

# Perpetual Industrial Share

Quarterly Investment Option Update

31-December-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](http://www.amp.com.au). You can also view the last investment performance specific to you by visiting your My Portfolio account.

## Contact Us

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## 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

Asset Allocation	Actual (%)	Range (%)
Industrial shares*	91.8	90-100
Cash	8.2	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	8.2
Consumer Discretionary	15.9
Consumer Staples	11.6
Energy	1.6
Financials ex Property Trusts	41.7
Health Care	1.7
Industrials	3.2
Information Technology	0.8
Materials	6.7
Real Estate	6.7
Telecommunication Services	1.1
Utilities	0.9

Top Ten Securities	%
Commonwealth Bank of Australia	9.9
Woolworths Ltd	9.8
Westpac Banking Corporation	6.8
Star Entertainment Group Limited	5.5
National Australia Bank Limited	5.2
ANZ Banking Group Ltd	5.1
Westfield Corp.	4.4
Tabcorp Holdings Limited	3.9
Suncorp Group Limited	3.8
CYBG Plc	2.8

## Market Commentary

The S&P/ASX 300 Industrials Accumulation Index rose +6.1% over the quarter, ending the year with a 9.2% gain. After much anticipation and a faulted start, the arrival of Amazon into the Australia market was considered largely underwhelming for consumers and competitors, alleviating initial fears of sales and margin squeezes by retailers. The finance sector was pressured during the quarter as the Federal Government ordered a Royal Commission into the banking, superannuation and financial services industry. Commodities finished stronger, particularly base metals and iron ore, rising 9.4% and 21.2%, respectively despite steel production cuts in China, which provided a boost for the miners. Brent crude oil rallied 21.2% as producers agreed with OPEC to extend production cuts until the end of 2018, allowing for a solid rally in energy stocks.

The Reserve Bank of Australia kept the official cash rate on hold at a record low of 1.5% over the quarter, citing lower-than-desired inflation and excessive unemployment which remained at 5.4%. Political risk was a concern as the Federal Government lost majority following the 'dual-citizenship saga'. Business confidence reached a record high during the quarter and domestic construction still remained strong. The housing market showed signs of cooling as the ABS national house price index fell by 0.2% for the September-quarter. Retail sales climbed; led by cafes, restaurants and takeaway, while clothing and footwear showed a much needed boost.

The Australian dollar was lower against most major currencies over the quarter and dipped against the US dollar, falling 0.3%. Synchronised economic growth across the globe allowed most equity markets to close the quarter higher, with the MSCI World Index gaining 5.8% in Australian dollar terms. The Japanese Nikkei was the standout market, reaching a 25-year high as

foreign investors bought into the market. The US market rose as President Trump signed the Republican tax bill into law which will see the US corporate tax rate cut from 35% to 21%. Emerging markets and China similarly had a solid quarter.

The best performing sectors for the quarter as measured from the S&P/ASX 300 Industrials Accumulation Index were Information Technology (+16.6%), Consumer Staples (+10.6%) and Consumer Discretionary (+10.3%). The worst performers were Utilities (+3.3%), Financials (+3.7%) and Industrials (+5.5%). As a whole, large cap industrial stocks (+5.6%) underperformed small cap industrial stocks (+10.6%).

## Investment Option Commentary

The Fund's largest overweight positions include diversified retailer Woolworths, casino operator Star Entertainment Group and gaming services company Tabcorp Holdings. The Fund's largest underweight positions include CSL, Wesfarmers and Macquarie Group, all of which are not held in the fund.

## Outlook

A 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 low yields, future shifts in official interest rates have the potential to heavily impact asset valuations which has left market participants to remain focused on central bank policy. In addition, ongoing shifts in the global political landscape continue to nourish uncertainty across markets and deliver periods of heightened volatility. The Australian share market remains challenging for investors; with only modest revenue growth forecasts and cost-out opportunities becoming exhausted. The Fund remain cautious – particularly given where valuations are currently at relative to history. However there are always opportunities to own high quality companies trading below fair value; the Fund continues to actively and prudently seek these out.

## What you need to know

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