

# Perennial Value Income Wealth Defender



Quarterly Investment Option Update

30 September 2018

## 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

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

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.00	90.7
Cash	0.00	9.3

Sector Allocation	%
Energy	6.25
Materials	16.06
Industrials	2.06
Consumer Discretionary	11.51
Consumer Staples	13.16
Health Care	0.00
Financials-x-Real Estate	32.13
Real Estate	0.00
Information Technology	0.00
Telecommunication Services	4.74
Utilities	2.41
Cash & Other	11.68

Top Holdings	%
BHP Billiton Limited	9.27
Commonwealth Bank	9.23
Wesfarmers Limited	5.82
Woodside Petroleum	5.39
Rio Tinto Limited	5.32
Westpac Banking Corporation	4.81
Telstra Corporation	4.74
Woolworths Limited	4.41
ANZ Banking Group Limited	3.85
National Australia Bank	3.53

## Portfolio Summary

- The majority of companies delivered increased earnings and dividends, reflecting the overall health of the underlying economy both domestically and offshore.
- The Australian stock market rose in September quarter, delivering a return of 1.5% leaving the total return for the last 12 months at a healthy +14.0%.
- The current very low interest rates highlight the relative attractiveness of financially-sound, high dividend yielding equities.

## 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%. In the 12 months to 30 September 2018, the underlying portfolio has generated a gross dividend income yield of 8.7%.

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.

The portfolio 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 Telstra (+26.0%), Magellan (+22.8%), Downer (+18.5%), Event Hospitality (+12.8%) and Tabcorp (+11.5%). The main detractors were Flight Centre (-14.9%), Insurance Australia (-11.9%), AGL Energy (-10.6%) and Janus Henderson (-8.2%).

During the quarter, Perennial Value exited their holdings in Dexs and Scentre Group. Proceeds were used to increase our holdings in a number of stocks including Flight Centre and Rio Tinto.

## 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

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

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