's fundamental underwriting, preferring the relative valuations and growth opportunities in the U.S. and Asia-Pacific regions; 3) focus on the fundamentals of the individual companies and strive to balance macro factor exposures within the portfolio; and 4) from a liquidity and leverage perspective, CBRE's holdings are in the best post-recession shape they have been in the modern REIT era.

CBRE believes the market is looking past some of the macro headwinds and more towards an earnings outlook which should drive real estate stock performance, and as a result CBRE feels very good about the outlook for real estate stocks in 2022. Globally, CBRE's analysts cover close to 500 real estate stocks. CBRE currently estimate 2022 earnings growth at approximately 11.0%, up from approximately 6.3% forecasted mid-last year for 2022 and improving from the approximate 9.0% growth that was achieved in 2021. CBRE has completed fourth quarter earnings reporting season and CBRE's investment team believes there is potential upside to CBRE's current 2022 growth forecasts because of both improving real estate fundamentals and conservative management earnings guidance to begin the year. CBRE believes their underwriting has appropriately incorporated higher interest rates and borrowing spreads in CBRE's 2022 and 2023 forecasts.

Outlook

CBRE believes a "new real estate investment cycle" for publicly traded real estate stocks began at the stock market bottom in May 2020. As a result, CBRE are early in this investment cycle for real estate securities. CBRE believes that real estate securities are attractively priced relative to the private real estate market, the fixed income market, and the broader stock market.

Based on CBRE's proprietary valuation dashboard, real estate securities valuations are attractive relative to the private real estate, fixed income, and broader stock markets. At 03/31/22, real estate stocks are trading at a discount of -6.3% to NAV with an implied unleveraged cash flow yield of 5.4%. In the U.S., the spread between implied cap rates and Baa corporate bonds is +61 basis points versus a long-term average of +100 basis points. Outside the U.S., these spreads are wide as well. The forward multiple of global REIT earnings is 18.6x versus the 17.7x Price-to-Earnings ratio of the MSCI World Equity Index, normally the multiples are similar. Given the improving earnings growth outlook for global real estate stocks, coupled with the decelerating growth expected in broad equities, CBRE believes the global REIT earnings multiple can trade at a premium to the MSCI World Equity Index, which historically occurs when real estate fundamentals and earnings are accelerating.

In the U.S., CRBE is overweight residential, storage, towers, and hotels. In Japan, CBRE prefer hotel, mid-cap diversified and office J-REITs that are providing earnings resiliency at very attractive relative valuations. In Hong Kong, CBRE are overweight diversified companies with a commercial bias, asset managers and select retail. In Australia, CBRE prefer asset managers, rural, retail, and a few select diversified companies. In the U.K., CBRE favour the storage and industrial sectors. Within Continental Europe, CBRE own industrial companies, residential companies and select retail companies.

CBRE believes active management has the ability to offer significant relative return potential at this time when investors have a unique opportunity to invest in listed real estate at attractive valuations.

Availability

Product name	APIR
SignatureSuper*	AMP2009AU
SignatureSuper Allocated Pension*	AMP2016AU
SignatureSuper Term Pension*	AMP2016AU

*Closed to new investors

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