

Perpetual Industrial Share

Quarterly Investment Option Update

31-March-2017

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.

Investment Option Performance

Investment performances are subject to product fees and where relevant tax as outlined in the product PDS. Therefore investment performance may differ between products. In addition, activity on your account such as contributions and deductions will also impact the investment performance specific to you. To view the latest investment performances for each product, please visit www.amp.com.au. You can also view the last investment performance specific to you by visiting your My Portfolio account.

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Overview

Aim & Strategy:

To provide investors with long term capital growth and income through investment in quality Australian 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

Asset Allocation	Actual (%)	Range (%)
Australian Industrial shares	100	90-100
Cash	0	0-10

Holdings

Industry Exposure	%
Cash	4.8
Consumer Discretionary	14.2
Consumer Staples	12.4
Energy	2.2
Financials ex Property Trusts	48.3
Health Care	0.5
Industrials	3.0
Information Technology	0.6
Materials	6.1
Real Estate	3.4
Telecommunication Services	3.6
Utilities	1.0

Top Ten Securities	%
Commonwealth Bank of Australia	11.7
Woolworths Ltd	9.2
Westpac Banking Corporation	8.6
ANZ Banking Group Ltd	7.1
National Australia Bank Limited	6.7
Star Entertainment Group Limited	4.8
Telstra Corporation Limited	3.6
Suncorp Group Limited	3.4
CYBG Plc	2.6
Henderson Group	2.5

Market Commentary

The S&P/ASX 300 Industrials Accumulation Index rose 5.53% over the March quarter, outperforming the broader market. Equity markets rallied strongly during the first two months of the quarter however showed some signs of slowing down in March amid market concerns that some early policy setbacks for Donald Trump have increased the political risk in the US. The Australian economy is continuing its transition following the end of the mining investment boom, expanding by around 2½ per cent in 2016. Exports have risen strongly and non-mining business investment has risen over the past year. The RBA kept rates on hold at 1.5%, saying that this would be consistent with sustainable growth in the Australian economy and achieving the inflation target over time. Over the quarter the Australian dollar gained ground against most major currencies and closed up 5.4% against the USD closing at 0.763c.

The best performing sectors over the quarter were healthcare (+14.7%), utilities (+10.7%) and consumer staples (+10.7%). The worst performers were materials (+0.7%), real estate (+0.5%) and telecommunication services (-4.5%). As a whole, large cap industrials (+5.5%) outperformed small cap industrials (+2.0%).

In major company news, Downer EDI acquired 20% of Spotless at a 59% premium and launched a takeover bid which saw Spotless shares rise 32%. In other news, South32 announced a share buyback programme, while Tassal Group will raise \$100 m to fund its future investment plans.

Investment Option Commentary

Whilst the Fund rose over the quarter it underperformed the S&P/ASX 300 Industrial Accumulation Index.

The Fund's largest overweight positions include diversified retailer Woolworths, casino operator Star Entertainment Group and bank Cybg Plc. The Fund's largest underweight positions include Wesfarmers, CSL, and Macquarie Group.

Outlook

An extended period of historically low interest rates across the globe has led to a repricing of risk and a subsequent inflation of asset values across many markets. With trillions of dollars of bonds now trading at negative yields, future shifts in official interest rates have the potential to heavily impact asset valuations, leading market participants to remain increasingly focused on central bank policy. In addition, ongoing shifts in the global political landscape are likely to nourish uncertainty across markets and deliver periods of heightened volatility.

Over the last few months, confidence in the real global economy has underpinned broad based appreciation across risk assets. This follows a combination of new US fiscal policy proposals and a run of positive data prints, especially in the US and Europe. Potential inflation increases and the associated prospect of rising long term bond yields may see defensive, higher yielding sectors of the market, such as healthcare, infrastructure and property, underperform the broader market. The fund has been positioned away from these areas of the market for some time as they became increasingly overpriced throughout the year. The portfolio is composed of stocks that are attractively valued with the ability to sustainably grow earnings in the future.

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