

Perennial Value Australian Share

Quarterly Investment Option Update

31 March 2021

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

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	94.7
Cash	0	5.3

Sector Allocation	%
Energy	5.5
Materials	19.6
Industrials	5.2
Consumer Discretionary	9.0
Consumer Staples	5.2
Health Care	9.6
Financials-x-Real Estate	31.7
Real Estate	2.2
Information Technology	0.6
Telecommunication Services	6.0
Utilities	0.0
Cash & Other	5.4

Top Holdings	%
Westpac	8.1
BHP	6.6
NAB	6.6
CBA	6.1
CSL	3.4
Telstra	2.7
Healius	2.6
Macquarie Group	2.5
Santos	2.4
Ramsay Healthcare	2.3

Investment Option Commentary

The Fund performed well over the quarter returning +7.0% (before fees), outperforming the benchmark by +2.8%. Since the market low in late March last year, the fund has delivered a very strong return of +68.6%, outperforming the benchmark by +13.9% before fees. 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 our holdings. Further, periods of indiscriminate selling, such as we saw in the early stages of COVID, allow investors to buy high quality stocks at unusually attractive valuations.

Key positive contributors to relative performance over the quarter included financials NAB and Westpac as well as offshore bank Virgin Money UK, which benefited from the rapidly improving economic backdrop. Agricultural stocks Nufarm and Graincorp also performed well, with excellent seasonal conditions and strong soft commodity prices underpinning operating conditions in the rural sector. Gaming company Tabcorp contributed positively after receiving a takeover offer for its wagering business. The potential for a breakup of the wagering and lotteries business was a key driver of the investment in Tabcorp.

Holdings which detracted from performance over the quarter included gold miners Northern Star and St Barbara, which declined on the lower gold price. Ampol underperformed due to continuing weak refining margins, while engineering firm Worley was softer as the oil price eased.

Market Commentary

Global markets continued their recovery in the March quarter, with vaccine rollouts commencing and the inauguration of the new US president 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 +4.2%, buoyed by an absence of new COVID cases, economic data which continued to surprise on the upside and a generally positive company reporting season. Markets have rallied dramatically from their lows, with the Australian market has delivering a return of +38.3% over the last 12 months, recovering to be within -4% of its pre-COVID high.

The improving economic backdrop saw cyclical sectors of the market such as Financials and Consumer Discretionary deliver the strongest returns over the quarter. However, Resources lagged slightly, after performing very strongly in previous months. By contrast, some of the more expensive sectors of the market were down, with many growth stocks delivering weak returns as rising bond yields pressured their valuations.

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 Democratic 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, the 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 investors

**Closed to new and existing investors

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