

# Perennial Value Income Wealth Defender

Quarterly Investment Option Update

30 September 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](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>	7 / Very high
<b>Investment style</b>	Value
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.00	94.2
Cash & Other	0.00	5.8

Sector Allocation	%
Energy	6.5
Materials	15.7
Industrials	1.4
Consumer Discretionary	10.3
Consumer Staples	8.4
Health Care	4.5
Financials-x-Real Estate	36.2
Real Estate	4.3
Information Technology	0.0
Telecommunication Services	6.9

Top Holdings	%
CBA	9.8
BHP Group	7.9
Telstra	6.9
Westpac	4.9
NAB	4.7
Macquarie Group	4.5
Wesfarmers	4.2
ANZ	4.2
Woolworths	3.8
Woodside Petroleum	3.5

## Investment Option Commentary

While the portfolio lagged the market return, this was largely attributable to the protection overlay which, as expected, dragged in the strongly rising market. It is worth noting that the protection overlay performed very well during last year's COVID-related sell-off, significantly cushioning the portfolio. The stock portfolio performed well over the quarter, with key positive contributors including Graincorp (+24.8%), which rallied after upgrading earnings on the back of very favourable seasonal conditions in Eastern Australia. Telstra (+6.7) also outperformed, with earnings and dividends set to return to growth as a result of 5G deployment and the end of the headwinds associated with the NBN roll-out. Macquarie Group (+16.3%), Aristocrat Leisure (+9.0%) and Medibank Private (+15.8%) also outperformed, enjoying positive operating conditions.

The Portfolio 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 believes the current very low interest rates highlight the relative attractiveness of financially-sound, high dividend yielding equities.

## Market Commentary

The Australian market continued its advance in the September quarter, with the ASX300 Accumulation Index rising +1.8%, to be up a very strong +30.9% for the last 12 months. The market is now above its pre-COVID levels, with expectations of a strong recovery in growth as economies reopen, supported by low interest rates and ongoing stimulus measures.

Most sectors of the market delivered positive returns over the quarter, with the Energy sector (+8.0%) being the standout. Recent underinvestment in production capacity, combined with a recovery in demand as economies reopen, has seen oil and gas prices surge to multi-year highs. Materials (-9.6%) was the only sector to deliver a negative return for the quarter, driven by a sharp fall in the iron ore price. While commodity prices have generally been very strong over the past 18 months, a recent slowdown in the Chinese steelmaking sector has seen the price of iron ore fall sharply, and with it, the share prices of the major miners.

The company reporting season was generally positive, with market earnings rebounding strongly from a COVID-impacted prior year. Earnings recovered across all sectors of the market, with the majority of companies reporting positive operating conditions. Dividends were also increased significantly and there were a large number of buy-backs announced, reflecting the strength of corporate balance sheets and confidence in the recovery.

## Outlook

Perennial continues to believe that 2021 may well mark a significant turning point for the global economy and markets, with the accelerating roll-out of effective COVID vaccines 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. 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.

As always, Perennial's 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
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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