

# Pendal Sustainable Balanced

## Quarterly Investment Option Update

31 March 2025

### Aim and Strategy

The option aims to provide a return (before fees, and expenses) that exceeds the option's benchmark over the medium to long term. The benchmark for the option is created from a weighted composite of market indices with reference to the option's neutral asset allocation. The option invests in Australian and international shares, Australian and international property securities, unlisted property (including infrastructure), Australian and international fixed interest, cash and alternative investments.

The option may also use derivatives. Sustainable and ethical investment practices are incorporated into the Australian and international shares, Australian and international fixed interest and part of the Alternative investment components of the option. Pendal actively seek exposure to securities and industries that demonstrate leading ESG and ethical practices and exclude companies not meeting the investable criteria.

Asset Allocation	Benchmark (%)	Actual (%)
Australian shares	27	24.9
Global shares	34	37.1
Australian property securities	2	1.9
Global property securities	0	0.0
Unlisted property and infrastructure	2	7.9
Growth alternatives	14	9.6
Australian fixed interest	8	8.0
Global fixed interest	9	9.1
Cash	4	1.5

### Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au/performance](https://amp.com.au/performance)

### Investment Option Overview

Investment Category	Multi-Sector
Suggested minimum investment timeframe	5 years
Relative risk rating	6 / High
Investment style	Active
Manager style	Single Manager

## Investment Option Commentary

The portfolio underperformed its benchmark over the March quarter. Stock selection within the Global equity strategies resulted in underperformance, which was partially offset by outperformance in Australian shares and an overweight position in alternatives compared to the benchmark index and strong outperformance of the alternatives strategy. After a strong year returns in US equities fell more than other regions within global equities as concerns over trump tariff impacts built towards the end of the quarter, our overweight non us equities added to performance in March but overall detracted from quarterly returns as did our underweight technology vs the index. Tactical asset allocation also added value as put options on S&P500 combined with an underweight in Australian shares, in addition long duration exposure via US2yr treasuries.

The portfolio's equity allocation was the key contributing factor to negative total returns during the quarter as equities globally fell led by the US as concerns on the impact of tariffs would have on global growth. Offsetting this was positive Australian equities stock selection also added value as key defensive stocks outperformed including Metcash, Telstra and underweight to resources and zero exposure to oil companies and our cash allocation.

## Market Commentary

A number of themes dominated financial markets during the march quarter. The unravelling of US economic growth and artificial intelligence technology exceptionalism alongside the disruptive impact of the Trump administration's trade policy contributed to softening US equities and rising volatility.

- Developed market equities (-2.6%) sold off on slowing growth concerns and concerns around US trade policy. Equities consolidated their strong 2024 through the first six weeks of the year before stumbling in late February and falling precipitously in March.
- US equities (-4.3%) underperformed the broader developed market, impacted by both the spectre of lower cost Chinese artificial intelligence and later the disruptive impact of tariff policy. Value stocks and sectors starkly outperformed growth with the Russell 100 Value (+2.1%) in positive territory while the growth variant (-10.0%) corrected.
- European equities (+7.7%) outperformed strongly, led by the German DAX (+11.3%) which surged on fiscal policy tailwinds. Easing monetary policy and unwinding of US overweight exposures in the wake of challenges to their assumed tech supremacy also contributed.
- UK stocks (+6.1%) also performed well, led by gains among large caps. The fiscal and economic growth outlook continues to weigh on the broader equity market.
- Japanese equities fell with the Nikkei 225 (-9.9%) selling off sharply
- Australian Equities (-2.9%) declined on a combination of corporate earnings downgrades and concerns around the resilience of Chinese demand under US tariff policy.
- Emerging markets outperformed, led by China (+15.0%) which advanced on the back of positive momentum in the technology sector, increased fiscal stimulus and the weakening US dollar.

## Outlook

Elevated equity valuations are underpinned by expectations of a soft landing for the global economy and supportive central bank action on policy rates. With so much good news already priced in, we maintain some caution. We continue to limit our exposure to higher beta equity markets and sectors and prefer to focus on quality companies trading on low valuations, offering solid dividend yields, and good prospects for undertaking buy-backs as well as non us markets.

We continue to manage downside risks by maintaining little or no exposure to the most expensive parts of equity and credit markets and complementing this with sizable option protection when it is cheap to implement. These include put options on the S&P 500 and a call option on the USD versus the Hong Kong Dollar and the Chinese Yuan (which are low-cost downside protection for tail risks around China) and a put option on the USD against the Japanese Yen.

The portfolio also maintains its overweight exposure to 2-year US government bonds alongside exposure to Australian fixed income and US 10-year government bonds. Our focus on the short end of the US yield curve reflects its high running yield and its higher sensitivity to further easing of official interest rates by the US Fed, and it benefits from lower sensitivity to any upside risk in US inflation.

## Availability

Product Name	APIR Code
SignatureSuper	AMP9559AU
SignatureSuper – Allocated Pension	AMP5144AU
SignatureSuper – Term Pension	AMP5144AU

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