

Perpetual Industrial Share

Quarterly Investment Option Update

31 March 2020

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
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	80-100	94.0
Global Shares	0-10	0.0
Cash	0-10	6.0

Sector Allocation	%
Cash	5.1
Consumer Discretionary	19.1
Consumer Staples	11.8
Energy	1.1
Financials ex Property Trusts	28.1
Health Care	6.0
Industrials	10.1
Information Technology	1.4
Materials	7.6
Real Estate	4.4
Telecommunication Services	5.4
Utilities	0.0

Top Holdings	%
Commonwealth Bank of Australia	8.4
Woolworths Group Ltd	8.2
CSL Limited	5.6
Brambles Limited	4.8
Suncorp Group Limited	4.4
ANZ Banking Group Ltd	4.3
Medibank Private Ltd	4.0
Tabcorp Holdings Limited	3.5
Flutter Entertainment Plc	3.4
Telstra Corporation Limited	3.2

Investment Option Commentary

The investment option's largest overweight positions include diversified retailer Woolworths, financial services provider Suncorp Group, and health insurer Medibank Private. The investment option's largest underweight positions include CSL, Macquarie Group (not held), and Transurban Group (not held).

Market Commentary

The S&P/ASX 300 Industrials Accumulation Index fell 22.2% over the March-quarter. Investor sentiment was dampened early on as wide-spread bushfires engulfed much of the country, significantly impacting many agricultural and retail-exposed stocks. The market was further impacted as tensions between the US and Iran escalated following a US airstrike on a senior Iranian military leader followed by retaliatory attacks on a US-occupied Iraqi military base. Improved prospects of a rebound in global growth, however, following the signing of a 'phase-one' trade deal between the US and China, and cooling US-Iran tensions, allowed for a rally in the local market to a new record high.

An initial sell-off in the market began mid-quarter as global coronavirus infection rates began to accelerate and speculation of the economic disruption as a result of the outbreak intensified. Growing concerns of a looming economic recession, and subsequent Government control measures aimed at slowing the spread in Australia, led to further declines in equity prices across all industries. Mandatory shutdowns of a broad range of service providers and increased social-distancing laws restricted operations over a significant portion of business sectors. Investor confidence further sunk as travel restrictions intensified, prohibiting all foreigners from entering the country and requiring mandatory self-isolation for all returning residents. Forced and voluntary shutdowns of many retail goods and services businesses led to a record number of unemployment-benefit claims. While significant staff lay-offs by businesses that remained open further spurred unemployment expectations as retail foot-traffic plummeted on the back of falling consumer confidence. Energy stocks were particularly impacted as an oil price war between Saudi Arabi and Russia over their refusal to cut production led to a 61.7% decline in the price of Brent crude oil.

The stock market was given a temporary boost after the Federal Government announced three consecutive economic stimulus packages, totalling \$320b, and aimed at assisting welfare recipients through increased payments, as well as businesses and their employees via wage subsidies. In a move to further stimulate the economy, the Reserve Bank cut interest rates twice, each by 25 basis points to a record low of 0.25%, in addition to commencing an asset repurchase program involving the buyback of Government bonds in the secondary market.

The best performing sectors for the quarter, as measured by the S&P/ASX 300 Industrials Accumulation Index, were Health Care (+1.5%), Consumer Staples (-3.7%) and Utilities (-9.6%). The worst performers were Real Estate (-34.8%), Consumer Discretionary (-30.0%) and Materials (-28.8%). As a whole, large cap industrial stocks (-21.7%) outperformed small cap industrial stocks (-26.9%), and value stocks (-28.1%) underperformed growth stocks as measured by the MSCI Australia Value and MSCI Australia Growth indices, respectively.

Outlook

The extent and duration of the impact that the coronavirus will have on the economy and markets are still unknown. While initial reports suggest the spread is slowing, infection rates in the world's largest economy are yet to peak, which seems to have been an important pivot point for markets. For us, it is way too early to be confident that new shocks will not present themselves in the months ahead, with no credible estimate of a vaccine available sooner than a year from now. This has, for obvious reasons, changed the near-term earnings outlook for equities. Many companies have "withdrawing guidance" - not merely downgrading guidance - which says a lot about the state of the markets and the current lack of earnings visibility. We have never seen a crisis quite like this, so it's going to be hard for investors to forecast profits when companies themselves are unaware where their profits will land. The key debate for us is "does this change the medium to longer-term earnings outlook for the stocks we hold?". The economy should bounce back from the current measures in place, though the rate of this recovery may be slower than what some may expect due to the sharpness of the decline. For this reason, we continue to focus on high-quality companies with proven management, strong balance sheets and low debt levels that will remain resilient throughout prolonged periods of uncertainty.

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*

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267



What you need to know

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from ASL, AMP Life or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither AMP Life, ASL, any other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.