

# Perennial Value Australian Share

Quarterly Investment Option Update

31 December 2020

## 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/performance](http://amp.com.au/performance)

## 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	93.8
Cash	0	6.2

Sector Allocation	%
Energy	6.2
Materials	24.3
Industrials	6.6
Consumer Discretionary	9.3
Consumer Staples	3.7
Health Care	7.3
Financials-x-Real Estate	27.7
Real Estate	3.6
Information Technology	0.0
Telecommunication Services	5.1
Utilities	0.0
Cash & Other	6.4

Top Holdings	%
Commonwealth Bank of Australia	6.9
Westpac Banking Corporation	6.2
BHP Group Ltd	6.0
National Australia Bank Ltd	5.7
CSL Ltd	4.4
Macquarie Group Ltd	3.2
James Hardie Industries	2.9
Newcrest Mining Ltd	2.4
Seven Group Holdings Ltd	2.4
Aristocrat Leisure Ltd	2.1

## Investment Option Commentary

The Fund delivered a return before fees of 15.3% for the quarter, outperforming the benchmark by +1.5%. Since the market low in March, the fund has delivered a very strong return of +55.0%, outperforming the benchmark by +8.4%. This outperformance during the rally was driven by a combination of a generally more favourable environment for value investing, as improved sentiment saw a rotation towards the more cyclical sectors of the market, as well as some very strong stock-specific performances from a number of their holdings. Periods of indiscriminate selling, such as Perennial saw in March, allow investors to buy high quality stocks at unusually attractive valuations. The Fund took advantage of the selloff to add new holdings at prices well below their historical valuations. Many of these stocks have performed strongly in the subsequent rally. In particular, many of the Trust's mid and small cap holdings performed very well, with strong stock-specific drivers.

Key positive contributors to relative performance over the quarter included Resources exposures, which rallied on strength in commodity prices. Holdings included Fortescue Metals (+43.7%), Iluka Resources (+41.6%), Bluescope Steel (+37.6%), Oz Minerals (+34.8%), Alumina Ltd (+33.5%), South32 (+21.1%) and BHP (+19.2%). On the back of this, the mining services holdings also performed well, with NWR Holdings (+43.8%), Monadelphous (+32.8%) and Seven Group (+30.3%). Financials also contributed positively, led by the major banks (up an average of +27.3%), in which the Fund collectively held an overweight position. The ultimate outcome in terms of bad debts due to COVID impacts is likely to be significantly less bad than initially feared. Given the high level of provisioning undertaken, and their strong capital positions, as conditions improve, it is likely that the banks will be able to significantly increase their dividends over the coming years. On a similar theme, Virgin Money UK (+83.0%) rallied very strongly due to a combination of increased optimism around the UK economic outlook as well as moves by the UK banks to increase mortgage pricing to protect margins.

Holdings which detracted from performance over the quarter included gold stocks, St Barbara (-20.8%), Newcrest (-17.5%) and Northern Star Resources (-7.0%), which were sold off as the market moved into a risk-on mode. Other underperformers included Aurizon (-8.2%), Ramsay Healthcare (-5.9%), Carsales (-3.2%) and Event Hospitality (-1.6%).

## Market Commentary

Global markets resumed their recovery in the December quarter, with the US election result and positive announcements about vaccines causing markets to look optimistically towards a post-Trump, post-COVID future. These factors saw all major global indices deliver strong positive returns on the prospect of a recovery in economic activity and a return to a more stable global political environment. The Australian market also performed well, with the ASX300 Accumulation Index returning a strong +13.8%, buoyed by the ending of Victorian lockdowns as well as generally positive economic news and upbeat trading updates from a number of companies. In what has been an extraordinary year, the Australian market has delivered a return of +1.7% over the last 12 months and has recovered to be within -8% of its pre-COVID high.

The improving economic backdrop saw the cyclical sectors of the market deliver the strongest returns over the quarter. Resources were strong, with rising commodity prices on the back of strong Chinese demand and constrained supply. Financials also outperformed, led by the major banks, which delivered their full-year profit results during the quarter. Pleasingly, the results showed that the vast majority of deferred loans have resumed repayments, suggesting that underlying economy is proving resilient.

## Outlook

The start of 2021 may well mark a significant turning point for the global economy and markets, with the prospects of a near-term roll-out of an effective COVID vaccine underpinning the reopening of economies and a return to growth. Importantly also, the change of leadership in the US should usher in a period of stability in terms of domestic and international policy and, hopefully, a generally more harmonious backdrop. The Biden win means there is likely to be increased fiscal stimulus, which should be positive for economic growth, corporate earnings and markets overall. The outlook for the Australian economy is also positive, with key indicators suggesting a high level of underlying resilience.

As always, their focus will continue to be on investing in quality companies with proven business models and strong balance sheets, which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors.

## Availability

Product Name	APIR Code
AMP Flexible Super - Super	AMP1496AU
AMP Flexible Super - Retirement	AMP1367AU
CustomSuper	AMP0666AU
Flexible Lifetime - Super	AMP0666AU
Flexible Lifetime - Allocated Pension	AMP0631AU
Flexible Lifetime - Term Pension	AMP0942AU
Flexible Lifetime - Investments (Series 1)	AMP0843AU**
Flexible Lifetime - Investments (Series 2)	AMP1430AU**
SignatureSuper	AMP0808AU
SignatureSuper - Allocated Pension	AMP1169AU

\*\*Closed to new and existing investors

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