

# AMP CAPITAL CORE PROPERTY FUND - OFF-PLATFORM CLASS A

## Investment Objective

Aims to generate income and capital growth on a rolling 3-year basis by investing in Australasian and US unlisted real estate and Australasian and global listed real estate.

## Investor Benefits

- An efficient exposure to real estate with access to Australasian and US unlisted real estate and Australasian and global listed real estate.
- Access to a diversified portfolio providing investors exposure to diverse property sectors and markets.
- Access to institutional grade core real estate assets which are otherwise difficult for individual investors to obtain.
- Access to a low debt fund which allows investors to choose when they invest.
- AMP Capital's specialist real estate knowledge and broad investment expertise.

## How We Manage Your Money

The Fund provides access to unique investment opportunities that are otherwise difficult for an individual investor to obtain. The Fund is well diversified across a strategic mix of global unlisted and listed real estate. It targets assets which have high occupancy rates and stable income streams underpinned by leases to long-term, secure commercial and government tenants.

## Performance as at 31 December 2021

	Current Investment Strategy <sup>1</sup>						Blend of Current and Previous Investment Strategies <sup>1</sup>		
	1mth (%)	3mths (%)	6mths (%)	1yr (%)	3yrs (%)	Since Inception <sup>2</sup> (%pa)	5yrs (%)	10yrs (%)	Since Inception <sup>2</sup> (%pa)
Total Return – Net of Fees	3.53	5.92	10.11	20.07	8.72	8.44	8.21	10.09	7.25
Total Return – Gross of Fees	3.62	6.19	10.65	21.21	9.69	9.41	9.15	11.05	8.21
Distribution return	0.68	0.70	1.47	4.77	4.73	5.06	4.58	4.07	4.86

Past Performance is not a reliable indicator of future performance.

Past performance shown for the blend of current and previous investment strategies is for information purposes only and is not a reliable indicator of future performance under the current investment strategy

Performance guideline: to generate income and capital growth on a rolling 3 year basis by investing in Australasian and US unlisted real estate and Australasian and global listed real estate

Returns are shown both before and after fees, before tax and assumes distributions are reinvested.

<sup>1</sup> On 1 August 2018, the Fund revised its investment strategy. We have provided the Fund's performance under the revised investment strategy. We recognise that existing investors will want to know longer term past performance and therefore have also provided information that combines the performance generated under the previous strategy up until 1 August 2018 with performance generated under the current strategy thereafter (shown under Blend of current and previous investment strategies).

The key changes to the investment strategy were:

Removal of the Fund's performance benchmark and move to a benchmark-unaware investment objective  
Change in target asset allocation from

- 50% to actively managed Australasian and US direct property
  - 25% to indexed Australian listed property securities, and
  - 25% to actively managed global listed property securities.
- to
- 50% to actively managed Australasian and US direct property; and
  - 50% to actively managed Australasian and global listed property securities.

(which incorporated a move from a partially passively managed Fund to fully actively managed Fund)

<sup>2</sup> The relevant inception dates are as follows:

- AMP Capital Core Property Fund is 1 July 2005
- The current investment strategy of the AMP Capital Core Property Fund is 1 August 2018

FUND FACTS	
APIR	AMP1015AU
Inception date	01 July 2005
Fund Size	\$442.78 million
Management costs*	1.25% p.a.
Buy/sell spread*	+0.13/-0.13%
Distribution frequency	Quarterly
Minimum investment	\$500,000
Minimum suggested timeframe	5 years

\*The Fund PDS outlines management costs components, as well as other fees and costs that may apply to your investment. You can review the PDS at [www.ampcapital.com.au](http://www.ampcapital.com.au).

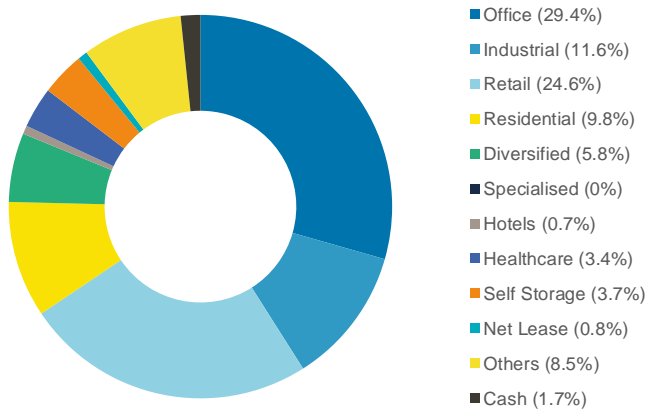
## What Happened Last Period

- The Fund posted a strong positive return (after fees).
- All three of the Fund's underlying components gained ground, led by the listed real estate component which 'shot the lights out'.
- At a stock level, the largest contributors were holdings in Charter Hall Group (diversified), Goodman Group (industrial), and Prologis (industrial).
- Gains in the unlisted components reflected their income, which continued to be underpinned by high occupancy, and office revaluations.

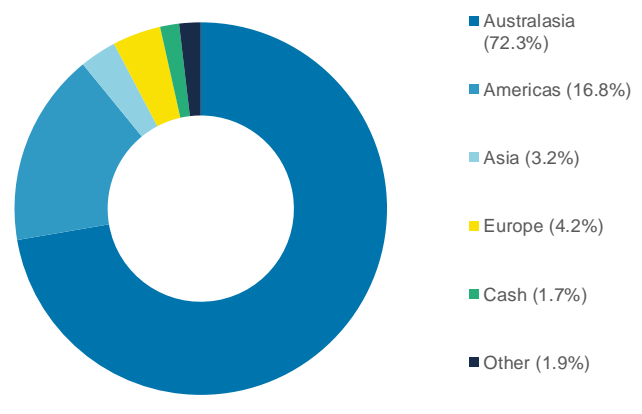
## Underlying Investments

AMP Capital Wholesale Office Fund	27.35
AMP Capital Shopping Centre Fund	19.76
AMP Capital US Hedged Plus Property Fund	0.65
AMP Capital Listed Real Estate Portfolio	50.59
Cash	1.65

## Sector Allocation



## Regional Allocation



## Fund Performance

The Fund posted a strong positive return (after fees) over the quarter, with all three of its underlying components gaining ground, led by the listed real estate component which 'shot the lights out'.

The AMP Capital Shopping Centre Fund (ASCF) gained 3.45% and the AMP Capital Wholesale Office Fund (AWOF) gained 3.22% on a total return basis (before fees) – reflecting each portfolio's income, which continued to be underpinned by high occupancy. AWOV's uplift was also driven by revaluations of Quay Quarter Tower and 255 George Street, NSW.

During the period, the results of the Global Real Estate Sustainability Benchmark (GRESB) assessment were released. AWOV scored 93% and ASCF scored 90%, which were above their respective peer group averages and significant improvements on their 2020 results. In addition, both funds maintained their 5-star ratings, placing them in the top 20% of the global benchmark.

ASCF settled the divestment of its 24.94% stake in Westfield Warringah Mall, NSW for \$410 million. While the sale was not originally part of the Fund's 2021 strategy, it delivered a circa 12% premium to book value. The Fund also settled the divestment of its 50% stake in Stockland Kmart Centre, QLD for \$23.6 million, delivering a circa 30% premium to book value. It also progressed the divestment of several non-core assets, which will improve the quality of the Fund's existing portfolio.

The Trustee of AWOV determined that it was in the best interests of AWOV investors to retain AMP Capital as Trustee and manager, following a thorough assessment. In addition, AMP Limited committed to providing alignment capital to support AWOV and other real estate funds managed by AMP Capital, ahead of the planned demerger of AMP Capital's Private Markets business.

The listed real estate component, which is a bespoke portfolio managed on a benchmark-unaware basis, rose 10.82% (in A\$ terms). At a country level, the main contributors to performance were holdings in the US and Australia, while the main detractors were holdings in Hong Kong. At a sector level, the main contributors were holdings in the industrial, diversified and specialised sectors, while the main detractors were holdings in the office and residential sales sectors.

The office segment remained under pressure, although there were some signs that conditions were stabilising. In Japan, the latest Miki Shoji Corp data showed that the office vacancy rate in Tokyo's five central wards fell 0.12% to 6.35% in November, the first improvement in 21 months. This improvement was reflected in the results reported by Mitsui Fudosan for the fiscal period ending September 2021. Its portfolio occupancy improved to 96.1%, from

95.3% at the end of June.

At a stock level, the largest contributors were holdings in Charter Hall Group (diversified), Goodman Group (industrial), and Prologis (industrial), while the largest detractors were holdings in Ingenia Communities Group (residential rentals), Lifestyle Communities (residential rentals) and Mirvac Group (diversified).

The transition of management of the listed real estate component from AMP Capital to Macquarie Asset Management is underway, following the decision to sell the business in July. Key investment personnel will transfer to Macquarie Asset Management in the March 2022 quarter. Currently, we do not anticipate any changes to the investment strategy, philosophy and management of the listed real estate portfolio.

Note: A small cash holding remains in the AMP Capital US Plus Property Fund, which has been terminated. The cash will be held until the expiry of representation and warranty periods, expected to occur during the September 2022 quarter.

## Market Review

Leasing activity remains resilient, but patchy across the various property sub sectors, in line with positive business and consumer confidence. Transactional activity continued the robust momentum, with national commercial transaction activity for the December quarter the highest level since 2006, according to JLL Research. Institutional investor appetite has broadened across a wider spectrum of commercial property assets and continues to be supported by low interest rates and its yield spreads remaining attractive relative to government bonds, particularly in a global context.

Global listed real estate markets rose strongly 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 was not as high as feared. Despite this, globally there were ongoing concerns about inflation and increasing interest rates, which were 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. Many governments chose to avoid shutdowns to contain the fast-spreading variant, but instead pushed for more widespread vaccinations, boosters and testing. Markets were also supported by improving employment conditions and not even higher US inflation could contain the rallies. the pandemic.

## Outlook

In Australia, the emergence of Omicron may further delay the return to office attendance. In Sydney and Melbourne, while the demand dynamics are expected to stabilise and improve over the course of the next year, we believe vacancy levels will remain elevated before a potential recovery from 2022. We expect an uneven recovery, with higher grade assets likely to outperform. Similarly, within retail, Omicron may cause a near-term fall in consumer confidence and therefore spending. However over the longer-term, we consider top-tier, dominant shopping centres with mixed use potential and defensive tenant-bases to be best-placed amid the shift to e-commerce. Historically, core real estate has delivered total returns between 7-9% pa over the market cycle<sup>1</sup>.

Global listed real estate markets will continue to be subject to near-term volatility, which is affecting all risk assets. The 'Omicron' variant of COVID-19 has increased uncertainty and although initial signs are encouraging, in that its severity seems to be less than or equal to the 'Delta' variant, we will remain on high alert over the next few weeks as we gain a better sense of the severity of the disease and its resistance to vaccines. Thereafter, we will be able to more accurately assess the risk of any pandemic-induced economic slowdown. Wages growth and its impact on inflation will also be a key risk into the new year.<sup>1</sup> (Source: MSCI/Mercer Australia Core

Wholesale Monthly PFI. Market cycle is generally between 7-10 years).

## PORTFOLIO MANAGER



Claire Talbot is the Fund Manager for AMP Capital's Core Property Fund. Claire is responsible for establishing and implementing portfolio strategy. Ms Talbot brings considerable experience in property investment management to her role, having worked in the real estate industry since 1999. Previous roles include various fund and asset management positions, including her most recent role of Assistant Fund Manager for the AMP Capital Retail Trust, assisting with the implementation of investment strategy and the delivery of two of Australia's largest retail property development projects at Macquarie Centre, NSW and Pacific Fair, QLD.

## CONTACT DETAILS

For more information on the Fund including fees, product features, benefits and risks talk to your adviser or call us on 1800 658 404 or visit [ampcapital.com.au](http://ampcapital.com.au)

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INSIGHTS  
IDEAS  
RESULTS