Perennial Value Income Wealth Defender

Quarterly Investment Option Update

31-December-2017

Availability

Product name	APIR
Flexible Super – Choice (Retirement)	AMP1589AU
Flexible Super – Choice (Super)	AMP1577AU
CustomSuper	AMP1529AU
Flexible Lifetime – Allocated Pension	AMP1541AU
Flexible Lifetime – Super	AMP1529AU
Signature Super	AMP1553AU
Signature Super – Allocated Pension	AMP1565AU

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 an attractive level of tax effective income. The portfolio aims to achieve a dividend yield, adjusted for applicable franking credits and before fees, above that provided by the S&P/ASX 300 Accumulation Index*. The portfolio will invest in a well-diversified range of publicly listed companies on Australian and international stock exchanges, which the investment manager believes have the ability to pay a consistent level of dividends (including franking credits, where applicable) and which demonstrate financial soundness. Equity investments may include Australian and international listed property Portfolios and listed investment companies. The investment manager will aim to keep the portfolio's net realised capital gains to a minimum. The portfolio will hold in the range of 20 to 70 stocks. The portfolio will attempt to be fully invested at all times. The majority of foreign currency exposure will be hedged into Australian dollars. The maximum foreign currency exposure will be 10% of the portfolio. The portfolio may utilise derivative instruments for risk management purposes, subject to the specific restriction that they cannot be used to gear portfolio exposure.

** Gross dividend yield as assessed against the S&P/ASX 300 Accumulation Index.*

Investment category: Australian equities

Suggested Investment Timeframe: 5+ years

Relative Risk Rating: High

Investment Style: Value

Asset Allocation	Actual (%)	Range (%)
Australian Shares	91.6	50 - 100
Cash	8.4	0 – 50

Holdings

Industry Exposure	%
Energy	7.7
Materials	15.6
Industrials	1.5
Consumer Discretionary	9.4
Consumer Staples	4.9
Health Care	0.0
Financials-x-Real Estate	46.5
Real Estate	2.8
Information Technology	0.0
Telecommunication Services	2.7
Utilities	0.0
Cash & Other	8.9

Regional Exposure	%
Australia	100

Top Ten Securities	%
BHP Billiton Limited	9.1
Westpac Banking Corporation	8.8
ANZ Banking Group Limited	7.6
National Australia Bank	7.2
Commonwealth Bank	6.1
Woodside Petroleum	4.7
Macquarie Group Limited	4.5
Wesfarmers Limited	4.0
TABCORP Holdings Limited	3.9
Suncorp Group Limited	3.0

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. 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.

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.

The overlay continues to provide significant protection in the event of a market fall. Volatility costs were low for the quarter at 25bps. This is partly as implied volatility is low, and partly from good positioning in the protection portfolio. At all times, the portfolio has been well protected in the event of a major market downturn.

During the quarter holdings in Telstra were reduced. Proceeds were used to increase holdings in a number of good value opportunities including Macquarie Group.

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 the 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.

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