Perennial Value Australian Share

Quarterly Investment Option Update

30 June-2018

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	91.7	90-100
Cash	8.3	0 - 10

Holdings

Industry Exposure	%
Energy	8.1
Materials	20.3
Industrials	1.8
Consumer Discretionary	8.6
Consumer Staples	6.3
Health Care	0.1
Financials-x-Real Estate	39.1
Real Estate	3.8
Information Technology	0.0
Telecommunication Services	3.6
Utilities	0.0
Cash & Other	8.3

Regional Exposure	%
Australia	100

Top Ten Securities	%
BHP Billiton Limited	8.6
Commonwealth Bank	8.1
Westpac Banking Corporation	6.6
ANZ Banking Group Limited	5.4
National Australia Bank	5.1
Macquarie Group Limited	4.2
Woolworths Limited	4.2
Woodside Petroleum	3.7
Newcrest Mining	2.7
Amcor Limited	2.4

Investment Option Commentary

The best performing stock was Gateway Lifestyle (+32.4%), which received a takeover offer from Hometown, a US-based company operating a similar business model to Gateway and which is keen to expand into the Australian market. US-based hedge fund manager Navigator Global Investments (+16.1%) also rallied strongly after providing details around a highly-accretive acquisition they have recently made.

At the larger-cap end, Caltex Australia (+10.6%) rose after providing sound first half earnings guidance combined with the announcement that the proposed purchase of Woolworths' fuel business by BP would not proceed. Caltex is currently the fuel supplier to the Woolworths petrol station network and the retention of this business would be a significant positive. Energy stocks Woodside Petroleum (+9.4%) and Origin Energy (+4.5%) both outperformed on the stronger oil price, while Suncorp (+8.6%), Macquarie Group (+8.2%) and Woolworths (+7.0%) all continued their strong recent performances. Other good performers included Lendlease (+5.5%) after announcing it has secured another major urban regeneration project in London. Scentre Group (+5.0%), and Newcrest (+5.0%) and Boral (+4.1%) also outperformed.

The Fund increased its exposure to the major banks, having moved to an overweight position last month, benefitting as they rallied an average of +4.1% over June. In the Fund's view, the banks are offering attractive valuations, having been sold off over the past year.

Stocks which detracted from performance included Nufarm (-6.6%) which eased after performing strongly in recent months, Event Hospitality (-6.0%) which was softer on weaker box office takings and Vocus Communications (-4.1%), which continues to be volatile. Telstra (-6.6%) declined after lowering earnings on the back of increased mobile competition.

The Fund Manager took profits and trimmed its holding in a number of stocks which had performed strong over recent times including Lendlease, Navigator Global Investments, Gateway Lifestyle and Macquarie Group. Proceeds were used to increase our holdings in the major banks as well as introducing a number of new value ideas into the portfolio.

Outlook

While the level of volatility in markets is likely to increase going forward, driven by factors such as ongoing trade policy uncertainty, the global economic backdrop continues to be positive, with all major regions delivering improved growth. While the domestic economy has been subdued, recent data is increasingly positive. 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, REITs and infrastructure.

The portfolio continues to exhibit Perennial Value's true to label value characteristics, 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 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. Further, the Fund believes the current very low interest rates highlight the relative attractiveness of financially-sound, high dividend yielding equities.

What you need to know