

# Perennial Value Income Wealth Defender

Quarterly Investment Option Update

30 June 2019

## 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>	6 / High
<b>Investment style</b>	Value

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.00	86.33
Cash and Other	0.00	13.67

Sector Allocation	%
Energy	2.70
Materials	12.97
Industrials	3.51
Consumer Discretionary	10.21
Consumer Staples	6.43
Health Care	0.00
Financials-x-Real Estate	43.51
Real Estate	0.00
Information Technology	1.37
Telecommunication Services	5.62
Utilities	0.00
Cash & Other	13.67

Top Holdings	%
WESTPAC BANKING CORP	7.88
AUST AND NZ BANKING GROUP	7.82
NATIONAL AUSTRALIA BANK LTD	7.26
BHP GROUP LTD	6.71
COMMONWEALTH BANK OF AUS'	5.49
MACQUARIE GROUP LTD	5.25
RIO TINTO LTD	4.16
TELSTRA CORP LTD	3.96
WESFARMERS LTD	3.19
WOOLWORTHS GROUP LTD	3.07

## Portfolio Summary

- The share market rallied in the June quarter, with the S&P/ASX300 Accumulation Index up +8.1%. This followed on from the previous quarter's strong performance and brought the total return for the year to a healthy +11.4%.
- The resources sector was also strong over the quarter. There is currently strong demand for steel in China, which is pushing up iron ore prices in a market where supply is constrained by factors such as tailings dam issues in Brazil.

## 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 June 2019, the underlying portfolio has generated a gross dividend income yield of 16.1%.

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 further over the remainder of calendar 2019. The Australian market reacted positively to the unexpected re-election of the Coalition government, on the basis that it removed some of the potential risks associated with Labor policies. For example, the proposed changes to negative gearing were perceived to be dangerous at a time when the housing market was already weakening. The other major development over the quarter in Australia saw the RBA falling into line with other central banks and moving to an easing stance, with a 25bp rate cut in each of June and July decreasing the cash rate to 1.0%.

The main contributors to performance were Medibank Private (+26.3%) which no longer faces the prospect of a 2% cap on premium increases, Coca-Cola Amatil (+18.2%), and Commonwealth Bank (+17.2%). The main detractors were Link Administration (-32.3%) due to UK issues in its UK operations, Graincorp (-13.2%), and Janus Henderson (-12.1%).

During the quarter, Perennial Value exited their holdings in AGL Energy due to increasing regulatory risk and reduced their holding in Suncorp. Proceeds were used to increase the portfolio's holdings in a number of stocks including Macquarie Group.

## Market Commentary

Market Review - Australia	%	Global, Currency & Commodities	%
S&P/ASX300 Accumulation Index	+8.1	S&P500	+4.5
Energy	-0.7	Nikkei 225	+1.2
Materials	+7.5	FTSE100	-2.6
Industrials	+8.7	Shanghai Composite	-0.5
Consumer Discretionary	+6.2	RBA Cash Rate	1.25
Health Care	+12.3	AUD / USD	-0.8
Financials-x-Real Estate	+10.9	Gold	+8.7
Real Estate	+3.6		
Information Technology	+5.8		
Telecommunication Services	+12.7		
Utilities	+1.2		

## 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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