

# Perennial Value Income Wealth Defender

Quarterly Investment Option Update

30 June 2020

## 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	92.4
Cash	0.00	7.6

Sector Allocation	%
Energy	3.3
Materials	20.4
Industrials	5.6
Consumer Discretionary	10.7
Consumer Staples	8.5
Health Care	0.0
Financials-x-Real Estate	33.3
Real Estate	1.5
Information Technology	0.0
Telecommunication Services	9.3

Top Holdings	%
BHP Group	8.1
Macquarie Group	6.3
Wesfarmers Ltd	6.0
National Australia Bank	5.5
Commonwealth Bank of Australia	5.4
Telstra	4.7
Westpac Banking Corporation	4.3
Woolworths Group Ltd	3.4
Rio Tinto Ltd	3.4
Woodside Petroleum	3.3

## Portfolio Summary

- The Portfolio returned +12.6% in the June quarter, underperforming the market, largely due to the protection overlay, which detracted in the strongly rising market. However, over the past 12 months, the Portfolio has outperformed the market by +3.0%, as the protection overlay significantly cushioned the fall during the March selloff.

## Investment Option Commentary

The market rallied strongly in the June quarter, with the ASX300 Accumulation Index rising +16.8% over the quarter. After bottoming in late March, the market has now recovered a significant portion of the losses incurred in the COVID-induced selloff. The rally was driven by increased optimism around the economic outlook as infection rates decreased in many countries and lockdowns began to be eased. The rally was broad-based, however, it was the more cyclical sectors of the market which are most leveraged to a recovery in activity which delivered the strongest gains. For example, the Consumer Discretionary and Energy sectors were particularly strong over the quarter. By contrast, the more defensive sectors of the market such as Healthcare, Consumer Staples, Utilities and Telcos tended to lag.

Key positive contributors to performance included holdings in Macquarie Group, Qantas, Fortescue Metals, Seven Group, Wesfarmers and BHP, all of which performed strongly over the quarter. The Investment Option also benefited in a relative sense from not holding CSL, which underperformed significantly during the quarter. Holdings which detracted from performance included Telstra, IAG, Suncorp and Orora. During the quarter, the protection overlay detracted from performance as expected in a strong rally. However, over the last 12 months it has delivered a positive contribution, performing strongly during the March quarter selloff and offsetting a significant portion of the market's fall.

## Outlook

Despite the rally, the market is still well down from its February highs. While the sharp slowing of activity means that forecasting near term earnings for many companies is difficult, the market's fall means a significant amount of bad news is now factored being factored into share prices.

Looking forward, while the current situation is unprecedented, so too has been the response of governments, with coordinated policies covering monetary easing, fiscal stimulus and legislative actions. While it is impossible to know how this will ultimately play out, signs are emerging that worst of the health crisis may be behind us and the first steps towards normalisation may not be too far away. Further, Australia has so far fared very well relative to most other countries, meaning it is reasonable to expect that we are well placed to lead others in terms of a recovery in activity.

Across the market, a number of companies have announced the reduction or suspension of their dividends in order to conserve cash in the face of the downturn. While it is certain that many companies will be reducing their dividends, the market overall should still be expected to generate a reasonably attractive level of dividend income in the year ahead, particularly compared to other alternative sources of yield.

In the meantime, the Portfolio continues to offer a higher forecast gross yield than the overall market and, as always, our 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, we 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

## Contact Details

Web: [www.amp.com.au](http://www.amp.com.au)  
Email: [askamp@amp.com.au](mailto:askamp@amp.com.au)  
Phone: 131 267



### What you need to know

This publication has been prepared by AMP Limited ABN 49 079 354 519. 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. In providing the general advice, AMP Group and AMP Life Limited ABN 84 079 300 379, AFSL 233671 (AMP Life) 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 N.M. Superannuation Proprietary Ltd ABN 31 008 428 322, AFSL 234654 (NM Super), AMP Capital Funds Management Limited ABN 15 159 557 721, AFSL 426455 (AMPCFM), ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac) 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 the issuer 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 NM Super, AMPCFM, ipac, AMP Life, any other company in the AMP Group nor the 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.