

# AMP CAPITAL CORE PROPERTY FUND - ON-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 May 2022

	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	-3.85	-2.22	-3.78	5.05	3.15	5.46	6.12	8.60	6.60
Total Return – Gross of Fees	-3.75	-1.93	-3.23	6.15	4.12	6.43	7.08	9.56	7.57
Distribution return	0.00	1.21	1.81	4.07	4.44	4.72	4.58	4.04	4.82

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	\$393.32 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).

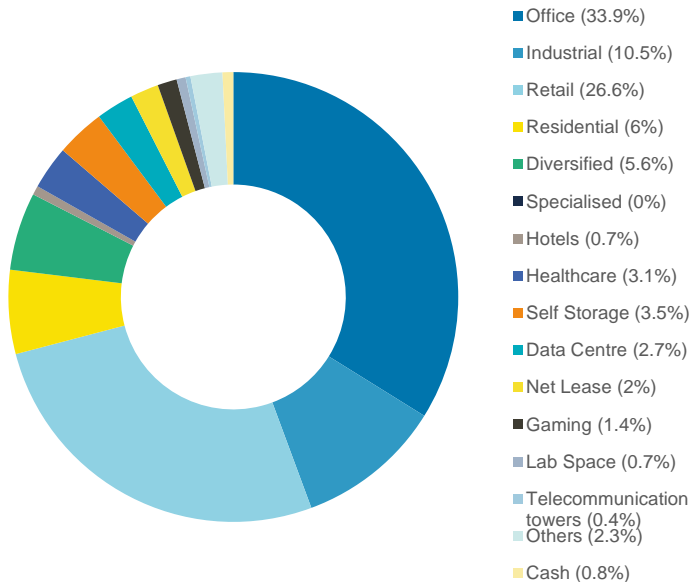
## What Happened Last Period

- The Fund posted a negative return in May, dragged down by the performance of the listed real estate component.
- The Fund remains up strongly over the longer term, including over 1, 2 and 3 years and since inception (after fees).
- The unlisted components performed strongly due to valuation uplifts, capital gains and strong income returns.
- The listed component fell in highly volatile market conditions.

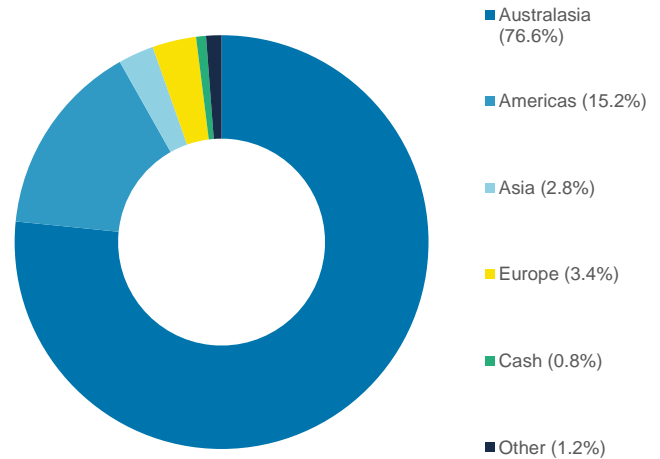
## Underlying Investments

AMP Capital Wholesale Office Fund	32.73
AMP Capital Shopping Centre Fund	22.69
AMP Capital US Hedged Plus Property Fund	0.42
AMP Capital Listed Real Estate Portfolio	43.39
Cash	0.77

## Sector Allocation



## Regional Allocation



## Fund Performance

The Fund posted a negative return in May, dragged down by the performance of the listed real estate component. However, the Fund remains up strongly over the longer term, including over 1, 2 and 3 years and since inception (after fees).

The AMP Capital Wholesale Office Fund (AWOF) gained 1.85% and the AMP Capital Shopping Centre Fund (ASCF) gained 0.62% on a total return basis (before fees). The strong performance of AWOF was mainly due to valuation uplifts at South Eveleigh and Quay Quarter Tower, as well as capital gains from the sale of a 16.7% stake in Quay Quarter Tower to REST Super. The healthy performance of ASCF was driven by strong income return across the portfolio, and valuation uplifts at Royal Randwick, Westfield Southland and Ocean Keys Shopping Centre.

The listed real estate component, which is a bespoke portfolio managed on a benchmark-unaware basis, returned -8.68% (in A\$ terms, before fees) in very difficult market conditions. At a country level, the main detractors were holdings in Australia and the US. At a sector level, the main detractors were holdings in the industrial and diversified sectors.

The industrial segment was punished after massive industrial tenant Amazon.com revealed an online sales slump, which indicated that the pandemic-induced jump in e-commerce is running out of steam. In the US, online retail sales as a proportion of total retail sales reached 16.6% in Q4 2020, at the height of the pandemic, but eased back to 14.3% in Q1 2022. However, this was well above 10.0% in Q1 2019 when the pandemic first began, indicating that the long-term e-commerce growth trend remains intact.

Reflecting confidence in this trend, US industrial giant, Prologis, announced a proposal to acquire Duke Realty in an all-stock transaction valued at US\$61.68 per share, representing a 29% premium to the companies' previous closing prices. Prologis highlighted that the acquisition presents significant synergies and superior growth opportunities for both companies. However, to date the Board of Duke Realty has rebuffed the Prologis offer as inadequate.

At a stock level, the largest detractors were holdings in Charter Hall Group (diversified), Prologis (industrial) and Goodman Group (industrial), while the largest contributors were holdings in VICI Properties (specialised), American Tower Corp (specialised) and Broadstone Net Lease (net lease).

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

The demand for direct real estate remains strong, with yield spreads to government bonds remaining attractive, particularly in the global context. Tenant demand remains patchy across geographies and property sub-sectors but despite consumer confidence concerns, still positive business confidence, solid March quarter GDP growth and stronger labour markets all bode well.

In the office sector, tenant demand conditions in the major CBD markets continued to improve, supported by a reduction in sub-lease vacancy while the supply pipeline moderates. As a result, net effective rents are expected to rise further for prime assets across a broadening range of CBD office markets. In addition, investor demand is persisting, which has supported asset values.

In the retail sector, spending shifted from services to goods during the pandemic and this is expected to eventually rotate back. So far this year, consumers are spending on goods despite cost-of-living pressures, helped along by the strong jobs market and excess savings built up through the pandemic. However, high inflation and falling real household income pose downside risks to the outlook for spending on discretionary items compared with non-discretionary goods and services. Meanwhile, investor demand continues to improve and remains robust for major retail assets.

In the industrial sector, the logistics segment continues to offer long-term tailwinds, low vacancy rates and considerable rental growth for current and prospective investors. The demand/supply imbalance is being exacerbated by the continuing scarcity of land and the driving down of available supply across most major metro industrial areas.

Global listed real estate markets were highly volatile and generally fell in May as concerns about high inflation and rising interest rates intensified. Investors were also concerned about slowing economic conditions in the US and whether the US Federal Reserve will be able to orchestrate a 'soft-landing' for the economy. The central bank increased the federal funds rate by 0.5% and announced the start of quantitative tightening. However, its commentary was less hawkish than expected, alleviating fears of an aggressive profile for interest rate increases over the next 6 to 12 months. After rising sharply early in the month, US 10-year bond yields declined 0.09% to 2.85% over the period.

Within the listed real estate market, Q1 2022 earnings were generally better-than-expected. Supply-chain issues were evident and impacted the results but have now started to ease.

## Outlook

In Australia, as concerns about the pandemic abate, we expect office attendance to stabilise and improve, however we believe vacancy levels will remain relatively elevated before a potential recovery later in 2022. We expect an uneven recovery, with higher grade assets likely to outperform. Similarly, within retail, recent flooding along the east coast of Australia and the Russian invasion of the Ukraine will lead to 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 as the Russian invasion of Ukraine causes significant uncertainty. While the portfolio has no exposure to Russia or Ukraine, concerns about a potential energy crisis leading to higher inflation and the risk of higher interest rates are adding to uncertainty. In this environment, we aim to maintain a well-balanced, diversified portfolio focussed on investing in companies with capable management teams that can execute their strategy through all market cycles, and possess healthy balance sheets and well-funded capital plans, which offer sustainable dividend growth.

<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