SUSTAINABLE MANAGED PORTFOLIOS

Russell Investments

MARKET AND PORTFOLIO UPDATE FOR THE JUNE QUARTER 2025

Macroeconomic views and asset allocation positioning

TOPIC	MARKET HIGHLIGHTS	PORTFOLIO POSITIONING
Equity markets rally on encouraging trade developments.	• Global and Australian equity markets performed well over the quarter, driven largely by encouraging trade developments; notably US-China relations. The US and China had exchanged tit-for-tat tariff hikes following US President Donald Trump's 'Liberation Day' announcement on 2 April. However, the two sides came together for talks in Geneva in early May, with officials agreeing to significantly reduce tariffs against one another for 90 days, effective immediately. Perhaps highlighting the lingering tensions between the two countries, both Washington and Beijing accused the other of violating the Geneva trade agreement ahead of a second round of talks in London in June. Ultimately, though, officials were able to agree on a framework on how best to implement the terms established in Geneva. • We also saw the beginnings of a US-UK trade agreement and progress in US negotiations with many of its other trading partners, including the European Union, India, Taiwan and Vietnam.	• In May, we reduced the portfolios' (ex-High Growth) allocation to global equities. We had increased the portfolio's global equity exposure in early April following the sharp selloff we saw in the wake of Trump's Liberation Day announcement. At the time, our proprietary S&P 500 sentiment model indicated that equity markets had become oversold. However, global equity markets have since rebounded strongly. As a result, we trimmed overall risk exposure by reducing the portfolio's allocation to global equities in favour of cash. • Overall, the portfolios remain positioned close to their long-term strategic asset allocations. Whilst we believe the US will likely avoid a recession, market risks nonetheless remain elevated.
Central banks continue to lower interest rates amid easing inflation.	• The disinflation trend continued throughout the quarter, prompting a number of central banks to lower interest rates. The European Central Bank cut its deposit facility rate twice over the period, while the Bank of England lowered its benchmark policy rate once. Meantime, the US Federal Reserve maintained its 'wait and see' approach, leaving its key fed funds rate unchanged at a range of between 4.25% and 4.50%. Locally, the Reserve Bank of Australia cut the official cash rate 0.25% to 3.85% in May, with officials citing easing inflation as a key reason behind its decision.	• Moving forward, the portfolios' defensive allocations remain close to their long-term strategic asset allocation targets.

Direct Australian equity ESG portfolio (for managed portfolios with direct holdings)

TOPIC	COMMENTARY
Overview	• Global equities were stronger in the June quarter, with the MSCI World ex Australia Net Accumulation Index in AUD returning 5.9%. Much of the gains were driven by encouraging trade developments; notably improving US-China trade relations. The Australian share market tracked its global counterparts higher, with the S&P/ASX 100 Index closing the period up 9.6%. At the sector level, information technology posted by far the biggest gains for the quarter, driven by a strong lead from their US counterparts. Financials, communication services and property trusts also performed well, while materials and traditionally defensive areas of the market like utilities, healthcare and consumer staples significantly underperformed the broader index. • The direct Australian equity ESG portfolio outperformed its benchmark over the period. The portfolio benefited from stock selection within the materials and financials sectors. Stock selection within the consumer discretionary space also contributed positively to returns.
Materials	• Stock selection within the materials sector contributed positively to performance, including overweights to gold miner Northern Star Resources and BlueScope Steel. An underweight to building products company James Hardie Industries also added value.
Financials	• Stock selection amongst financials added further value over the period; notably an overweight to payments provider Block, which climbed almost 20% for the quarter.
Consumer staples	• The portfolio also benefited from stock selection within the consumer discretionary sector. This included overweights to strong-performing conglomerate Wesfarmers and electronics retailer JB Hi-Fi.

Note: Past performance is not a reliable indicator of future performance.

Portfolio performance at 30 June 2025 (%)

RUSSELL INVESTMENTS SUSTAINABLE MANAGED PORTFOLIO	1 MONTH	3 MONTHS	1 YEAR	3 YEARS (P.A.)	5 YEARS (P.A.)	SINCE INCEPTION (P.A.)
Conservative	1.00	4.06	8.65	-	-	8.25
Diversified 50	1.30	5.35	11.01	-	-	9.48
Balanced	1.52	6.58	12.58	11.34	-	7.31
Growth	1.77	7.67	13.97	13.32	-	8.84
High Growth	2.02	8.70	15.29	-	-	13.68

This performance is net of management fees for both the Managed Portfolio and the underlying managers' fees and costs. It does not take into account any third party platform fees charged to individual investors or transaction costs (including buy/sell spreads and brokerage fees). It assumes income is reinvested without any tax deduction. It is for Russell Investment Management Limited's preferred model portfolio of holdings. A holding in the preferred model portfolio may be restricted or replaced with another similar asset in the Managed Portfolio on different platforms if the preferred holding is not available. Different platforms may also charge different management fees for the Managed Portfolio. This can result in variances in performance of the Managed Portfolio between platforms. An individual investor's performance will differ, according to the investor's actual exposures to Managed Portfolio holdings and other factors (including transaction timing, transaction costs, actual underlying manager fees and costs and whether income is paid in cash). Platforms will have their own methodology for calculating performance, at both a platform level and an individual investor level. Past performance is not a reliable indicator of future performance. Please contact your platform for details of your performance or current holdings in the Managed Portfolio.

Asset class allocations at 30 June 2025 (%)

ASSET CLASS	RISK PROFILE				
	CONSERVATIVE	DIVERSIFIED 50	BALANCED	GROWTH	HIGH GROWTH
GROWTH ASSETS	**33.3**	**52.4**	**68.9**	**84.2**	**99.0**
Australian equity	13.5	21.9	29.8	36.4	41.9
Global equity	13.6	23.9	31.0	39.2	45.9
Australian property	0.7	0.8	1.3	1.6	3.3
Global property	2.0	3.0	3.9	3.7	3.8
Infrastructure	1.5	1.4	2.3	2.8	4.2
Growth alternatives	0.0	0.0	0.0	0.0	0.0
Extended credit	2.0	1.5	0.6	0.6	0.0
DEFENSIVE ASSETS	**66.7**	**47.6**	**31.1**	**15.8**	**1.0**
Loans & absolute return credit	0.0	0.0	0.0	0.0	0.0
Australian fixed income	22.9	19.3	13.3	5.1	0.0
Global fixed income	21.8	14.5	9.9	6.8	0.0
Defensive alternatives	3.6	1.8	1.7	0.8	0.0
Short-term credit	11.2	7.9	3.4	0.1	0.0
Cash	7.2	4.1	2.8	3.0	1.0

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