

Perennial Value Australian Share

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To grow the value of the investment over the long term via a combination of capital growth and tax-effective income, by investing in a diversified portfolio of Australian shares, and to provide a total return (before fees) that outperforms the S&P/ASX 300 Accumulation Index measured on a rolling three-year basis.

The portfolio invests in a range of companies listed (or soon to be listed) on the ASX and will typically hold approximately 45 stocks with a minimum stock holding of 20 and a maximum of 70. The option may utilise derivative instruments for risk management purposes, subject to the specific restriction that they cannot be used to gear portfolio exposure.

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	100.0	
Cash	0.0	

Sector Allocation	%
Energy	8.0
Materials	22.5
Industrials	4.6
Consumer Discretionary	8.0
Consumer Staples	2.9
Health Care	3.5
Financials-x-Real Estate	33.2
Real Estate	2.6
Information Technology	0.7
Telecommunication Services	7.1
Utilities	0.0
Cash & Other	7.0

Top Holdings	%
COMMONWEALTH BANK OF AUST	7.2
WESTPAC BANKING CORP	6.7
BHP GROUP LTD	5.7
NATIONAL AUSTRALIA BANK LTD	5.7
CASH	4.7
ANZ BANKING GROUP	4.4
MACQUARIE GROUP LTD	4.2
JAMES HARDIE INDUSTRIES-CDI	3.2
ARISTOCRAT LEISURE LTD	3.0
ORIGIN ENERGY LTD	2.6

Portfolio Summary

- The share market continued its rise in the September quarter, with the S&P/ASX300 Accumulation Index (the Index) up +2.6%, bringing the total return for the last 12 months to a healthy +12.6%.
- Perennial Value continue to avoid those sectors of the market where valuations are high expensive sectors of the market such as Healthcare, REITs and Infrastructure.

Investment Option Commentary

The share market continued its rise in the September quarter, with the Index +2.6%, bringing the total return for the last 12 months to a healthy +12.6%. The Industrials led the market higher over the quarter, +4.1%, while the Resources sector detracted, falling -3.5% on a pull-back in commodity prices. Offshore markets were mixed over the quarter, with the S&P500 +1.2%, the FTSE 100 -0.2%, the Nikkei 225 +2.3% and the Shanghai Composite -2.5%. Globally markets were torn between concerns around the increasingly evident impact on growth of factors such as the US-China trade war and Brexit uncertainty and the support from central bank easing in response to this slowdown. Similarly, the Australian market is balancing evidence of a moderate domestic economic slowdown with positive indicators such as the housing market appearing to have bottomed, the RBA continuing to signal an accommodating monetary stance and the potential for fiscal stimulus.

Over the quarter, the fund returned +2.6%, in line with the benchmark.

Key positive contributors included James Hardie (+33%), which delivered a strong result showing solid sales growth and strong operational performance. Other strong contributors were retirement community operator Ingenia Communities (+26%), Nufarm (+38%) after announcing the sale of its Latin American operations for a very good price, Santos (+11%) on continuing strong operational performance and Carsales.com (+15%) after delivering a solid result in a subdued environment.

Holdings which detracted from performance included SpeedCast International (-60%) which downgraded earnings. While this was disappointing, we believe that the factors that led to the downgrade will prove transient. Clydesdale Bank (-39%) fell after increasing remediation provisions. Both these stocks are now extremely cheap and offer significant upside on a medium-term view. oOh! Media (-26%) also fell after lowering earnings on the back of a weak advertising market.

During the quarter, we took profits and reduced our holdings in gold stocks Newcrest and Evolution Mining, following strong share price performances driven by the rallying gold price and also exited our holding in Star Entertainment. Proceeds were used to establish positions in James Hardie, BlueScope Steel and South32.

Outlook

Despite the ongoing negative political atmosphere, the economic backdrop continues to be positive, both domestically and offshore, with healthy growth and low unemployment in most major regions. This is supportive of ongoing moderate corporate earnings growth, healthy resources demand and financial system stability. Perennial Value is exposed to this dynamic through its positions in the large-cap, low-cost resource stocks, the major banks and a range of quality industrials. Perennial Value continue to avoid those sectors of the market where valuations are high and those which are exposed to the risk of rising interest rates such as Healthcare, REITs and Infrastructure.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0666AU
AMP Flexible Super - Retirement account	AMP1367AU
AMP Flexible Super - Super account	AMP1496AU
CustomSuper	AMP0666AU
Flexible Lifetime - Allocated Pension	AMP0631AU
Flexible Lifetime - Term Pension	AMP0942AU
Flexible Lifetime Investment	AMP0843AU
Flexible Lifetime Investment (Series 2)	AMP1430AU
SignatureSuper	AMP0808AU
SignatureSuper Allocated Pension	AMP1169AU

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