

Perpetual Industrial Share

Quarterly Investment Option Update

31 December 2021

Aim and Strategy

To provide long-term capital growth and regular income through investment in quality industrial shares. The strategy aims to outperform the S&P/ASX 300 Industrials Accumulation Index (before fees and taxes) over rolling three-year periods. Perpetual's priority is to select those companies that represent the best investment quality and are appropriately priced. Investment quality is based on four key criteria: conservative debt levels, sound management, quality business and recurring earnings.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au/performance

Investment Option Overview

Investment Category	Australian Shares
Suggested investment timeframe	5 years
Relative risk rating	7 / Very High
Investment style	Value
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	80-100	95.0
Global Shares	0-10	
Cash	0-10	5.0

Sector Allocation	%
Cash	5.0
Consumer Discretionary	22.2
Consumer Staples	9.7
Energy	0.0
Financials ex Property Trusts	28.4
Health Care	5.0
Industrials	13.8
Information Technology	0.0
Materials	5.6
Real Estate	2.7
Telecommunication Services	7.6
Utilities	0.0

Top Holdings	%
Commonwealth Bank of Australia	8.5
National Australia Bank Limited	8.0
ANZ Banking Group Ltd	5.8
Flutter Entertainment Plc	5.6
Telstra Corporation Limited	4.5
Incitec Pivot Limited	4.5
Crown Resorts Limited	4.1
Qantas Airways Limited	4.0
Woolworths Group Limited	3.9
Suncorp Group Limited	3.6

Market Commentary

The Australian equity market ended the December quarter higher, assisted by value stocks, which dominated growth stocks, and by the "reopening" stocks, which outperformed as state governments relaxed restrictions after surpassing vaccination targets. Cyclical stocks performed well early in the quarter, while commodity producers extended gains, spurred by attention on the energy crunch as coal, gas, and crude oil prices scaled record highs.

The ASX returned part of its earlier gains midway through the quarter as underlying inflation climbed to its highest level in six years and pushed above the bottom end of the RBA's target range. The Reserve Bank, however, left policy settings unchanged and reiterated its caution for any interest rate rises until inflation is sustainably within its 2-3% target range and wages growth is materially higher than its current level. The ABS highlighted fuel and housing market strength as the key drivers against a backdrop of supply chain disruptions, translating into higher prices for consumer durables, and reinforcing the view that interest rates will rise sooner than previously guided. Market losses were further exacerbated as global risk sentiment fell amidst concerns from the impact of the Omicron variant.

By the end of the quarter, the market had shaken off its pandemic-related apprehension following the government's narrative of pivoting towards a 'living-with-Covid' strategy. This was reinforced as isolation requirements were eased despite mask mandates and density quotients being reinstated. Investor risk appetite further rebounded after studies confirmed initial suggestions that Omicron symptoms were less severe and led to lower hospitalisation rates despite its increased transmissibility when compared to previous variants. Market sentiment was further supported by strengthening employment figures, showing a record bounce in jobs growth after recovering from the dip created by the recent lockdowns. The recovery more than absorbed a higher participation rate which translated into a sharp drop in the unemployment rate and assisted the market in its solid finish to the quarter.

Outlook

The rotation to economic recovery that favours value stocks remains firmly on track. Looking beyond shorter-term disruptions, it is clear that economic momentum, both at home and abroad, remains strong. Admittedly, business and consumer confidence have fallen off recent highs, but the Australian recovery remains one of the most advanced in the world.

Companies Perpetual talk to are less concerned by shorter-term lockdowns and focused heavily on longer-term challenges, including the potential for higher embedded inflation. This, however, bodes well for value stocks, especially those in the resources sector. Many value stocks are only just rising above previous 2007 peaks, while some growth stocks continue to trade at valuation-multiples many times higher than their levels of just a few years ago. Perpetual think a combination of all the factors described above suggests a return to sustained global recovery, with higher inflation, higher bond yields, but also a longer and more sustained swing to value. Perpetual's focus will remain on screening out balance sheet, management, earnings, and business risks to ensure their clients are invested in high-quality businesses at reasonable prices.

Availability

Product name	APIR
SignatureSuper*	AMP0811AU
SignatureSuper Allocated Pension*	AMP3053AU
SignatureSuper Term Pension*	AMP3053AU
Flexible Lifetime Investment (Series 1)**	AMP0853AU
Flexible Lifetime Investment (Series 2)**	AMP1431AU

*Closed to new investors

**Closed to new and existing investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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