

# Perennial Value Income Wealth Defender

Quarterly Investment Option Update

31 March 2021

## 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/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           | 94.2       |
| Cash              | 0             | 5.8        |

| Sector Allocation          | %    |
|----------------------------|------|
| Energy                     | 7.0  |
| Materials                  | 17.9 |
| Industrials                | 5.3  |
| Consumer Discretionary     | 8.9  |
| Consumer Staples           | 9.4  |
| Health Care                | 4.7  |
| Financials-x-Real Estate   | 31.9 |
| Real Estate                | 2.2  |
| Information Technology     | 0.0  |
| Telecommunication Services | 8.5  |

| Top Holdings            | %   |
|-------------------------|-----|
| BHP Group               | 8.9 |
| Telstra                 | 6.3 |
| Westpac                 | 5.6 |
| National Australia Bank | 5.3 |
| CBA                     | 5.3 |
| ANZ                     | 5.0 |
| Rio Tinto               | 4.2 |
| Woodside Petroleum      | 4.1 |
| Woolworths              | 4.0 |
| Fortescue Metals        | 3.7 |

## Investment Option Commentary

The Fund returned +5.3% for the quarter, outperforming the market by 1.1% before fees. Key positive contributors to relative performance over the quarter included Tabcorp, which received a takeover offer for its wagering business and Telstra, which stands to realise significant value from selling off some of its network assets. Bank holdings also performed well, as it became clear that bad debt outcomes would be far less significant than originally feared. Graincorp also performed strongly, with excellent seasonal conditions in Eastern Australia underpinning the outlook for the agricultural sector. Holdings which detracted from performance included resource stocks Rio Tinto and Fortescue Metals, which eased after some very strong performances in recent months. Ampol was also softer on the back of weaker refining margins.

During the quarter, The Fund increased its holdings in BHP and Rio Tinto. The share prices of these stocks had eased back, presenting an attractive opportunity to add to positions in stocks which are expected to pay very strong dividends over the coming year. The Fund also increased its holding in Telstra, whose earnings outlook is improving as the NBN rollout nears completion. These purchases were funded by exiting a number of holdings including Metcash, GPT and Mirvac.

## 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.

In the meantime, the strategy continues to offer a higher forecast gross yield than the overall market and, as always, their 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 believe the current very low interest rates highlight the relative attractiveness of financially-sound, high dividend yielding equities.

## Availability

| Product Name                          | APIR Code  |
|---------------------------------------|------------|
| AMP Flexible Super - Super            | AMP1577AU* |
| AMP Flexible Super - Retirement       | AMP1589AU* |
| CustomSuper                           | AMP1529AU* |
| Flexible Lifetime - Super             | AMP1529AU* |
| Flexible Lifetime - Allocated Pension | AMP1541AU* |
| SignatureSuper                        | AMP1553AU* |
| SignatureSuper - Allocated Pension    | AMP1565AU* |

\*Closed to new investors

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