Perennial Value Australian Share

Quarterly Investment Option Update

31 December 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/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	94.0
Cash	0.0	6.0

Sector Allocation	%
Energy	5.7
Materials	26.8
Industrials	6.5
Consumer Discretionary	8.6
Consumer Staples	4.4
Health Care	10.2
Financials-x-Real Estate	25.6
Real Estate	2.0
Information Technology	0.0
Telecommunication Services	4.2
Utilities	0.0
Cash & Other	6.0

Top Holdings	%
BHP	7.6
CBA	4.9
CSL	4.1
Westpac	3.7
NAB	3.5
Macquarie Group	3.4
ANZ	2.7
QBE Insurance Group	2.7
Telstra	2.6
Ramsay Group	2.6

Investment Option Commentary

Key positive contributors to relative performance over the quarter included resource holdings, with Fortescue Metals (+28.4%) and BHP (+10.3%), as the iron ore price stabilised and then began to rise following signs that the Chinese government was taking steps to support their property market. Copper miners, 29metals (+34.1%) and Oz Minerals (+25.4%), were both up strongly on expectations of strong future demand for copper due to the energy transition, while supply is expected to remain constrained. Independence Group (+29.2%), also rallied on the positive outlook for its suite of battery materials including, lithium, nickel, copper and cobalt. Base metals miner South32 (+13.6%), and mineral sands producer, Iluka Resources (+11.2%), also outperformed.

Agricultural holdings also performed well, with Graincorp (+32.2%) rising strongly on the back of a very large eastern Australian grain crop, which will drive earnings through its storage and handling business and international grain marketing operations. Fertiliser manufacturer, Incitec Pivot (+13.2%), was also strong, with high fertiliser prices due to strong global demand and rising gas prices.

Macquarie group (+14.4%) rallied after delivering a strong half-year result, on the back of very favourable market conditions. This stock also provides leverage to the expected boom in renewable energy investment, where it is a global leader. Emerging investment bank and fund manager, MA Financial (+22.6%), is also benefitting from very positive conditions and continues to grow its asset management business at a rapid pace.

The Trust also benefitted from its underweight position in the major banks, which underperformed by an average of -5.4% over the quarter, as low interest rates and mortgage competition continued to impact their margins.

Holdings which detracted from performance included Smartgoup (-18.4%), which fell after breaking off takeover discussions with a potential suitor, Virgin Money UK (-18.3%) which declined after announcing increased investment spend and City Chic Collective (-15.4%), which eased after recent strong performance.

During the quarter, the Fund continued to reduce its holdings in the major banks, while also taking profits in a number of stocks which had performed strongly in recent times including, Telstra, Graincorp, Aristocrat Leisure and Healius. The Fund also sold out of Star Entertainment, following its regulatory issues. Proceeds were used to increase holdings in the iron ore miners, as well as in a number of stocks currently offering attractive value, including Worley, CSR and United Malt.

Market Commentary

The Australian market continued its advance in the December quarter, with the ASX300 Accumulation Index rising +2.2%, to be up a healthy +17.5% for the calendar year. The market is now well above its pre-COVID levels, with expectations of an ongoing recovery in growth as economies reopen, supported by low interest rates and ongoing stimulus measures. The recovery in global markets has continued, despite the emergence of new COVID variants, as early indications are that vaccination provides effecting protection against serious disease, suggesting that the economic recovery will not be derailed.

The Resources sector was the standout over the quarter, as ongoing strength in base metals pricing combined with the iron ore price finding a floor, saw broad-based rallies across the sector. By contrast, the Banks were softer, after reporting full-year results which highlighted margin pressure, resulting from ongoing low interest rates and intense mortgage competition. Corporate activity continued apace, as corporates and other investors take advantage of cheap funding to either grow by acquisition or privatise assets. The fund manager expects this to be an ongoing feature of the market over the coming year.

Outlook

Looking ahead to 2022, assuming that vaccines prove to be effective against the Omicron COVID variant, the fund manager sees the outlook as positive, with ongoing economic recovery, underpinned by relatively low interest rates and continuing stimulus measures. Further, the fund manager looks forward to the return to a more "normal" economic environment, as tapering and rate rises start to see the distortions caused by extremely low interest rates and unconventional monetary policy abate.

Domestically, the end of the COVID lockdowns and reopening of borders is set to see activity pick up and the fund manager expects the economy to bounce back strongly, just as it did following previous lockdowns. Key economic indicators continue to be strong and while there are some concerns around supply chain issues and inflationary pressures, both corporates and consumers are in good shape. If this improvement continues, then corporate earnings and dividends are likely to continue to grow over the coming year.

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.

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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