

Perennial Value Australian Share

Quarterly Investment Option Update

30 September 2018



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

Investment Option Overview

Investment category	Australian Shares
Suggested investment timeframe	5 years
Relative risk rating	6 / High
Investment style	Value

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.0	96.1
Cash	0.0	3.9

Sector Allocation	%
Energy	8.52
Materials	23.16
Industrials	5.38
Consumer Discretionary	7.75
Consumer Staples	4.30
Health Care	1.35
Financials-x-Real Estate	34.39
Real Estate	5.98
Information Technology	1.86
Telecommunication Services	3.41
Utilities	0.00
Cash & Other	3.90

Top Holdings	%
Commonwealth Bank	6.91
BHP Billiton Limited	6.75
Westpac Banking Corporation	5.34
ANZ Banking Group Limited	4.90
National Australia Bank	4.41
Macquarie Group Limited	3.22
Woodside Petroleum	3.21
Rio Tinto Limited	2.62
Newcrest Mining	2.25
Boral Limited	2.23

Portfolio Summary

- The majority of companies delivered increased earnings and dividends, reflecting the overall health of the underlying economy both domestically and offshore.
- Perennial Value continue to avoid those sectors of the market where valuations are high and those which are exposed to the risk of rising interest rates such as Healthcare, REITs and Infrastructure.

Investment Option Commentary

The share market rose modestly in the September quarter, with the S&P/ASX300 Accumulation Index up 1.5%, bringing the total return over the last 12 months to a healthy 14.0%. The highlight of the quarter was the company reporting season, which could best be described as solid. The majority of companies delivered increased earnings and dividends, reflecting the overall health of the underlying economy both domestically and offshore.

Sentiment towards the banking sector is still negative due to the combination of the Royal Commission and concerns around the outlook for the housing market. However, while the growth outlook for the banks is definitely very muted, they are trading on attractive valuations and offering compelling dividend yields.

Perennial Value benefited from being underweight on valuation grounds in a number of expensive growth stocks including CSL, A2 Milk, Treasury Wines and Transurban. Perennial Value have long argued that many of these stocks are trading on excessive valuations and at risk of being de-rated at some point.

The main contributors to performance were Vocus Group (+42.0%), HT&E Limited (+32.6%), Telstra (+26.0%), Brambles (+23.7%) and ALS Ltd (+18.6%). The main detractors were Nufarm Limited (-24.4%), Origin Energy (-17.7%), CSR Limited (-14.5%) and News Corporation (-11.4%).

During the quarter, Perennial Value took profits and trimmed our holding in a number of stocks which had performed strongly over recent times including BHP, Brickworks and Macquarie Group. Proceeds were used to increase our holdings in a number of good value opportunities including Link Administration, HT&E and Boral.

Market Commentary

Market Review - Australia		%	Global, Currency & Commodities		%
S&P/ASX300 Accumulation Index		+1.5	S&P500		+7.3
Energy		+3.8	Nikkei 225		+8.3
Materials		-1.2	FTSE100		-1.4
Industrials		+3.8	Shanghai Composite		+1.2
Consumer Discretionary		+1.4	RBA Cash Rate		1.50
Health Care		+3.9	AUD / USD		-1.5
Financials-x-Real Estate		-0.8	Iron Ore		+7.2
Real Estate		+1.8	Oil		+4.1
Information Technology		+10.1	Gold		-4.9
Telecommunication Services		+24.7	Copper		-6.1
Utilities		-3.2			

Outlook

Despite the ongoing negative political atmosphere, the economic backdrop continues to be positive, both domestically and offshore, with healthy growth and low unemployment in most major regions. This is supportive of ongoing moderate corporate earnings growth, healthy resources demand and financial system stability. Perennial Value is exposed to this dynamic through its positions in the large-cap, low-cost resource stocks, the major banks and a range of quality industrials. Perennial Value continue to avoid those sectors of the market where valuations are high and those which are exposed to the risk of rising interest rates such as Healthcare, REITs and Infrastructure.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0666AU
AMP Flexible Super - Retirement account	AMP1367AU
AMP Flexible Super - Super account	AMP1496AU
CustomSuper	AMP0666AU
Flexible Lifetime - Allocated Pension	AMP0631AU
Flexible Lifetime - Term Pension	AMP0942AU
Flexible Lifetime Investment	AMP0843AU
Flexible Lifetime Investment (Series 2)	AMP1430AU
SignatureSuper	AMP0808AU
SignatureSuper Allocated Pension	AMP1169AU

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