Perpetual Industrial Share

Quarterly Investment Option Update

30 September 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	7 / Very high
Investment style	Value
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	80-100	95.40
Global Shares	0-10	
Cash	0-10	4.60

Sector Allocation	%
Cash	4.6
Consumer Discretionary	18.0
Consumer Staples	10.4
Energy	0.0
Financials ex Property Trusts	34.2
Health Care	3.6
Industrials	13.9
Information Technology	0.0
Materials	0.0
Real Estate	2.3
Telecommunication Services	6.7
Utilities	0.0

Top Holdings	%
Commonwealth Bank of Australia	7.7
National Australia Bank Limited	7.4
Flutter Entertainment Plc	6.0
ANZ Banking Group Ltd.	5.6
Woolworths Group Ltd	5.1
Westpac Banking Corporation	4.9
Qantas Airways Limited	4.2
Telstra Corporation Limited	4.0
Suncorp Group Limited	3.9
Incitec Pivot Limited	3.8

Investment Option Commentary

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

Market Commentary

The Australian equity market was assisted earlier in the quarter by rebounding consumer sentiment and improving jobs data. Full-year reporting season saw a mixed-bag of financial results, which saw investors punish companies that missed earnings guidance more than rewarding companies that outperformed. Reopening stocks came under pressure as Sydney and Victoria re-entered lockdowns, and state borders closed, prompted a sharp downward revision to near-term economic growth, with economists forecasting a minimum 2% contraction in September-quarter GDP. Pressure across these sectors was partially offset later in the quarter following faster-than-expected vaccination-uptake rates and political leaders expressing the need to pivot away from reducing COVID case numbers and focus instead on vaccination rates as the pathway out of lockdowns. Equity investors mostly shrugged off concerns as federal and state governments ramped up their focus on improving vaccination rates, and fiscal support was boosted.

Fresh momentum behind Australia's economic reopening lifted sentiment, which corresponded with rallies in travel and airline stocks as NSW announced a reopening roadmap for Greater Sydney. The market, however, sold off towards the end of the quarter as growth pockets came under pressure without a corresponding rotation to value/cyclical segments. Building materials producers and mining contractors created a drag on industrials, while logistics providers strengthened. Precious metal producers also rebounded, though materials were held down by the iron ore miners, which sold off on the back of weaker Chinese steel mill output in response to regulatory directives. Energy companies prevented a larger drop on the ASX amid a spike in energy demand across Europe and Asia, driving crude oil and gas prices to record highs as supply failed to keep up. Reopening momentum was also dealt a setback after Melbourne announced the extension of its lockdown until early November, and Premier Palaszczuk warned that Queensland's borders might remain closed even after the 80% double vaccination target is reached.

Outlook

The rotation to economic recovery that favours value stocks remains firmly on track. Looking beyond shorter-term disruptions, it is clear that economic momentum, both home and abroad, remains strong.
Admittedly, business and consumer confidence have fallen off recent highs, but the Australian recovery remains one of the most advanced in the world and well ahead of forecasts from 2020.

Companies Perpetual talk to are less concerned by shorter-term lockdowns and focused heavily on longer-term challenges, including the potential for higher embedded inflation, although this bodes well for value stocks, especially resources. Many value stocks are only just rising above previous 2007 peaks, while some growth stocks continue to trade at valuation multiples many times higher than their levels of just a few years ago. Perpetual think a combination of all the factors described above suggests a return to sustained global recovery, with higher inflation, higher bond yields, but also a longer and more sustained swing to value. Perpetual’s focus will remain on screening out balance-sheet, management, earnings, and business risks to ensure Perpetual’s clients are invested in high-quality businesses at reasonable prices.

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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