

# Perennial Value Income Wealth Defender

Quarterly Investment Option Update

30 September 2019

## Aim and Strategy

The option is designed to provide investors with an attractive level of tax effective income, whilst also protecting the portfolio by reducing the magnitude of significant negative returns when equity markets fall. The option aims to outperform the S&P/ASX300 Accumulation Index, before fees, over a rolling 3 year period whilst delivering an attractive tax-effective income stream. The strategy invests in a diversified portfolio of higher yielding Australian shares which delivers a dividend yield, including franking credits, above the dividend yield of the Index. The strategy uses protection strategies to dynamically protect the portfolio through market cycles, aimed at reducing the magnitude of significant negative returns in falling equity markets. The option enhances long term performance by maximising returns when markets rally and minimising the extent of losses when markets fall. The strategy invests in ASX-listed Australian shares and equity derivatives products. The option is suitable for investors with a long term horizon, seeking tax effective income generated by exposure to a portfolio of Australian shares that also provides some protection against significant negative returns.

## Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au](http://amp.com.au)

## Investment Option Overview

<b>Investment Category</b>	Australian Shares
<b>Suggested Investment timeframe</b>	5 years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Value
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.00	90.7
Cash	0.00	9.3

Sector Allocation	%
Energy	3.6
Materials	13.7
Industrials	5.9
Consumer Discretionary	15.8
Consumer Staples	6.6
Health Care	0.0
Financials-x-Real Estate	38.4
Real Estate	0.0
Information Technology	1.6
Telecommunication Services	6.8

Top Holdings	%
COMMONWEALTH BANK OF AUST	9.8
BHP GROUP LTD	7.9
WESTPAC BANKING CORP	5.5
TELSTRA CORP LTD	5.0
WESFARMERS LTD	4.9
RIO TINTO LTD	4.9
CASH	4.7
NATIONAL AUSTRALIA BANK LTD	4.7
INSURANCE AUSTRALIA GROUP	3.8
TABCORP HOLDINGS LTD	3.7

## 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 rose modestly in the September quarter, with the S&P/ASX300 Accumulation Index up 1.5%, bringing the total return over the last 12 months to a healthy 14.0%. In the 12 months to 30 September 2018, the underlying portfolio has generated a gross dividend income yield of 8.7%.

The highlight of the quarter was the company reporting season, which could best be described as solid. The majority of companies delivered increased earnings and dividends, reflecting the overall health of the underlying economy both domestically and offshore. Sentiment towards the banking sector is still negative due to the combination of the Royal Commission and concerns around the outlook for the housing market. However, while the growth outlook for the banks is definitely very muted, they are trading on attractive valuations and offering compelling dividend yields.

The portfolio benefited from being underweight on valuation grounds in a number of expensive growth stocks including CSL, A2 Milk, Treasury Wines and Transurban. Perennial Value have long argued that many of these stocks are trading on excessive valuations and at risk of being de-rated at some point.

The main contributors to performance were Telstra (+26.0%), Magellan (+22.8%), Downer (+18.5%), Event Hospitality (+12.8%) and Tabcorp (+11.5%). The main detractors were Flight Centre (-14.9%), Insurance Australia (-11.9%), AGL Energy (-10.6%) and Janus Henderson (-8.2%).

During the quarter, Perennial Value exited their holdings in Dexus and Scentre Group. Proceeds were used to increase our holdings in a number of stocks including Flight Centre and Rio Tinto.

## Outlook

Perennial Value continues to offer a higher forecast gross yield than the overall market and, as always, Perennial Value focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors, while carrying a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity markets falls. Further, Perennial Value believe the current very low interest rates highlight the relative attractiveness of financially-sound, high dividend yielding equities.

## Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1529AU
AMP Flexible Super - Retirement account	AMP1589AU
AMP Flexible Super - Super account	AMP1577AU
CustomSuper	AMP1529AU
Flexible Lifetime - Allocated Pension	AMP1541AU
SignatureSuper	AMP1553AU
SignatureSuper Allocated Pension	AMP1565AU

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