

Perennial Value Australian Share

Quarterly Investment Option Update

30 September 2021

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	7 / Very high
Investment style	Value
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.0	94.1
Cash	0.0	5.9

Sector Allocation	%
Energy	4.9
Materials	20.6
Industrials	7.5
Consumer Discretionary	11.6
Consumer Staples	4.4
Health Care	10.2
Financials-x-Real Estate	28.3
Real Estate	1.6
Information Technology	0.0
Telecommunication Services	4.9
Utilities	0.0
Cash & Other	6.0

Top Holdings	%
CBA	6.5
BHP	5.8
Westpac	4.8
NAB	4.7
CSL	3.7
Telstra	3.4
Aristocrat Leisure	3.0
Macquarie Group	2.7
QBE Insurance Group	2.6
Sydney Airport	2.5

Investment Option Commentary

Key positive contributors to relative performance over the quarter included resource holdings exposed to commodities other than iron ore, such as South 32 (+23.3% - base metals), Alumina Ltd (+31.2% - aluminium and alumina) and Independence Group (+17.6% - new energy metals such as nickel, copper, cobalt and lithium). The prices of these commodities continue to be strong. Sydney Airport (+42.3%) performed strongly after receiving a takeover bid. This was the fund's preferred holding in the infrastructure sector, with its single, high-quality asset, long concession life and simple structure. Corporate activity has been a feature of the market recently, with vehicle leasing company, Smartgroup (+31.6%), also receiving a takeover offer during the quarter. Other strong contributors included rapidly growing asset manager and investment bank, MA Financial Group (+29.9%) and online auto classifieds site, Carsales (+29.4%). Agricultural company Graincorp (+24.8%) also rallied after upgrading earnings. This company is currently benefiting from the combination of good rainfall in Eastern Australia and high soft commodity prices, which are creating very favourable conditions in the agricultural sector.

Holdings which detracted from performance included United Malt (-8.5%), which fell after downgrading earnings due to weaker malt sales into Asia on the back of COVID-related disruptions to demand and logistics. Bluescope Steel (-4.9%) was also weaker, easing after having performed very strongly in recent times on the back of very high steel spreads, particularly in its US operations. Northern Star (-12.3%) also underperformed, in line with the weaker gold price. Perennial remains comfortable with each of these holdings.

During the quarter, the fund reduced its holdings in the major banks, with the sector having performed strongly over the past 12 months. Proceeds were used to increase holdings in a number of stocks currently offering attractive value, including QBE Insurance, Qantas, Ramsay Healthcare and Telstra.

Market Commentary

The Australian market continued its advance in the September quarter, with the ASX300 Accumulation Index rising +1.8%, to be up a very strong +30.9% for the last 12 months. The market is now above its pre-COVID levels, with expectations of a strong recovery in growth as economies reopen, supported by low interest rates and ongoing stimulus measures.

Most sectors of the market delivered positive returns over the quarter, with the Energy sector (+8.0%) being the standout. Recent underinvestment in production capacity, combined with a recovery in demand as economies reopen, has seen oil and gas prices surge to multi-year highs. Materials (-9.6%) was the only sector to deliver a negative return for the quarter, driven by a sharp fall in the iron ore price. While commodity prices have generally been very strong over the past 18 months, a recent slowdown in the Chinese steelmaking sector has seen the price of iron ore fall sharply, and with it, the share prices of the major miners.

The company reporting season was generally positive, with market earnings rebounding strongly from a COVID-impacted prior year. Earnings recovered across all sectors of the market, with the majority of companies reporting positive operating conditions. Dividends were also increased significantly and there were a large number of buy-backs announced, reflecting the strength of corporate balance sheets and confidence in the recovery.

Outlook

Perennial continues to believe that 2021 may well mark a significant turning point for the global economy and markets, with the accelerating roll-out of effective COVID vaccines underpinning the reopening of economies and a return to growth. Importantly also, the change of leadership in the US should usher in a period of stability in terms of domestic and international policy and, hopefully, a generally more harmonious backdrop. Interest rates are likely to remain relatively low and the major fiscal stimulus measures should be positive for economic growth, corporate earnings and markets overall. The outlook for the Australian economy is also positive, with key indicators suggesting a high level of underlying strength.

As always, Perennial'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.

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*

* Closed to new members

** Closed to new and existing members

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