

Perennial Value Australian Share

Quarterly Investment Option Update

31-December-2017

Availability

Product name	APIR
Flexible Super – Choice (Retirement)	AMP1367AU
Flexible Super – Choice (Super)	AMP1496AU
CustomSuper	AMP0666AU
Flexible Lifetime – Allocated Pension	AMP0631AU
Flexible Lifetime – Investments (Series 1)	AMP0843AU
Flexible Lifetime – Investments (Series 2)	AMP1430AU
Flexible Lifetime – Super	AMP0666AU
MultiFund Flexible Income Plan	AMP0989AU
Signature Super	AMP0808AU
Signature Super – Allocated Pension	AMP1169AU

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.

Contact Us

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267 (Mon. to Fri 8:30am to 6:00pm AEST)

Overview

Aim & Strategy: To grow the value of the investment over the long term via a combination of capital growth and tax effective income, by investing in a diversified portfolio of Australian shares, and to provide a total return (after fees) that outperforms the S&P/ASX 300 Accumulation Index measured on a rolling 3 year basis. The portfolio invests in a range of companies listed (or soon to be listed) on the ASX and will typically hold approximately 45 stocks with a minimum stock holding of 20 and a maximum of 70. The portfolio may utilise derivative instruments for risk management purposes, subject to the specific restriction that they cannot be used to gear portfolio exposure. For reasons of investment efficiency, the portfolio may gain its exposure by holding units in other Perennial Unit Portfolios.

Investment category: Australian equities

Suggested Investment Timeframe: 5+ years

Relative Risk Rating: High

Investment Style: Value

Asset Allocation	Actual (%)	Range (%)
Australian Shares	93.6	90-100
Cash	6.4	0 - 10

Holdings

Industry Exposure	%
Energy	8.4
Materials	21.8
Industrials	0.0
Consumer Discretionary	15.2
Consumer Staples	5.8
Health Care	0.0
Financials-x-Real Estate	35.3
Real Estate	3.4
Information Technology	0.0
Telecommunication Services	3.6
Utilities	0.0
Cash & Other	6.5

Regional Exposure	%
Australia	100

Top Ten Securities	%
BHP Billiton Limited	7.4
Commonwealth Bank	7.3
Westpac Banking Corporation	5.5
Woodside Petroleum	4.5
Woolworths Limited	4.3
ANZ Banking Group Limited	4.2
Caltex Australia	4.0
Macquarie Group Limited	4.0
National Australia Bank	3.9
Crown Resorts Limited	3.5

Investment Option Commentary

Key positive contributors to performance were the portfolio's holdings in Tabcorp (+30.7%) which rallied on the approval of their merger with Tatts Group, which is expected to deliver significant operational benefits. In addition, there are several regulatory reforms currently being implemented which should benefit the company. Vocus (+26.8%) rallied as confidence improved around its outlook following its merger with M2 and News Corp (+25.0%) rose following the Murdoch family's moves to merge their US Fox business with Disney. There is significant unrealised value in the News Corp portfolio of media assets, particularly their online real estate advertising sites. Westfield (+21.0%) outperformed after receiving a takeover offer, while Star Entertainment (+16.0%) and Crown Resorts (+15.1%) both rose as the international VIP business stabilised. Crown also

continued its program of asset divestments to focus on its core Australian casino operations and strengthen its balance sheet. Resource holdings BHP (+14.7%), Rio Tinto (+13.9%) and Woodside Petroleum (+13.7%) also outperformed on stronger commodity prices. The Portfolio also benefited from its underweight position in the banks.

Holdings which detracted from performance included Lendlease (-8.8%) following issues in its engineering division, Graincorp (+2.4%) which delivered a positive return, although lagged the market as seasonal conditions deteriorated. During the quarter, the portfolio took profits and reduced its holding in Rio Tinto and sold out of its holding in Westfield following the takeover offer. Holdings in Telstra were also reduced. Proceeds were used to increase holdings in a number of good value opportunities including Orica, Macquarie Group and Nufarm.

Perennial Value Management remains alert and active in ESG matters. As an example, during the quarter, one of the fund's holdings, Boral, made a presentation in New York and highlighted their strong safety performance which has seen a reduction in their Lost Time Injury Frequency Rates fall from 19.0 per million hours worked in FY12 to 8.1 in FY17. Greenhouse gas emission also fell during the period from 665 million tonnes of CO₂-e (scope1 and scope 2) in FY12 to 470 million tonnes of CO₂-e in FY17.

Outlook

While growth in the domestic economy remains subdued, the global growth outlook appears to be incrementally improving, despite a high level of ongoing political uncertainty. Should this continue, the Portfolio will likely benefit from being overweight in the large-cap, low-cost, financially-sound resources companies as well as in a range of quality industrial and financial companies which are trading on attractive valuations. This scenario would also see continued upwards pressure on interest rates, which would benefit the Portfolio through its underweight position in the expensive defensive sectors such as healthcare and REITs and infrastructure.

The Portfolio continues to exhibit Perennial Value's true to label value characteristics, with the Portfolio offering better value than the overall market on each of our four valuation characteristics: price to earnings, price to free cash flow, gross dividend yield and price to net tangible assets.

As always, the Fund's focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors.

What you need to know

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from ASL, AMP Life or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither AMP Life, ASL, any other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.