

Perennial Value Australian Share



Quarterly Investment Option Update

30 June 2019

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
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.0	94.76
Cash	0.0	5.24

Sector Allocation	%
Energy	6.65
Materials	22.21
Industrials	3.39
Consumer Discretionary	9.48
Consumer Staples	2.78
Health Care	4.12
Financials-x-Real Estate	35.53
Real Estate	2.96
Information Technology	1.27
Telecommunication Services	6.37
Utilities	0.00
Cash & Other	5.24

Top Holdings	%
COMMONWEALTH BANK OF AUSTRALIA	8.07
WESTPAC BANKING CORP	6.21
BHP GROUP LTD	6.10
NATIONAL AUSTRALIA BANK LTD	5.48
AUST AND NZ BANKING GROUP	5.32
MACQUARIE GROUP LTD	3.50
NEWCREST MINING LTD	3.15
ARISTOCRAT LEISURE LTD	3.01
WOODSIDE PETROLEUM LTD	2.45
RIO TINTO LTD	2.41

Portfolio Summary

- The share market rallied in the June quarter, with the S&P/ASX300 Accumulation Index up +8.1%. Both the Industrials and Resources sectors of the market performed strongly over the quarter.
- At quarter-end, the portfolio was overweight the major banks, resources, energy and consumer discretionary sectors.

Investment Option Commentary

The share market rallied in the June quarter, with the S&P/ASX300 Accumulation Index up +8.1%. Both the Industrials and Resources sectors of the market performed strongly over the quarter. Offshore markets were generally stronger over the quarter, with the S&P500 up +4.5%, the FTSE 100 up +2.6%, the Nikkei 225 up +1.2%, while the Shanghai Composite eased slightly, down -0.5%.

The rally in global markets was driven by the move by Central Banks back towards an easing bias, with the US Federal Reserve expected to cut interest rates in July to support slowing growth in the face of the US-China trade war, and the RBA cutting rates by 25bp in June. The Australian market reacted positively to the unexpected reelection of the Coalition government in May. The election result saw a rally in bank stocks, with the majors rising an average of +13.0% over the quarter. The resources sector was also strong over the quarter, with strong demand for steel in China, pushing up iron ore prices in a market where supply is constrained by factors such as tailings dam issues in Brazil.

The main contributors to performance were Northern Star Resources (+29.8%), Integral Diagnostics (+26.9%) benefited from attractive government funding proposals from both sides of politics with a return of indexation with the Labor Party also proposing specific funding for expanded imaging diagnostics for cancer, and Aristocrat Leisure (26.3%). The main detractors were Link Administration (-32.3%) due to UK issues in its UK operations, Bluescope Steel (-24.7%) and Graincorp Ltd (-13.7%).

During the quarter, the investment manager took profits and reduced their holdings in stock which had outperformed including Amcor and Monadelphous Group. Proceeds were used to increase holdings in Graincorp where the drought has caused this company to trade at a significant discount to its underlying value. They added Worley to the portfolio.

Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 15.9x and offering an attractive gross dividend yield of 5.4%. Within the overall market, the investment manager are seeing many quality companies trading on attractive valuations which should deliver solid returns to investors from these levels. By contrast, there remain pockets of expensive growth and momentum style stocks which present significant de-rating risks if the lofty growth rates implied in their valuations are not able to be met. They do not hold these types of stocks as they do not meet the fund manager's value criteria.

At quarter-end, the portfolio was overweight the major banks, resources, energy and consumer discretionary sectors where the investment manager sees attractive valuation opportunities and underweight expensive sectors of the market such as Healthcare, REITs and Infrastructure.

The portfolio continues to exhibit Perennial Value's true to label value characteristics, offering better value than the overall market on each of the investment manager's four valuation characteristics: price to earnings, price to free cash flow, gross dividend yield and price to net tangible assets.

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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