

Perennial Value Income Wealth Defender

Quarterly Investment Option Update

31 March 2019

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.00	90.7
Cash & Other	0.00	8.40

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

Sector Allocation	%
Energy	4.88
Materials	14.84
Industrials	3.83
Consumer Discretionary	10.81
Consumer Staples	6.73
Health Care	0.00
Financials-x-Real Estate	41.31
Real Estate	0.00
Information Technology	1.97
Telecommunication Services	5.42
Utilities	1.81
Cash & Other	8.40

Top Holdings	%
Westpac Banking Corporation	7.29
BHP Group Limited	6.51
ANZ Banking Group Limited	6.49
National Australia Bank	6.17
Commonwealth Bank	4.72
Woodside Petroleum	4.08
Rio Tinto Limited	4.07
Macquarie Group Limited	3.64
Telstra Corporation	3.54
Woolworths Limited	3.45

Portfolio Summary

- The share market rallied strongly in the March quarter, with the S&P/ASX300 Accumulation Index up 10.8%, recovering from the sell-off in the December quarter and bringing the total return over the last 12 months to a healthy +11.7%.
- Markets have now largely recovered the losses experienced in the December quarter sell-off, as central banks have taken an increasingly dovish tone regarding interest rate policy.
- In the 12 months to 31 March 2019, the underlying portfolio has generated a gross dividend income yield of 15.2%. This is higher than the average level of around 8.0% due to the boost from participating in the Rio Tinto and BHP off-market buybacks.

Investment Option Commentary

The share market rallied strongly in the March quarter, with the S&P/ASX300 Accumulation Index up 10.8%, recovering from the sell-off in the December quarter and bringing the total return over the last 12 months to a healthy +11.7%. The rally in the Australian market reflected that seen in offshore markets, with key global indices posting strong gains. The March quarter saw the S&P500 up 14.0%, the FTSE 100 up 8.1%, the Nikkei 225 up 6.0% and the Shanghai Composite up a very strong 23.9%. Markets have now largely recovered the losses experienced in the December quarter sell-off, as central banks have taken an increasingly dovish tone regarding interest rate policy.

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The main contributors to performance were Magellan Financial Group (+58.5%), RIO (+36.2%) performed strongly following the disruptions to the iron ore market following the January tragedy at Vale's Brumadinho mine in Brazil, and Seven group (+25.6%).

Stocks which detracted from performance include Star Entertainment (-6.2%), Boral (-4.6%) and Platinum (-3.3%) which gave back recent gains as the founder sold a portion of his holdings. The portfolio was also impacted in a relative sense by the rally in the REIT sector, which rose on the fall in bond yields. Perennial are under-weight this sector of the market on valuation grounds.

During the quarter, Perennial took profits and reduced their positions in Tabcorp and Magellan Financial Group and proceeds were used to increase their position in IAG. The Fund Manager established positions in Link Administration and Medibank Private.

Outlook

Overall market valuations are reasonable, with the Australian share market trading close to its long-term average, with a 1-year forward P/E multiple of 15.5x and offering a gross dividend yield of close to 6.0%. In addition, corporate Australia has been paying down debt and balance sheets are in very good shape. This provides the flexibility to invest and grow, pay healthy dividends and weather any headwinds that may arise.

Conditions are currently favourable for the resources sector, with positive supply and demand dynamics, while the banks represent good long-term value. There is a wide valuation dispersion in the market, with many "growth" and "momentum" stocks remaining expensive, while many "value" stocks are trading at very cheap levels. History shows that, in the long-run valuation matters and at some point these large valuation dispersions normalise. When they do, there is the potential for value style portfolios to deliver significant outperformance.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1529AU
AMP Flexible Super - Retirement account	AMP1589AU
AMP Flexible Super - Super	AMP1577AU
CustomSuper	AMP1529AU
Flexible Lifetime - Allocated	AMP1541AU
SignatureSuper	AMP1553AU
SignatureSuper Allocated	AMP1565AU

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