

Perpetual Industrial Share

Quarterly Investment Option Update

30-June-2019

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au.

Overview

Aim & Strategy:

To provide investors with long term capital growth and regular income through investment in quality industrial shares. The investment manager researches companies of all sizes using consistent share selection criteria. The investment manager's priority is to select those companies that represent the best investment quality and are appropriately priced. In determining investment quality, investments are carefully selected on the basis of 4 key investment criteria: conservative debt levels; sound management; quality business; and recurring earnings. Derivatives may be used in managing the portfolio.

Investment category: Australian equities

Suggested Investment Timeframe: 5+ years

Relative Risk Rating: High

Investment Style: Value

Manager Style: Single Manager

Asset Allocation	Actual (%)	Range (%)
Industrial shares*	93.4	90-100
Cash	6.6	0-10

*The Fund invests primarily in shares listed on or proposed to be listed on any recognised Australian exchange but may have up to 10% exposure to shares listed on or proposed to be listed on any recognised global exchange. Currency hedges may be used from time to time.

Holdings

Industry Exposure	%
Cash	6.6
Consumer Discretionary	13.7
Consumer Staples	8.9
Energy	1.7
Financials ex Property Trusts	36.5
Health Care	3.7
Industrials	8.6
Information Technology	0.0
Materials	7.1
Real Estate	6.8
Telecommunication Services	6.4
Utilities	0.0

Top Ten Securities	%
Commonwealth Bank of Australia	10.6
Woolworths Group Ltd	7.2
Westpac Banking Corporation	6.2
Suncorp Group Limited	6.0
Medibank Private Ltd	5.1
Tabcorp Holdings Limited	4.3
ANZ Banking Group Ltd	4.2
Telstra Corporation Limited	3.9
Unibail Rodamco Westfield	3.3
Star Entertainment Group Limited	3.1

Market Commentary

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, ended 8.0% higher over the June quarter, boosted by positive political and economic-related developments. Market sentiment improved upon release of the Federal budget by the Morrison Government during May, unveiling a \$302b package of tax cuts to be rolled out over the next decade. The surprise Liberal Party victory in the Federal election provided further relief for equities on the grounds of the Party's pro-economic policy on capital gains tax, negative gearing, and franking credits. A 25-basis point cut in the official interest rate by the Reserve Bank to a record low of 1.25% (with expectations of additional cuts to come) also assisted the market over the quarter. March-quarter GDP gained +0.4% from the past quarter (up from +0.2%), though fell just shy of a +0.5% consensus growth rate.

Despite the rally in equities, business conditions reached a multi-year low while market data indicated the continuation of a housing slowdown. Unemployment figures remained steady over the quarter at 5.2% as job numbers increased by 42,300 positions in May. Deteriorating global economic sentiment, however, spurred by volatile US-China trade tensions, led to a sell-off across global equities and constrained the domestic market. The quarter ended with President Trump and China's President Xi Jinping agreeing to recommence negotiations after the US suspended tariffs on an anticipated US\$300b worth of additional Chinese imports.

The best performing sectors for the quarter, as measured by the S&P/ASX 300 Industrials Accumulation Index, were Communication Services (+12.2%), Health Care (+11.5%) and Financials (+10.8%). The worst performers were Utilities (+1.9%), Real Estate (+4.1%) and Information Technology (+5.1%). As a whole, large cap industrial stocks (+9.3%) outperformed small cap industrial stocks (+5.4%) and value stocks (+9.1%) outperformed growth stocks as measured by the MSCI Australia Value and MSCI Australia Growth indices, respectively.

Investment Option Commentary

The Fund rose 6.59% over the quarter, underperforming the S&P/ASX 300 Industrial Accumulation Index by 2.27%. It has returned 9.12% pa since inception, outperforming the index by 0.27% pa.

The Fund's largest overweight positions include diversified retailer Woolworths, health insurer Medibank Private, and financial services provider Suncorp Group. The Fund's largest underweight positions include CSL, Wesfarmers (not held), and Macquarie Group (not held).

Outlook

Market sentiment has moved from "synchronised global growth" to one of caution focused on the macroeconomic headwinds facing both the global and domestic economy. Globally, investors are concerned amongst other things by the slowing growth rates in China, geopolitical risks including the impact of trade wars and tightening central bank liquidity. Domestically, the economy and consumer are facing additional headwinds from falling property prices, a significant East Coast drought and ongoing elevated utility costs. These headwinds and potential risks have been very well telegraphed by the investment community and Australian media. The timing and severity of any potential downturn in the economy, if there is in fact one, is difficult to predict. Given that we are looking a little longer term than the next results we try to look through cycles when making investment decisions. What is important though is investing in companies with a robust balance sheet, strong market position and a dynamic management team with proper incentives which will put us in good stead.

Availability

Product name	APIR
Flexible Super – Choice (Retirement)	AMP1368AU
Flexible Super – Choice (Super)	AMP1497AU
CustomSuper	AMP0767AU
Flexible Lifetime – Allocated Pension	AMP0634AU
Flexible Lifetime – Investments (Series 1)	AMP0853AU
Flexible Lifetime – Investments (Series 2)	AMP1431AU
Flexible Lifetime – Super	AMP0767AU
Flexible Lifetime – Term Pension	AMP0943AU*
MultiFund Flexible Income Plan	AMP0764AU*
Signature Super	AMP0811AU*

*This option is closed to new investors only.

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