

# Perennial Value Income Wealth Defender

Quarterly Investment Option Update

31 March 2022

## 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/performance](http://amp.com.au/performance)

## Investment Option Overview

<b>Investment Category</b>	Australian Shares
<b>Suggested Investment timeframe</b>	5 years
<b>Relative risk rating</b>	7 /Very High
<b>Investment style</b>	Value
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.00	96.3
Cash & Other	0.00	3.7

Sector Allocation	%
Energy	7.68%
Materials	22.33%
Industrials	1.13%
Consumer Discretionary	11.21%
Consumer Staples	8.42%
Health Care	1.06%
Financials-x-Real Estate	35.83%
Real Estate	4.25%
Information Technology	0.00%
Telecommunication Services	4.35%
Cash & Other	3.74%

Top Holdings	%
BHP	9.50%
NAB	7.45%
CBA	6.91%
WESTPAC BANKING CORP	5.95%
WOODSIDE PETROLEUM	5.42%
RIO TINTO	5.33%
MACQUARIE GROUP	4.88%
TELSTRA CORP	4.35%
FORTESCUE METALS GROUP	3.95%
WESFARMERS	3.57%

## Investment Option Commentary

The portfolio delivered a strong return for the March quarter, outperforming the market. While the portfolio lagged the market return, over the last 12 months, this was entirely attributable to the protection overlay which, as expected, dragged in the strongly rising market. It is worth noting that the protection overlay performed very well during the COVID-related sell-off, significantly cushioning the portfolio.

Key positive contributors to relative performance over the quarter included resource holdings, with BHP (+30.5%), Rio Tinto (+26.1%) and Fortescue Metals (+12.6%) all performing strongly, as the iron ore price rose on expectations that the Chinese would take steps to stimulate their property market. Soaring prices for oil and gas saw Woodside Petroleum (+54.0%) be the best performing stock in the portfolio. Woodside is well positioned to benefit from the current strong prices, with around 25% of its production able to be sold into the spot market. Further, the merger with BHP Petroleum should significantly enhance its business.

The major banks also contributed positively, rising an average of +8.2% over the quarter, as the prospect of RBA cash rate rises improved the outlook for their margins, which have been under pressure in the current low interest rate environment. The agricultural sector continued to perform strongly, with positive seasonal conditions and high soft commodity prices. This benefitted fertiliser producer, Incitec Pivot (+17.0%), which is experiencing strong demand and high fertiliser prices.

During the quarter, the portfolio took profits reduced holdings in a number of stocks which had performed strongly in recent times including, BHP and Healius and exited its position in Sonic Healthcare. As always, the focus will continue to be on investing in quality companies with strong balance sheets, which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors.

## Market Commentary

Despite the increase in global uncertainty, the Australian market continued its advance in the March quarter, with the ASX300 Accumulation Index rising +2.1%, to be up a healthy +15.3% for the last 12 months. The market is now well above its pre-COVID levels, driven by the ongoing recovery in growth as economies reopen and boosted by the strength in the resources sector. To date, the war in Ukraine and the increasingly hawkish rhetoric from the US Federal Reserve have failed to significantly impact the Australian market.

The Resources sector was the standout over the quarter, as ongoing strength in base metals pricing combined with the iron ore price rising, saw broad-based rallies across the sector. The Energy sector also rallied hard, with the oil price hitting new highs, while the banks also performed strongly, as the prospect of RBA cash rate increases improved the outlook for their margins.

## Outlook

On balance, the fund manager views the outlook as positive, with economies recovering strongly as COVID recedes. Economic data continues to be strong in most regions, with very low unemployment rates. The Australian economy is performing particularly strongly and will continue to be a key beneficiary of the strength in commodity markets. However, there are a number of potentially significant changes in the global economic and political backdrop, from the return of inflation and the change in the interest rate cycle, to rising geopolitical tensions. As a result, the level of uncertainty is elevated, and a degree of caution is warranted.

This view is expressed in the portfolio through holding a combination of stocks with cyclical leverage as well as stocks with solid defensive characteristics. Importantly, the portfolio is positively leveraged to improving growth, higher inflation, and rising interest rates. Within the cyclical part of the portfolio, this is achieved through overweight positions in the Resources, Energy and Consumer Discretionary sectors. In the defensive part of the portfolio, this is achieved through holdings in the sectors such as Telcos, Healthcare and Insurance as well as a modest overweight in gold.

As always, the fund's focus will continue to be on investing in quality companies with proven business models and strong balance sheets, 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.

## Availability

Product name	APIR
SignatureSuper*	AMP1553AU
SignatureSuper Allocated Pension*	AMP1565AU

\* Closed to new investors

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