

Balanced Index

Quarterly Investment Option Update

31 March 2024

Aim and Strategy

The strategy aims to closely match the index returns of the asset classes in which it invests (before fees and taxes). It has a bias towards growth assets (shares and property) but also holds defensive assets (cash and bonds). Exposure to individual asset classes will be attained through the use of low cost, index-focused investment managers. Global shares may be partially or fully hedged back to Australian dollars.

Investment Option Performance

To view the latest investment performances for this product, please visit www.amp.com.au/performance

Investment Option Overview

| | |
|---|---------------|
| Investment category | Multi-Sector |
| Suggested minimum investment timeframe | 5 years |
| Standard Risk Measure | 6/High |
| Investment style | Index |
| Manager style | Multi-manager |

| Asset Allocation | Benchmark (%) |
|-------------------|---------------|
| Australian shares | 26 |
| Global Shares | 33 |
| Property | 7 |
| Infrastructure | 7 |
| Alternatives | 0 |
| Fixed Income | 20 |
| Cash | 7 |

| Actual Allocation | % |
|-------------------|-------|
| Global Shares | 33.85 |
| Fixed Income | 19.42 |
| Australian Shares | 26.05 |
| Property | 7.02 |
| Infrastructure | 7.00 |
| Cash | 6.66 |

Fund Performance

The Fund produced a strong return for the March quarter as shares continued to rise.

Market Review

The March quarter saw further strong gains in many financial markets. Inflation in the US, while not falling in a straight line, pulled back further, with the CPI shown to be 3.2% yoy as at the end of February, slightly lower than levels shown in the previous quarter, whilst the core PCE (Personal Consumption Expenditure) fell to 2.8% on an annual basis, nearing the Federal Reserve's (Fed) target of 2%. Inflation also generally continued to reduce elsewhere around the globe. The US labour market showed some signs of weakness, with jobless claims rising and average hours worked down and the unemployment rate continuing to slowly rise. US economic growth meanwhile remained positive, though negative GDP growth was experienced in countries such as the UK, Finland, Ireland, Canada and Germany. Markets however generally remained positive, while central banks were mostly slightly dovish, as a soft landing scenario seemed to be playing out in many economies.

Japan remained somewhat of an exception to the global interest rate cycle, as its central bank finally raised rates to positive levels after more than a decade of ultra-aggressive stimulus designed to help reflate its long-time stagnating economy. Along with the rate rise, the country's 'yield curve control' policy was wound back, as was the central bank's purchasing of Japanese equities; a policy which has seen the Bank of Japan (BoJ) buy nearly US\$0.5 trillion worth of Japanese equities over the past 14 years. Elsewhere in Asia, the Chinese economy continued to face ongoing structural challenges of falling economic growth, broad regulatory concern, local government debt issues, financial troubles in the property sector, employment demographic concerns and poor consumer confidence.

On the geopolitical front, the death toll in Eastern Europe continued, as Russia appeared to gain more of an upper hand, capturing further significant Ukrainian territory, including the city of Avdiivka in the Donetsk region. At the same time, the long-term sustainability of international financial support for Ukraine was a growing talking point, with more now questioning the apparent lack of diplomatic effort towards creating a path to peace. The death toll also rose in the Middle East, as the Israel-Hamas war continued, as did skirmishes around Israel's borders with Lebanon and Syria with Iranian-funded Hezbollah, who are considerably better armed than Hamas. Pertinently, the upcoming US election also came further into focus, particularly with regard to its potential impact on these global conflicts.

Outlook

In regard to global shares, interest rates have begun falling in some countries on the back of significantly decreased levels of inflation and low economic growth, particularly outside of the US. The corporate environment remains tough, though strong businesses, as always, will likely move forward with increased market dominance. We believe a diverse basket of businesses bought at reasonable prices, particularly those with strong competitive advantage that generate high amounts of cash from their shareholders' capital, will serve investors well over the long-term.

Global bond markets are likely to continue to focus on predicted paths for US interest rates. Large drawdowns in recent years, resulting in bonds being available at significantly cheaper prices, lead us to believe returns going forward will likely be reasonable; perhaps around running yield or a little more, as inflation slows, and central banks cut rates. Furthermore, bonds may serve as a diversifier to growth assets in the event of further economic slowdown. Stickier than expected inflation remains a risk, as this could cause a delay to interest rate cuts.

Availability

| Product Name | APIR |
|--|-------------|
| Flexible Lifetime - Investments (Series 1) | AMP1050AU** |
| Flexible Lifetime - Investments (Series 2) | AMP1390AU** |
| SignatureSuper | AMP0784AU |
| SignatureSuper - Allocated Pension | AMP1137AU |
| SignatureSuper Term Pension | AMP1137AU* |

*Closed to new investors

**Closed to new and existing investors

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