

# AMP CAPITAL CORE PROPERTY FUND - OFF-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 31 August 2020

	Current Investment Strategy <sup>1</sup>					Blend of Current and Previous Investment Strategies <sup>1</sup>				
	1mth (%)	3mths (%)	6 mths (%)	1yr (%)	Since Inception <sup>2</sup> (%pa)	3yrs (%)	5yrs (%)	10yr s (%)	Since Inception <sup>2</sup> (%pa)	
Total Return – Net of Fees	1.19	1.27	-10.84	-9.32	3.01	4.78	6.30	8.38	5.65	
Total Return – Gross of Fees	1.29	1.59	-10.29	-8.21	4.23	6.01	7.56	9.69	7.03	
Distribution return	0.00	1.11	2.00	3.68	4.60	4.43	3.92	3.87	4.62	

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	\$495.91 million
Management costs*	1.57% p.a.
Buy/sell spread*	+0.14/-0.14%
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).

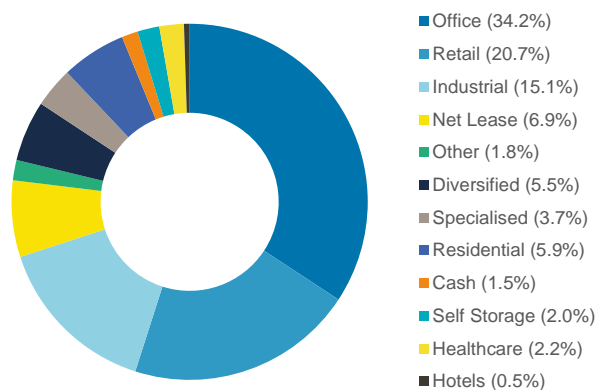
## What Happened Last Period

- The Fund posted a positive return (after fees) in August.
- Three of the Fund's four underlying components delivered positive returns, led by the bespoke listed real estate portfolio.
- Global listed real estate markets generally rose, with the dominating influence continuing to be the impacts of COVID-19.
- While new COVID-19 cases subsided in many locations and policy stimulus continued, US earnings season wound up, with all sectors except for industrials reporting weakness.
- Monthly valuations of the unlisted properties within underlying funds resulted in stable to modestly lower outcomes for AMP Capital Wholesale Office Fund and AMP Capital Shopping Centre Fund assets (respectively).

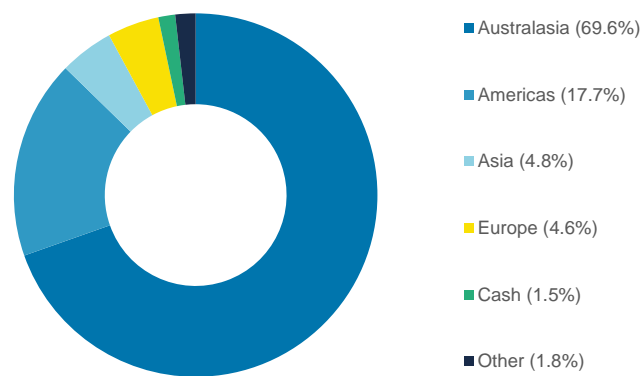
## Underlying Investments

AMP Capital Wholesale Office Fund	29.1%
AMP Capital Shopping Centre Fund	17.7%
AMP Capital US Hedged Plus Property Fund	5.1%
AMP Capital Listed Real Estate Portfolio	46.2%
Cash	1.9%

## Sector Allocation



## Regional Allocation



## Fund Performance

The Fund posted a positive return (after fees) in August. Three of the Fund's four underlying components delivered positive returns, led by the bespoke listed real estate portfolio.

The listed component of the Fund, which is a bespoke portfolio managed on a benchmark-unaware basis, continued to regain some of the ground lost earlier in the year to rise by 2.64% (A\$ terms). At a country level, holdings in Australia contributed most during the period, whereas holdings in Singapore, Japan and Norway detracted. All sectors contributed overall, led by diversified, net lease and industrial holdings.

At a stock level, the largest contributors to performance were holdings in Charter Hall Group (diversified), Goodman Group (industrial) and Charter Hall Long WALE (net lease), while the main detractors were Prologis (industrial), American Tower Corp (specialised) and Mitsubishi Estate Logistics REIT (industrial).

The industrial segment continues to benefit from the accelerating trend towards online shopping. In Australia, Goodman Group announced strong full-year results, with operating profit up compared to last year, earnings per share up, and continued high occupancy. The company also provided strong earnings guidance. Charter Hall Group has actively pivoted towards industrial assets and also reported very strong full-year results. Its operating earnings rose significantly compared to last year and its distributions per share also rose. The company reported growth in its property investment portfolio, funds management, development activity and pipeline, and maintained a strong balance sheet.

During the period, the AMP Capital Wholesale Office Fund (+0.24%) rose slightly on a total return basis (before fees), with its portfolio of assets generally holding their value.

AMP Capital Shopping Centre Fund (-0.17%) fell slightly on a total return basis (before fees), as its portfolio of assets experienced a modest fall in market valuations during the period.

From 1 April onwards, both of these unlisted funds increased the frequency of the valuation of their underlying assets from quarterly to monthly to reflect COVID-19 impacts.

AMP Capital US Plus Property Fund (Hedged) rose by 0.38% on a total return basis (before fees and taxes) over the period. AMP Capital Funds Management Limited, the Responsible Entity of the

AMP Capital US Plus Property Fund, made the decision to terminate this Fund in March 2019. As a result, the Manager is proceeding to divest the Fund's underlying assets and distribute the proceeds to unitholders, including to the AMP Capital Core Property Fund. Two remaining properties are being marketed for sale, following the sale of the balance of the portfolio in 2019. AMP Capital will reinvest these proceeds in accordance with the investment strategy of the AMP Capital Core Property Fund.

## Market Review

Global listed real estate markets generally rose in August as new cases of COVID-19 started to trend downwards in many locations, several vaccines or treatments showed potential and policy stimulus continued to support economic recovery. In particular, the US Federal Reserve unveiled a new monetary policy strategy to keep interest rates low for a further five years or more to support economic recovery. The new strategy will allow inflation to temporarily rise above the 2% target rate to make up for prior shortfalls.

The US earnings season wound up in August and for listed real estate Q2 2020 was the first quarter in a decade to post negative same store net operating income growth compared to a year ago. The weakness was across all segments, except industrial which posted positive growth.

Globally, the industrial segment benefited from the accelerating trend towards online shopping, while the residential segment showed signs of resilience as it is generally being supported by economic stimulus measures, which was seen for instance in Germany.

The retail segment continued to struggle, although there were some bright spots. In the US, there was a significant increase in rent collected in July compared to April, although the levels remained well below pre-pandemic levels. Further bankruptcies were also announced bringing the total to 44 in 2020 to date and approaching the highest number in a decade. In Hong Kong, retail landlords were anticipating the relaxation of social distancing measures and border restrictions, as new cases of COVID-19 subsided.

Elsewhere, earnings were unsurprisingly poor in the lodging segment, as social distancing measures and border restrictions remained in place.

In the health care segment, there were signs of occupancy stabilisation. In the US, Q2 2020 occupancy declined by around 5%, but through the period and into July the decline lessened. Occupancy is now expected to stabilise and improve over coming months.

The office segment showed some signs of pressure as businesses faced ongoing uncertainty caused by the pandemic. However, in Switzerland, PSP Swiss Property's results were quite strong and highlighted the continuing high demand for well-located, prime capital-city office assets.

## Outlook

Global listed real estate markets will likely be subject to near-term volatility, which is affecting all risk assets, due to the impact of extensive COVID-19 containment measures on economic activity globally. We have reduced risk in directly impacted segments, such as lodging (hotels), and we will continue to assess and actively manage these risks, as well as indirectly impacted segments, as additional information becomes available.

When the risk-free rate falls because central banks around the world are loosening their monetary policy, investors often turn to listed real estate's defensive attributes and as a reliable alternative for yield. We expect this to occur once extensive containment measures are relaxed and economic activity begins to recover. Opportunities to acquire individual companies at attractive valuation levels may arise as geopolitical developments lead to heightened volatility and diverging stock performance.

However, retail is expected to remain challenged and see further store closures, especially those in peripheral locations with commoditised market propositions. Growth in online shopping, connectivity and data usage are likely to provide opportunities in logistics and data centres through the business cycle. Historically, core real estate has delivered total returns between 7-9% p.a over the market cycle<sup>1</sup>.

1 (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 [amcapital.com.au](http://amcapital.com.au)

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RESULTS

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