AMP Capital Global Infrastructure Securities (Hedged)

Quarterly Investment Option Update

30 June 2022

Aim and Strategy

To provide investors with a return comprising both income and capital growth by investing in a portfolio of infrastructure securities on a global basis. The portfolio can invest in globally listed or expected to be listed infrastructure securities issued by entities that have as their primary focus (in terms of income and/or assets) the management, ownership and/or operation of infrastructure and utilities assets. It may also invest in derivatives, primarily for currency hedging and other risk purposes. The portfolio aims to outperform the Dow Jones Brookfield Net Total Return (Australian dollar hedged) over the medium to long term.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au/performance

Investment Option Overview

Investment Category	Alternative Strategies
Suggested Investment timeframe	5+ years
Relative risk rating	Medium to High
Investment style	Active
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Listed Infrastructure Securities	100.0	98.96
Cash	0.0	1.04

Sector Allocation	%
Airports	3.30
Communications Infrastructure	14.68
Diversified Infrastructure	0.00
Electric Utility	19.88
Electricity And Gas Distribution	9.32
Electricity Generation	0.54
Electricity Transmission	3.66
Energy Infrastructure	25.39
Rail / Other Transportation	4.87
Seaports	1.55
Toll Roads	9.09
Water	6.69

Top Holdings	%
Enbridge Inc	7.14
American Tower Corp	5.41
Tc Energy Corp	5.25
National Grid Plc	5.20
Sempra Energy	5.01
Vinci Sa	4.44
Terna-Rete Elettrica Naziona	3.66
Severn Trent Plc	3.66
Eversource Energy	3.21
Kinder Morgan Inc	3.21

Investment Option Commentary

During a quarter of negative performance in global equities and in the infrastructure sector, the strategy underperformed the benchmark. The portfolio's exposures to the Water and rail/Other Transportation sectors were the largest attributors. Electricity and Gas Distribution and Communications Infrastructure were amongst the largest detractors from relative performance.

The portfolio's underweight to the Water sector was the largest contributor to performance, driven by index positions Cia Saneamento Basico and Pennon group that the portfolio did not invest in. Stock selection in the Rail/ Other Transportation sectors also contributed to relative performance driven by the portfolio's overweight to Japanese Railway companies East Japan Railway (East JR) and West Japan Railway (West JR). Both the companies outperformed as market concerns over the impact of COVID-19 on railway revenue continued to subside. Japan reopened its borders to foreign tourists in group tours during June which helped boost market sentiment to the Japanese railway sector.

Stock selection in the Electricity and Gas Distribution sector detracted from relative performance driven by the portfolio's overweight to Sempra Energy and no allocation to benchmark positions Tokyo Gas and ENN Energy during the period. Tokyo Gas is seen as a relative safe haven and share price may have outperformed due to the risk off trade. ENN performed well due to the end of covid lock downs in parts of China such as Shanghai. This is positive for investor sentiment as lock downs are high disruptive to the economy and industrial production, an end will lift industrial gas demand for ENN energy.

Stock selection in the Communications Infrastructure sector also detracted from performance. Overweight positions in Cellnex Telecom and Vantage towers and an underweight position in American Tower contributed to the relative underperformance. Having underperformed earlier in the year, the share price rebounded in May after reporting a good 1Q22 result at the end of April and slightly raising full year earnings guidance. The share price also outperformed in June as the company announced a smaller than expected equity raising. Cellnex has underperformed the benchmark as the M&A growth story has slowed and investors are increasingly concerned about interest rates increasing. Given that Cellnex has typically used leverage to help fund its recent M&A, the increase in interest rates could put pressure on returns. The company has not announced any large M&A transactions in over a year, which has taken some momentum from the growth story. Additionally, there is currently a competitive tender for Deutsche Telekom's tower portfolio, and Cellnex has confirmed that they are examining the deal. This is likely to be an expensive transaction so the market is concerned that if Cellnex wins, the opportunity for valuation creation will be limited.

Market Commentary

The second quarter of 2022 saw a continuation of major shifts in the macroeconomic environment. Equity markets reacted negatively as inflation continued to increase, conflict continued in Eastern Europe and growth expectations moderated. Bond yields rose during the quarter, with 10-year US Treasury yields starting the period at 2.34% and finishing at 3.01% driven by a rapid escalation in expectations regarding the Fed's approach to increasing funding rates.

The infrastructure sector significantly outperformed broader equity markets, returning - as rising inflation, lower growth expectations and a flight towards more stable and predictable investments combined. Broader equity markets ended the period down for the period. Year to date, the infrastructure sector has remained extremely resilient, relative to global equities, underlying the stability of cashflows and inflation-linkage inherent in the asset class.

Inflation has emerged as a threat to economies around the world. Central banks are responding by rapidly raising short term interest rates. The significant outperformance of the listed infrastructure sector relative to global equities can be attributed to the inflation-linked nature of infrastructure asset cash flows. Many infrastructure assets have direct revenue links to inflation stated in their regulation, concessions, or contracts. The level and form of inflation protection in infrastructure varies by individual asset. Analysis of a range of factors is required to identify those listed infrastructure stocks with superior inflation protection attributes over the long term. In general, sub-sectors which have explicit inflation linkage mechanisms in revenues and/or asset values, such as concession-based toll roads and regulated utilities in jurisdictions with reliable and transparent regulation, can offer the strongest form of inflation protection. Identifying the listed infrastructure companies with the strongest inflation attributes requires detailed analysis of pricing power and direct inflation linkages in regulation, concessions, and contracts, a task undertaken by our dedicated listed infrastructure investment team.

Outlook

Over recent months, the Australian equity market has remained resilient despite macroeconomic and geopolitical related volatility. February company earnings season highlighted improving operating momentum in many businesses, as COVID-related impacts moderate. With the Federal election due by May, short-term government policy is likely to be remain supportive for corporate earnings.

Elevated global inflation will continue to be a focus for investors over coming months, as will the ongoing development of the Russia and Ukraine conflict. These are risks that the fund manager will continue to monitor closely.

Availability

Product name	APIR
SignatureSuper*	AMP1876AU
SignatureSuper – Allocated Pension*	AMP1877AU

*Closed to new investors

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