

# AMP CAPITAL CORE PROPERTY FUND - ON-PLATFORM CLASS H

## 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 30 June 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	-2.14	-5.52	-9.18	-0.16	1.55	4.42	5.32	7.74	5.70
Total Return – Gross of Fees	-2.02	-5.16	-8.50	1.25	2.86	5.74	6.63	9.07	7.08
Distribution return	1.40	1.34	2.40	3.78	4.15	4.66	4.40	3.76	4.64

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	AMP1074AU
Inception date	12 April 2006
Fund Size	\$380.63 million
Management costs*	1.57% p.a.
Buy/sell spread*	+0.13/-0.13%
Distribution frequency	Quarterly
Minimum investment	\$10,000
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).

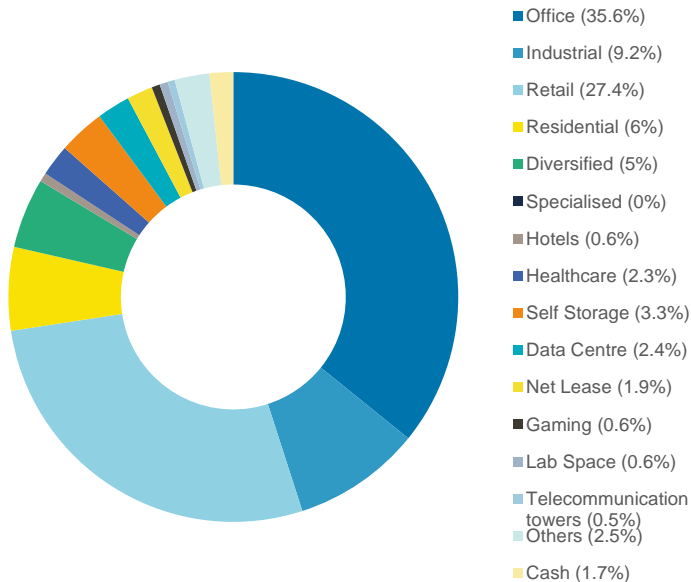
## What Happened Last Period

- During June, the Fund lost some ground, but it remains up over the longer term, including over 1, 2 and 3 years and since inception (after fees).
- Performance of the three underlying components was mixed.
- The gains in the unlisted components reflected valuation uplifts as well as robust income, which continued to be underpinned by high occupancy.
- The listed component fell in difficult market conditions.

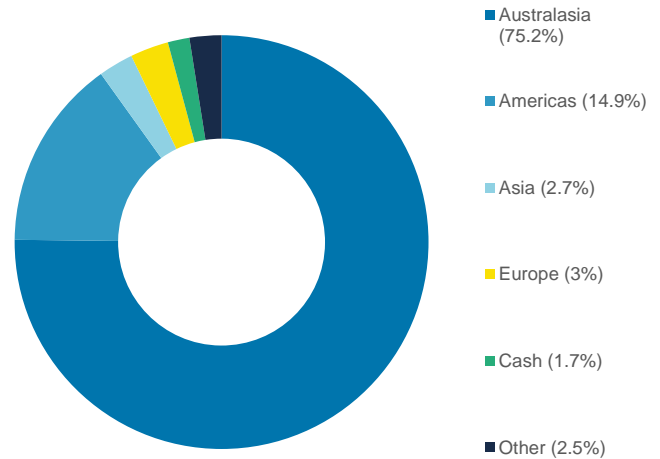
## Underlying Investments

AMP Capital Wholesale Office Fund	34.62%
AMP Capital Shopping Centre Fund	23.76%
AMP Capital US Hedged Plus Property Fund	0.44%
AMP Capital Listed Real Estate Portfolio	39.50%
Cash	1.69%

## Sector Allocation



## Regional Allocation



## Fund Performance

During June, the Fund lost some ground, but it remains up over the longer term, including over 1, 2 and 3 years and since inception (after fees). Performance of the three underlying components was mixed.

The AMP Capital Wholesale Office Fund (AWOF) gained 1.61% during the month on a total return basis (before fees). The performance of AWOFF was enhanced by valuation uplifts for Collins Place (Melbourne), Brookfield Place (Sydney) and Quay Quarter Tower (Sydney). There was limited compression in capitalisation and discount rates in recent valuations and most of the valuation uplift was related to market rental growth, reflecting tenant preference for high quality assets.

The AMP Capital Shopping Centre Fund (ASCF) gained 0.96% during the month on a total return basis (before fees). The performance of ASCF was driven by solid income returns as tenant trading conditions continued to improve resulting in higher rental receipts and reduction in arrears. Valuations were flat in June, with the standout being an increase in value for Westfield Tea Tree (Adelaide) due to additional income from reconfiguration of the Target tenancy.

The listed real estate portfolio returned -6.77% (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 listed sector continued to be impacted by a rise in the risk-free rate which has impacted all risk assets. At a stock level, the largest contributors were holdings in Hongkong Land Holdings, Crown Resorts and Mitsubishi Estate while the largest detractors were holdings in Goodman Group, Charter Hall Group and Healthco REIT.

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 second half of 2022.

## Market Review

Tenant demand has generally improved as a very strong labour market, substantial household savings, and solid exports support the Australian economy's recovery from pandemic lockdowns. Retail rental growth was positive across every major centre type for the quarter, the first occurrence of this since 2018. Prime industrial rental growth continued its strong momentum, increasing to an average of +4.9% along the East Coast. Prime office effective rents also grew across the Sydney, Melbourne, and Brisbane CBDs, with Premium stock generally seeing stronger net absorption than lower grade stock. Supply pipelines remain relatively contained and appropriate for the level of demand across each sector, providing support for rents in existing assets. A surge in supply is unlikely, with escalating construction costs and higher funding costs impacting feasibility of new developments. Yields were largely unchanged over the last few months as transaction activity slowed compared to the record levels of 2021.

Like all risk assets, June and Q2 have remained a challenging period of performance for Listed Real Estate, both on an absolute basis and relative to broader equities as we saw funding costs continue to move higher as central banks address the challenges of sustained high inflation. The challenging macro backdrop is at odds with the current strength in real estate fundamentals and the role real estate plays as an inflationary hedge, however the market continues to focus more on the potential recessionary consequence of monetary policy and the impact that could have on these fundamentals if the economy deteriorates further.

Given the macro backdrop, as the quarter progressed and specifically in June, there has been a shift in performance into more defensive real estate markets and away from cyclicals. Asia continued to deliver stronger relative returns versus all other markets, particularly in the developer space which is at odds with cyclical rotation in other regions, as it remains a relative value option and as a consequence greater downside protection for now as global inflation

remains elevated. In addition, Asia has begun to play catch up from a re-opening perspective as government restrictions are eased and is supported by more accommodative monetary policy relative to other global markets, so providing somewhat of a place to protect capital in the near term.

## Outlook

Over recent months interest rates and bond yields in Australia have increased because of the global inflationary environment. This is expected to put upwards pressure on investment hurdle rates in the short to medium-term and result in a significant reduction in transactional activity in the second half of 2022 as the buy/sell spread widens and market participants adopt a “wait and see” approach. Futures markets are pricing a peak cash rate in mid-2023 before rate cuts in the second half of the year.

In the office markets, we expect an uneven recovery post COVID, with higher grade assets likely to outperform. Retail consumption is expected to come under pressure in late 2022 as real incomes decline, and spending rotates to services. 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.

In the listed real estate market, we remain focussed on investing in high quality real estate opportunities with a sustainable growth trajectory and allocating our risk budget where possible to stock and sector selection. As the global economy transitions to a new macro environment of higher interest rates, inflationary pressures and the growing risk of recession, the focus on sustainable earnings and quality will make this emphasis even more important.

## 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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