

Pendal Sustainable Balanced

Quarterly Investment Option Update

30 June 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	30	27.9
Global shares	34	37.0
Australian property securities	2	2.1
Global property securities	0	0
Unlisted property and infrastructure	2	7.4
Growth alternatives	12	8.0
Australian fixed interest	8	7.5
Global fixed interest	8	7.9
Cash	4	2.3

Investment Option Performance

To view the latest investment performances for each product please visit 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 performed broadly in line with the benchmark for the June quarter. The key drivers of outperformance were both stock selection within Global and Australian shares and asset allocation, whilst an overweight to Alternatives and an underweight to Emerging markets detracted from returns.

Asset Allocation was positive as an underweight to US dollar vs Australian dollars and Japanese Yen added value in Alternatives. Also, an overweight to US equities more than offset an underweight to Australian shares.

In Australian shares an underweight in Commonwealth Bank and Wesfarmers detracted as the market rotated to larger, liquid stocks – although the position in Telstra offset some of this. Elsewhere, several of the portfolio's more cyclical stocks such as Qantas and Nine Entertainment detracted, as did stocks with exposure to the US consumer such as Treasury Wine and Amcor.

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 option protection where it has been attractively priced to implement. These include put options on the S&P 500, call options on the GBP against the US dollar, USD calls versus the Hong Kong Dollar and a put option on the USD against the Japanese Yen.

The portfolio remains slightly below benchmark weight in fixed income, with the exposure primarily focused on 10-year Australian government bonds alongside domestic credit and a small allocation to inflation linked bonds.

The portfolio's defensive posture is bolstered by its exposure to cash and alternatives. The portfolio maintains a significant foreign exchange exposure, diversified across a number of developed and emerging market currencies. These cash holdings also give investors a good running yield and provides significant optionality as it enables to quickly allocate capital to take advantage of mispricing in the event of a market selloff.

The portfolio maintains its position in the Pandal Multi asset target Return Fund within the alternatives sleeve, to deliver low volatility absolute returns while retaining a relatively low correlation to equity markets. The portfolio delivered a positive 4.51% return in the June quarter helping offset losses in global equities.

Market Commentary

The global market has experienced a mix of growth and challenges in recent months. Key sectors such as technology and renewable energy have continued to drive innovation and attract investment, contributing to overall economic resilience. Consumer confidence has shown signs of improvement, supported by strong employment figures and rising wages. However, inflationary pressures and supply chain disruptions have posed significant challenges, impacting various industries and leading to increased costs for businesses and consumers alike. Geopolitical tensions and economic uncertainties have also added to the complexity of the market landscape, requiring businesses to remain agile and adaptive.

In the financial sector, central banks have been navigating a delicate balance of interest rate adjustments and monetary policies to manage inflation and support economic growth. The Federal Reserve's recent decision to maintain interest rates has been met with mixed reactions, as investors weigh the benefits of stable borrowing costs against the risks of prolonged inflation. Emerging markets have experienced varied outcomes, with some regions benefiting from increased foreign investment while others face political instability and currency fluctuations.

Outlook

The global market outlook remains cautiously optimistic as we move into the second half of 2025. Despite ongoing geopolitical tensions and economic uncertainties, several key indicators suggest a potential for growth. The technology sector continues to drive innovation and investment, with advancements in artificial intelligence and renewable energy leading the charge. Additionally, consumer confidence has shown signs of improvement, bolstered by strong employment figures and rising wages. However, inflationary pressures and supply chain disruptions remain significant challenges that could impact overall market performance.

In the financial sector, central banks are navigating a complex landscape of interest rate adjustments and monetary policies. The Federal Reserve's recent decision to maintain interest rates has been met with mixed reactions, as investors weigh the potential benefits of stable borrowing costs against the risks of prolonged inflation. Meanwhile, emerging markets are experiencing varied outcomes, with some regions benefiting from increased foreign investment while others grapple with political instability and currency fluctuations. The ongoing evolution of digital currencies and blockchain technology also presents both opportunities and risks for the financial industry.

Looking ahead, the market outlook will largely depend on the resolution of key global issues and the ability of businesses to adapt to changing conditions. Trade negotiations, environmental policies, and technological advancements will play crucial roles in shaping the economic landscape. Companies that can innovate and remain agile in the face of uncertainty are likely to thrive, while those that fail to address these challenges may struggle. Investors should remain vigilant and consider diversifying their portfolios to mitigate potential risks and capitalize on emerging opportunities. Overall, while the market presents a mix of challenges and opportunities, a strategic approach can help navigate the complexities and achieve long-term success.

Availability

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

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