

Perennial Value Income Wealth Defender

Quarterly Investment Option Update

30 June 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

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	100.00	95.9
Cash & Other	0.00	4.1

Sector Allocation	%
Energy	5.3
Materials	17.4
Industrials	2.5
Consumer Discretionary	10.6
Consumer Staples	8.8
Health Care	4.7
Financials-x-Real Estate	37.1
Real Estate	3.7
Information Technology	0.0
Telecommunication Services	5.7

Top Holdings	%
BHP Group	8.7
Westpac	6.8
NAB	6.2
CBA	6.2
Telstra	5.7
ANZ	5.5
Wesfarmers	4.6
Rio Tinto	4.1
Macquarie Group	3.9
Woolworths	3.5

Investment Option Commentary

The fund underperformed benchmark in the second quarter of 2021. This was largely attributable to the protection overlay, which dragged in the strongly rising market, while the stock portfolio delivered a return roughly in line with the market.

Key positive contributors over the quarter included miners, Rio Tinto and Fortescue Metals, which benefited from the strong iron ore price and healthcare company, Healius, which is benefitting from high rates of COVID testing. Gaming companies, Aristocrat Leisure and Tabcorp also performed strongly. Telstra also outperformed on improving conditions in the mobiles market, as well as rallying following the sale of an interest in its mobile towers business. This transaction was done for an extremely high price and the company has indicated that around half of the proceeds will be returned to investors by way of dividends or off-market buy-backs.

During the quarter, the fund increased its holdings in the major banks, which are all expected to return surplus capital to investors over coming periods, in addition to their already attractive dividend yields. Holdings were also increased in IAG, Wesfarmers and Dexus. This was funded by taking profits and exiting holdings in Downer, Event Hospitality and Tabcorp.

Market Commentary

Global markets continued their rally in the June quarter, with vaccine rollouts accelerating, economies reopening and uniformly strong economic data. This saw most major global indices deliver strong positive returns, with the S&P500 reaching a new record high.

The Australian market also performed well, with the ASX300 Accumulation Index returning 8.5%, with positive sentiment buoyed by broad-based strength in the domestic economy. The market has delivered a strong return of 28.5% for the financial year, also achieving a new record high.

During the quarter, the market was driven initially by the economic reopening and reflation dynamics, which boosted cyclical parts of the market such as Financials and Resources which are leveraged to improving economic growth and rising inflation. However, towards the latter part of the quarter, as easing in bond yields saw a rally in the more growth-oriented sectors of the market such as the tech sector. The result was that all sectors of the market other than Energy and Utilities delivered healthy positive returns.

Outlook

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. Also, the change of leadership in the US may usher in a period of stability in terms of domestic and international policy and, hopefully, a generally more harmonious backdrop. Interest rates are likely to remain relatively low and the major fiscal stimulus measures 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 strength.

The strategy continues to offer a higher forecast gross yield than the overall market and, as always, the 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
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

*Closed to new members

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