Perpetual Industrial Share

Quarterly Investment Option Update

31-March-2019

Aim and Strategy

To provide long-term capital growth and regular income through investment in quality industrial shares. The strategy aims to outperform the S&P/ASX 300 Industrials Accumulation Index (before fees and taxes) over rolling three-year periods. Perpetual's priority is to select those companies that represent the best investment quality and are appropriately priced. Investment quality is based on four key criteria: conservative debt levels, sound management, quality business and recurring earnings.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment category	Australian Shares
Suggested investment timeframe	5 years
Relative risk rating	6 / High
Investment style	Value

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	80-100	97.1
Global Shares	0-10	-
Cash	0-10	2.9

Industry Exposure	%
Cash	2.9
Consumer Discretionary	13.2
Consumer Staples	10.3
Energy	3.9
Financials ex Property Trusts	37.6
Health Care	3.7
Industrials	8.7
Information Technology	0.0
Materials	7.8
Real Estate	5.4

Top 10 Holdings	%
Commonwealth Bank of Australi	10.2
Woolworths Group Ltd	8.5
Westpac Banking Corporation	6.6
Suncorp Group Limited	6.0
ANZ Banking Group Ltd	4.8
Tabcorp Holdings Limited	4.6
Star Entertainment Group Limite	3.9
Medibank Private Ltd	3.8
National Australia Bank Limited	3.7
Unibail Rodamco Westfield	3.3

Investment Option Commentary

The Fund's largest overweight positions include diversified retailer Woolworths, wagering and gaming company Tabcorp Holding, and banking, insurance and superannuation provider Suncorp Group. The Fund's largest underweight positions include CSL, Wesfarmers (not held), and Macquarie Group (not held).

Market Commentary

The S&P/ASX 300 Industrials Accumulation Index finished 9.0% higher over the March quarter. Half-year corporate earnings releases surprised investors as a significant portion of Australian firms reported stronger-than-expected results over February. This shadowed the negative sentiment from global recessionary fears that emerged when the US treasury yield curve inverted for the first time in ten years during March. US-China trade deal uncertainty remained, and Brexit concerns prevailed after the UK parliament failed to reach an exit deal for the third time, leading to market jitters over the quarter.

The banking sector saw a relief rally on the back of the release of the final report from the Hayne Royal Commission into misconduct in the financial services sector, detailing milder-than-expected recommendations for the industry. The Reserve Bank of Australia announced that a 3% growth target for 2019 was still achievable, however emphasised that uncertainty in the economy remained as December-quarter GDP rose lower than expected at 0.2% quarter-on-quarter. Interest rates were left unchanged at 1.5% as the Reserve Bank maintained the view that the next rate rise was equally likely to be either up or down. The unemployment rate remained steady at 5.0%, consistent with the slowdown in recent job vacancies and GDP data.

The best performing sectors for the quarter, as measured from the S&P/ASX 300 Industrials Accumulation Index, were Information Technology (+19.9%), Communication Services (+16.6%) and Real Estate (+14.0%). The worst performers were Consumer Staples (+5.0%), Financials (+5.9%) and Health Care (+6.7%). As a whole, large cap industrial stocks (+8.5%) underperformed small cap industrial stocks (+12.7%) and value stocks (+8.5%) underperformed growth stocks as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

Outlook

Market sentiment has moved from "synchronised global growth" to one of caution focused on the macroeconomic headwinds facing both the global and domestic economy. Globally, investors are concerned amongst other things by the slowing growth rates in China, geopolitical risks including the impact of trade wars and tightening central bank liquidity. Domestically, the economy and consumer are facing additional headwinds from falling property prices, a significant East Coast drought and ongoing elevated utility costs. These headwinds and potential risks have been very well telegraphed by the investment community and Australian media. The timing and severity of any potential downturn in the economy, if there is in fact one, is difficult to predict. Given that we are looking a little longer term than the next results we try to look through cycles when making investment decisions. What is important though is investing in companies with a robust balance sheet, strong market position and a dynamic management team with proper incentives which will put us in good stead.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0767AU
AMP Flexible Super - Retirement account	AMP1368AU
AMP Flexible Super - Super account	AMP1497AU
CustomSuper	AMP0767AU
Flexible Lifetime - Allocated Pension	AMP0634AU
Flexible Lifetime - Term Pension	AMP0943AU
Flexible Lifetime Investment	AMP0853AU
Flexible Lifetime Investment (Series 2)	AMP1431AU
SignatureSuper	AMP0811AU*

***** Closed to new members

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