

Perpetual Industrial Share

Quarterly Investment Option Update

30 June 2021

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/performance

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	96.40
Global Shares	0-10	
Cash	0-10	3.60

Sector Allocation	%
Cash	3.6
Consumer Discretionary	19.7
Consumer Staples	10.9
Energy	0.0
Financials ex Property Trusts	34.1
Health Care	3.9
Industrials	11.0
Information Technology	0.0
Materials	9.1
Real Estate	2.2
Telecommunication Services	5.6
Utilities	0.0

Top Holdings	%
Commonwealth Bank of Australia	7.7
National Australia Bank Limited	7.6
ANZ Banking Group Ltd	6.6
Woolworths Group Ltd	5.7
Flutter Entertainment Plc	5.3
Suncorp Group Limited	4.3
Crown Resorts Limited	3.8
La Francaise des Jeux SA	3.7
Westpac Banking Corporation	3.5
Qantas Airways Limited	3.5

Investment Option Commentary

The Fund underperformed the S&P/ASX 300 Industrial Accumulation Index for the quarter.

Market Commentary

The Australian equity market ended the quarter higher with the S&P/ASX 300 Industrials Accumulation Index gaining 8.7%. Stock prices were supported by improved consumer confidence, surging to its highest level since August 2010 and buoyed by rallying commodity prices. Despite the wind-down of the Job Keeper wage subsidy program, the labour market remained resilient. Business conditions reached a new record high, attributed to improvements in trading, profitability, and strengthening employment data. Manufacturing activity also accelerated, while services activity reached an almost 18-year high. National house price growth maintained its momentum, boosted by consumer demand amid a low-interest-rate environment and supply-side constraints.

Market sentiment was further bolstered by the Reserve Bank's upward revision to domestic GDP growth forecasts, citing expedited return to pre-pandemic levels, positive labour-market momentum and a strong outlook for global growth. The RBA also reaffirmed its hold on the record low cash rate of 0.10% until inflation is sustainably within its 2-3% target range. A stimulating 2021-22 Federal Budget was well received by the market, with \$96 billion in stimulus promised over five years, much of which is expected to flow through to businesses via increased consumer spending and investment.

Delays in the vaccine rollout and concerns of intensifying global coronavirus trends slowed reopening momentum, while further lockdowns in Melbourne and Sydney towards the end of the quarter contributed to weakness across 'reopening' and travel-related stocks. The market, however, largely brushed this aside, buoyed by new COVID support payments and rallying 'stay-at-home' stocks.

The best performing sectors for the quarter, as measured by the S&P/ASX 300 Industrials Accumulation Index, were Information Technology (+12.1%), Consumer Discretionary (+11.6%) and Communication Services (+11.1%). The worst performers were Utilities (-4.7%), Energy (+0.5%) and Consumer Staples (+5.4%). As a whole, large cap industrial stocks (+8.7%) outperformed small cap industrial stocks (+7.3%), and value stocks (+7.5%) underperformed growth (+9.3%) stocks, as measured by the MSCI Australia Value and MSCI Australia Growth indices, respectively.

Outlook

As signs of a sustained recovery in the domestic economy emerge, with corporate earnings and business conditions continuing to strengthen, Perpetual's outlook for the Australian equity market remains optimistic over the near term. Although Perpetual remain wary that future COVID outbreaks may trigger lockdowns, investor sentiment is anticipated to remain relatively resilient following the rollout of Australia's vaccine program, optimism over the eventual reopening of international borders, and ongoing discretionary fiscal and monetary stimulus measures continuing to support the economy. Perpetual expect to see a further rebound in the traditional value sectors (like banks, energy, resources, and consumer discretionary) which are likely to become more sensitive to an upswing in economic activity. As such, Perpetual anticipate that this investment style will continue to outperform after a prolonged period of dominance by growth investing.

While rising inflationary pressures may stoke market volatility over the coming year, Perpetual believe that certain companies within the value segments of the market will thrive under such conditions, whereas other pockets of the market that have flourished in a low-interest-rate environment will be less resilient if such conditions persist. Adhering to an investment approach that is underpinned by a disciplined, active, value-based methodology is important, regardless of the investment environment.

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 investors

** Closed to new and existing investors

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