



# AMP Capital Global Property Securities Fund



# Why invest in global property securities?

Property has long been recognised as a key part of a diversified investment portfolio. In recent years the expansion of a liquid, listed global property sector has significantly increased investors' appetite for global property investments. As global markets develop, we can expect to see securitisation – assets that are listed in vehicles such as real estate investment trusts (REITs) – increase. Asia and Europe are experiencing continued development, with recent entrants including Germany, Hong Kong, Italy, Japan, Malaysia and the UK, and more countries set to enter the market in the coming years. Investing in global property securities offers a number of benefits for investors:

## Income-oriented returns

Global property securities managers own and often operate income-producing properties. Income is distributed via dividends and is largely derived from the rent produced by the underlying property holdings. These rental income streams are generally stable and predictable, supported by tenancy agreements which are often long term in nature.

## Liquidity

Global property securities offer high liquidity and prices can fluctuate on a daily basis. This, along with the large and deep property markets, enables portfolio managers to capitalise on opportunities more quickly and efficiently than those in the unlisted property sector. This provides investors with a simple way to access quality real estate assets with comparatively lower transaction costs than direct markets.

## Diversification

Investing in global property securities provides three levels of diversification:

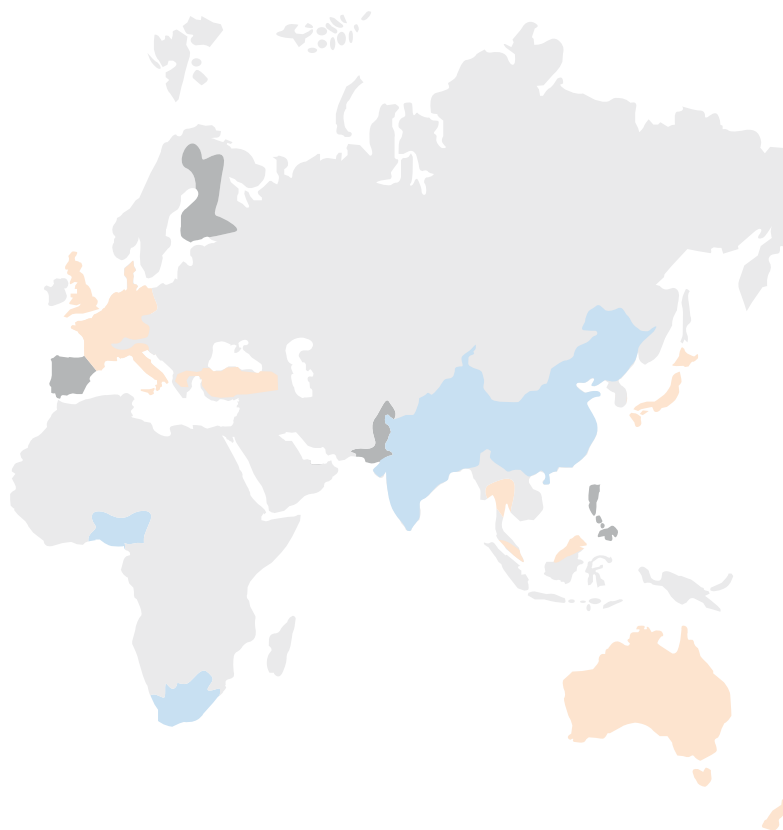
- **Asset class:** While correlations to other asset classes (such as bonds and equities) increased during the global credit crisis, as the market stabilises these correlations are expected to revert to long-term averages.
- **Sectoral:** Investing globally provides the opportunity to invest in different sectors of the property market, including hotels and residential property which are difficult to access through Australian listed property funds.
- **Regional:** Investing in a diversified portfolio of global property assets allows investors to access markets with different growth dynamics and to capitalise on the skills of managers with local knowledge. Therefore long-term interregional correlations of global property securities remain below those seen in other asset classes, providing excellent diversification potential.

## Capital growth

Investing in global real estate also provides the potential for capital growth as the value of the properties in the portfolio rise. Prices can be affected by a number of factors such as economic strength, population growth and scarcity of land.

## Inflation hedging

Global property securities have typically performed well during inflationary periods. Rent agreements often include inflation-linked adjustments, fixed percentage rental increases, or a mix of both, which allow the investment to keep pace with inflation, reducing the risk that returns will be eroded in inflationary periods



# Why now?

Global property securities staged a recovery in 2009, following two years of underperformance versus broader markets. 2010 continued this trend with global property outperforming equities by 10%. Despite this, global property securities are still off the highs of 2007. While we believe the asset class is a core investment through a full investment cycle, in AMP Capital's view the current investment environment is presenting significant opportunities for capital growth.

## Lower debt levels

During the credit crisis of 2007 and 2008, the global macroeconomic environment presented a number of challenges for the sector. Borrowing costs increased and debt issuance dried up across all markets. Property companies, both in Australia and globally, were affected by the difficult financing environment and as a result net asset values fell, with some assets sold off at heavy discounts. This sparked a move to deleveraging, the process in which debt is paid off.

In our view we are now moved into a new phase of the investment cycle. Many property companies have adopted simpler, more transparent business models and reduced risk by lowering their debt, improving balance sheets, re-equitising and divesting non-core businesses. As a result asset values began to increase in 2009, with signs that the global property securities sector has embarked on a new cyclical upswing. Underlying property fundamentals continue to improve.

## Opportunities to purchase quality assets

While asset values have begun to recover, many high quality assets are still trading at a discount to net asset values (a company's assets less the total of its liabilities), which should benefit companies with well capitalised balance sheets as the market moves into merger and acquisition phase. Capital raisings from equity markets and debt issuance have also risen, with over US\$160 billion raised globally since 2009. This means there is now more capital available in the market to take advantage of discounted property deals.

## Increased investor interest

A significant amount of cash remains on the sidelines in the market, both within private equity and public companies, and investors globally are poised to resume investing. We anticipate private investors will increasingly pursue property acquisitions in the coming quarters, further supporting property values and benefitting the real estate securities asset class.

## Active management

Active management in global property securities markets is particularly relevant today due to the emergence of new investment opportunities.

Due to market inefficiencies, active managers can add value through detailed research at both macroeconomic and security levels. At macroeconomic level, active managers can manage a portfolio's security, region/ country and property sector exposures, while at security level, they may conduct analysis of a company's underlying assets, related cash flows and the strength of its management team, as well as looking at short term factors such as security mispricing.

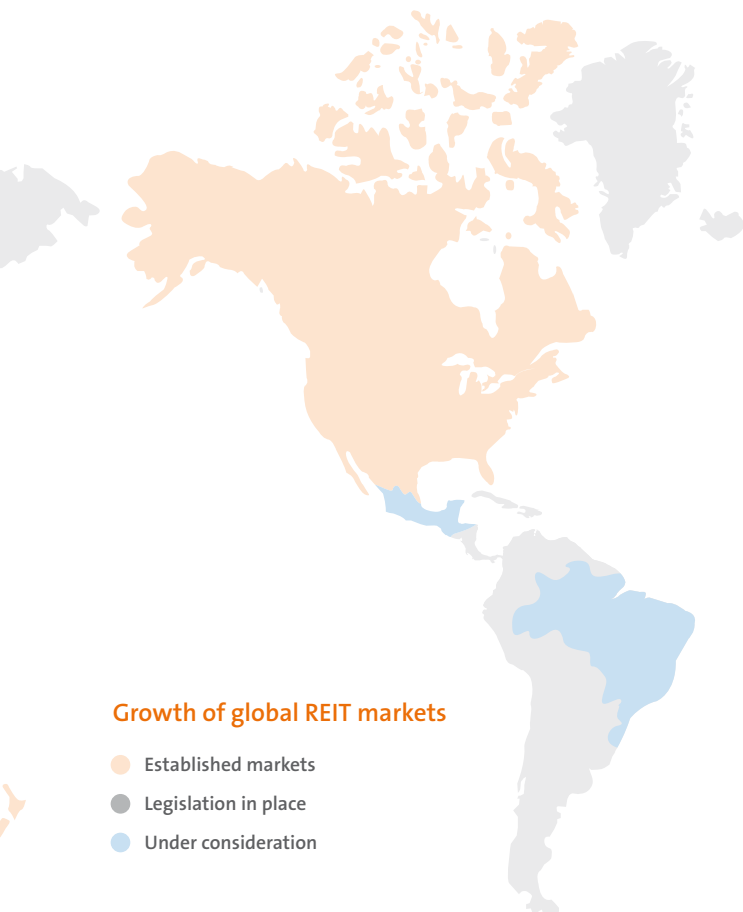
## Increased securitisation in major property markets

Today, the total global property market stands at US\$21.8 trillion, with listed real estate representing US\$1.2 trillion, or 5.4% of the total. The listed real estate sector represents around 2.5% of global stock markets and around 2.2% of global GDP<sup>2</sup> and this proportion is expected to continue to grow as more countries introduce their own listed real estate or REIT markets. Brazil, India and China in particular are expected to offer significant investment opportunities in the coming years.

<sup>2</sup> EPRA, UBS estimates. Total real estate, GDP as of end 2009; all else as of Sep 2010.

## Growth of global REIT markets

- Established markets
- Legislation in place
- Under consideration



# AMP Capital Global Property Securities Fund

The AMP Capital Global Property Securities Fund gives investors access to property securities on share markets around the world. These include listed property trusts in Australia, Real Estate Investment Trusts (REITs) and property securities companies in North America, Europe and Asia Pacific. The Fund seeks to provide total returns (income and capital growth) after costs and before tax, above the Fund's performance benchmark on a rolling 3 year basis.

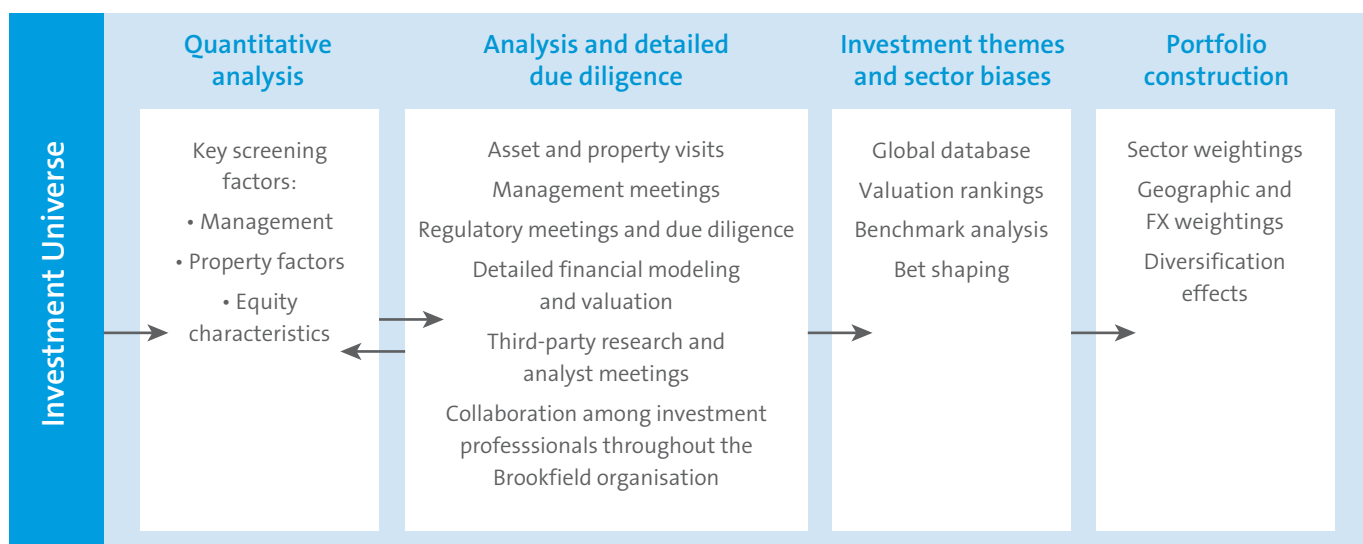
The AMP Capital Global Property Securities Fund offers:

- A well diversified portfolio which covers a wide range of property regions, sectors and stocks not available in the Australian listed property market.
- The expertise of a large, stable and experienced team of real estate investment managers and analysts, with a strong track record, specialist regional knowledge and on the ground resources in key global markets.
- Active management with a focus on minimising risk through prudent portfolio construction and constant monitoring of investment positions.
- A clear and robust investment process that separates 'top-down' regional asset allocation and 'bottom-up' stock selection decisions.
- Portfolio liquidity and generally hedged currency exposure.

## Investment process

We believe that regional real estate markets around the world behave independently. In response to this, our investment process combines a top-down strategy to regional allocations with regional bottom-up strategies for stock selection.

Our investment process is illustrated in the diagram below:



## Macroeconomic (top-down) analysis

Top-down analysis involves assessing broad economic trends and influences on a country or region's economy, and is critical in determining the Fund's investment strategy. For instance, the relationship between a country's interest rates and its level of government spending can have an impact on the country's industrial sector, and subsequently on the stocks within that sector.

The global portfolio managers are responsible for forming regional allocation policy and constructing the global portfolio. They collaborate regularly with each of the regional teams whose on-the-ground insight is important in facilitating top-down analysis.

This macroeconomic analysis is combined with a stock specific analysis (as outlined in this section), with the objective of identifying global listed property and property-related stocks that show the potential for high returns over the long term.

## Stock specific (bottom-up) analysis

Stock specific (or bottom-up) analysis is where individual stocks are considered on their own merit. Each of the Fund's investment managers are regional specialists who understand local dynamics and the issues affecting property investments in their own areas, and can identify suitable investment opportunities at a regional level.

Stock selection is based on detailed financial and company analysis that aims to identify stocks that show the potential for high returns, with a prudent spread of risk. Along with a financial analysis of each stock, evaluation may include an assessment of such factors as competitive positioning, credit rating and growth strategies.

## Why AMP Capital?

- AMP Capital, with its affiliate AMP Capital Brookfield, has on the ground resources in all the key global property securities markets, with offices located in Hong Kong, Sydney, London, and Chicago. This combination of regional teams better enables us to predict trends and changing conditions and supports our successful approach to regional asset allocation.
- With over A\$7.6 billion under management, primarily in global REITs, AMP Capital Brookfield's history has involved pioneering the global REITS asset class and being one of the first managers to launch this type of investment into Japan, Korea, Malaysia and Australia.
- A large, stable and experienced investment team of 31 investment professionals with a long track record, an extensive network of contacts and wide-ranging experience in both the direct and listed property markets. The team has a strong history of consecutive outperformance\* versus its benchmark and the four senior managers in the team have an average of 19 years of experience in the property sector.
- A highly evolved and resilient investment process, with information sharing across regional teams and regular property visits and meetings with property managers. We also have extensive access to external research (macroeconomic, direct and listed property) and frequently review the providers of our research material to ensure we are receiving the 'best in class' and the most consistent information.

\*As at 31 March 2011. Based on annualised performance before tax and after fees of the Fund's Class A units since inception on 29 November 2004. Prior to 1 October 2011 the benchmark was the UBS Global Real Estate Investors Index. Past performance is not a reliable indicator of future performance.

## The offer at a glance

### Investment objective

To provide total returns (income and capital growth) after costs and before tax, above the Fund's performance benchmark on a rolling 3 year basis.

### Benchmark

FTSE EPRA/NAREIT Developed Rental Index Hedged in AUD Net TRI

### Suggested minimum investment timeframe

5 years

### Number of securities

60-85

### Distributions

Aims to pay quarterly

### Buy/Sell spread

Buy spread 0.35%

Sell spread 0.35%

### Management fee

0.9716% per annum for platform clients and

1.2716% for off-platform clients.

### Contribution/withdrawal fee

Nil

### Hedging policy

In normal circumstances, the Fund's international investments are hedged back to Australian dollars, with the aim of minimising the volatility of investment returns due to currency fluctuations.

### Important note

AMP Capital Investors Limited "AMP Capital" (ABN 59 001 777 591, AFSL 232 497), is the responsible entity of the AMP Capital Global Securities Property Fund and the issuer of the units in the Fund. To invest in this Fund, investors will need to obtain the current Product Disclosure Statement ("PDS") from AMP Capital Investors ("AMP Capital"). The PDS contains important information about investing in the Fund and it is important that investors read the PDS before making a decision about whether to acquire, or continue to hold or dispose of units in the Fund. Neither AMP Capital, nor any other company in the AMP Group guarantees the repayment of capital or the performance of any product or any particular rate of return referred to in this presentation. Past performance is not a reliable indicator of future performance.

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To find out more about the Global Property Securities Fund, or how your clients can access this investment opportunity, please contact your AMP Capital Key Account Manager or call our Adviser Services team on **1300 139 267**.

### Personal Investors

To find out more about the Global Property Securities Fund, please talk to your adviser or call us on **1800 188 013**.

Or visit our website  
[www.ampcapital.com.au](http://www.ampcapital.com.au)



**Fund Manager of the Year**  
Listed Property