

Perpetual Industrial Share

Quarterly Investment Option Update

30-June-2018

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 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*	94.5	90-100
Cash	5.5	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	5.5
Consumer Discretionary	15.6
Consumer Staples	12.2
Energy	1.3
Financials ex Property Trusts	41.2
Health Care	5.7
Industrials	5.8
Information Technology	0.8
Materials	7.8
Real Estate	3.0
Telecommunication Services	0.5
Utilities	0.7

Top Ten Securities	%
Woolworths Group Ltd	10.5
Commonwealth Bank of Australia	9.6
Westpac Banking Corporation	6.9
ANZ Banking Group Ltd	6.2
Suncorp Group Limited	4.6
National Australia Bank Ltd	4.5
Star Entertainment Group Limited	4.4
Tabcorp Holdings Limited	3.7
Shire PLC	3.5
Medibank Private Ltd	2.8

Market Commentary

Industrial stocks rose 6.6% over the quarter, as measured by the S&P/ASX 300 Industrials Accumulation Index. Positive economic data supported the market, with the RBA holding interest rates steady over the quarter at 1.5% for a record 23 consecutive months. Real GDP increased 1.0% over the March quarter, mainly attributed to stronger exports. The ABS National House Price Index fell for the first time since September 2012 (declining 0.8%), while job figures were stronger than expected in May as the unemployment rate fell to 5.4%. Release of the Federal Budget highlighted the Government's intentions of increased infrastructure spending over 2018/19 and their anticipation of a return to fiscal surplus earlier than expected. The Government's proposed three-staged \$144b income tax cuts were passed through the Senate in June, with the first stage coming into effect on 1 July 2018. Revelations unveiled from the Hayne Royal Commission into the banking, superannuation, and financial services industry resulted in a turbulent quarter for the sector, however the financials managed to finish in positive territory despite underperforming the market.

A weaker Australian dollar (falling 3.6% against the USD) assisted the Aussie market in outperforming global markets, as the MSCI World total return index returned 5.6% in AUD terms over the quarter. Emerging markets underperformed, off 4.3%, dragged down by China with the Shanghai Stock Exchange Composite Index falling 10.1% on the back of trade concerns with the US.

The best performing sectors for the quarter, as measured by the S&P/ASX 300 Accumulation Index, were Health Care (+15.9%), Consumer Staples (+12.0%) and information technology

(+11.0%). The worst performers were Telecommunication Services (-13.3%), Materials (+0.8%) and Financials (+4.0%). As a whole, large cap industrial stocks (+6.6%) underperformed small cap industrial stocks (+6.8%) and Value stocks (+3.4%) underperformed growth stocks (+14.5%) as measured by the MSCI Australia Value and MSCI Australia Growth indices, respectively.

Investment Option Commentary

The Fund's largest overweight positions include diversified retailer Woolworths, casino operator Star Entertainment Group, and biopharmaceutical company Shire Plc. The Fund's largest underweight positions include CSL, Wesfarmers (not held) and Macquarie Group (not held).

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 have 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 remains 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 Manager continues to actively and prudently seek these out.

What you need to know

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