

Perennial Value Australian Share

Quarterly Investment Option Update

31 March 2022

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/performance

Investment Option Overview

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

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.0	95.2
Cash	0.0	4.8

Sector Allocation	%
Energy	5.50%
Materials	28.60%
Industrials	3.94%
Consumer Discretionary	7.83%
Consumer Staples	4.10%
Health Care	10.08%
Financials-x-Real Estate	29.37%
Real Estate	2.08%
Information Technology	0.00%
Telecommunication Services	3.73%
Utilities	0.00%
Cash & Other	4.78%

Top Holdings	%
BHP	9.24%
CBA	5.71%
NAB	5.19%
CSL	4.44%
WESTPAC BANKING CORP	4.21%
MACQUARIE GROUP	3.18%
ANZ	3.06%
QBE INSURANCE GROUP	3.00%
SANTOS	2.53%
TELSTRA CORP	2.49%

Investment Option Commentary

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 of moves by the Chinese to stabilise their property market. Independence Group (+23.1%) rallied as the prices of the new energy metals it produces – lithium, copper, nickel and cobalt – rose strongly. Mineral sands producer, Iluka Resources (+13.1%) and base metals miner South32 (+28.4%) both also benefited from rising prices.

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 current strong pricing, with around 25% of its production able to be sold onto the spot market. Santos (+24.8%) also outperformed. Both these companies are in the process of completing mergers which will significantly enhance their businesses. Engineering firm, Worley (+24.0%) was another strong performer, being leveraged both to a near pick-up in activity in the oil and gas sector as well as having a large and growing pipeline of renewable energy projects. These will be the key driver of the business over the long-term as the energy transition gathers pace.

The agricultural sector continued to perform strongly, with positive seasonal conditions and high soft commodity prices. This benefitted crop protection company, Nufarm (+30.5%) and fertiliser producer, Incitec Pivot (+17.0%), both of which are experience strong demand conditions.

Gold stocks, Northern Star (+14.5%) and Newcrest (+9.7%) both outperformed as the gold price rose on the back of increasing inflation. The Fund holds a modest overweight position in the gold sector for defensive purposes.

Holdings which detracted from performance included fashion retailer, City Chic (-38.2%), which declined despite delivering a strong result and radiology provider, Integral Diagnostics (-18.4%), whose operations were impacted by COVID disruptions. The fund manager remains positive on the outlook for both these stocks.

During the quarter, the Fund took profits reduced holdings in a number of stocks which had performed strongly in recent times including, BHP, Healius and Graincorp, as well as selling Sydney Airport into the takeover. Proceeds were used to increase holdings in QBE Insurance and reduce underweight in CSL.

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.

The Fund is positioned to benefit from an ongoing economic improvement and the focus remains 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.

Availability

Product name	APIR
SignatureSuper*	AMP0808AU
SignatureSuper Allocated Pension*	AMP1169AU
SignatureSuper Term Pension*	AMP1169AU
Flexible Lifetime Investment (Series 1)**	AMP0843AU
Flexible Lifetime Investment (Series 2)**	AMP1430AU

* Closed to new investors

** Closed to new and existing investors

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