MANAGED PORTFOLIO NEWSLETTER

HELPING YOU MAKE INFORMED INVESTING DECISIONS

MARKET UPDATE & VIDEO

Golden run for international market continues

A rising tide lifted all boats in the September quarter, especially international shares and gold

Gold joined artificial intelligence (AI) in the headlines in the September quarter as the price of the precious metal edged closer to a record U.S.$4000 per ounce.

Together, gold and AI stocks underpinned another strong quarter for investors in which a rising tide of positive sentiment lifted all boats.

Gold is now on track to notch up a third year[1] of double-digit gains as investors build holdings to protect their portfolios against economic uncertainty and geopolitical tensions.

On the AI front, the race among the world's largest technology companies to develop or acquire microchips was a dominant driver of a 6.42%[2] rise in global share markets. Google parent Alphabet and Nvidia led the charge among the U.S. tech companies collectively known as the Magnificent Seven.

Strong gains from Chinese companies such as chipmaker Semiconductor Manufacturing Corporation and Contemporary Amperex Technology (the world's largest maker of electric vehicle batteries) also helped fuel momentum in international shares.

But it wasn't just big-name companies that did well. Small global companies finally shone through to outperform in the latter part of the quarter, ending a prolonged period in which they had lagged larger firms. A combination of lower U.S. interest rates and a resilient U.S. economy proved enough to buoy market confidence in their prospects.

Countries which fall into the bucket of emerging markets – like China, India, South Korea and Brazil – had a strong quarter too, rising a collective 10.14%[3] to cap a solid quarter for investors who hold diversified portfolios of global shares.

Back at home, Australian shares rose 4.99%[4] largely led by miners. Gold miners Northern Star Resources and Evolution Mining were among the standouts, rising 30.69%[5] and 41.89%[6] respectively as investors flocked to the metal.

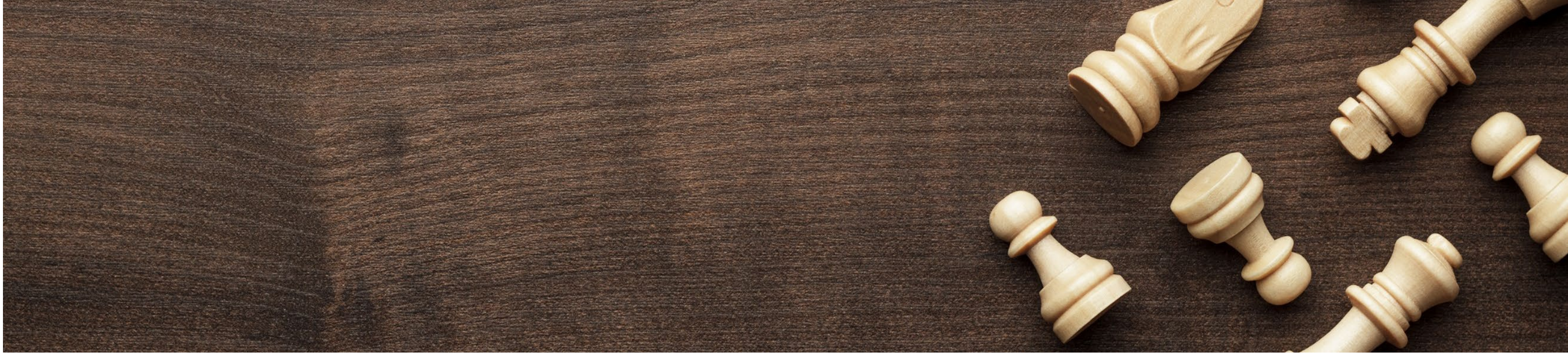
The Reserve Bank of Australia's (RBA) third rate cut of 2025 in August also provided support for local shares generally as lower rates allow companies to borrow more cheaply.

Not all sectors performed well though, with healthcare companies like CSL sold off over the quarter.

Fixed interest had a modest quarter with global bonds returning 1.02%[7] and local bonds gaining 0.40%[8].

In this **short video** we share insights into investment markets, performance and the outlook for the Russell Investments Managed Portfolios.

[1] https://www.cnbc.com/2025/10/07/gold-prices-jewelry.html
[2] Source: Bloomberg MSCI ACWI
[3] Source: Bloomberg MSCI Emerging Markets
[4] Source: Bloomberg: S&P/ASX300
[5] Source: Bloomberg
[6] Source: Bloomberg
[7] Source: Bloomberg Global Aggregate Bond Index
[8] Source: Bloomberg AusBond Composite Index



OUR STRATEGY

How your portfolio performed

Russell Investments portfolios made the most of the market conditions to deliver solid gains in the September quarter

The flagship Russell Investments balanced portfolio which is diversified across assets to optimise returns and minimise the risk of loss – rose by 4.5%[9] in the September quarter as rate cuts, geopolitics and a rush on gold pushed and pulled markets in many directions.

The positions that helped most in this market environment included:

Global shares: Some profits from European shares and emerging markets were used to slightly increase the portfolio's exposure to U.S. shares, a decision that paid off as the U.S. S&P 500 index reached record highs during the quarter.

Australian shares: Russell Investments' parcel of 30 direct Australian shares outperformed the S&P/ASX 100 index over the quarter. Miners were the standout performers and an overweight position in personal protection equipment provider Ansell delivered after it produced a solid profit and reached a six-month share price high.

The decision to hold an underweight position in Telix Pharmaceuticals also paid off as its share price fell 40.34%[10] due to poor financial performance and the fact it had to resubmit a new drug application to the U.S. Food and Drug Administration.

Likewise, the decision not to hold building materials manufacturer James Hardie in Russell Investments' direct shareholdings proved sensible – the company's share price dropped more than 34%[11] after its June quarter profit was 20%[12] below market expectations.

These decisions helped offset the fall in the value of our holding in biopharmaceutical firm CSL after its share price fell 17%[13] in one day due to its underwhelming annual profit.

Gold: Russell Investments investors benefited in several ways from a bull run in gold that pushed the precious metal to record highs.

Firstly, our parcel of direct Australian shares has overweight positions in Evolution Mining and Northern Star Resources – two gold miners that both recorded double digit share price gains as demand for gold soared in the September quarter.

Secondly, two specialist emerging market managers in our portfolios, Redwheel and Oaktree Capital, made the most of gold's spike through their shareholdings in South African gold mines.

And, finally, our direct holdings of physical gold and commodities futures also helped boost the returns to investors in our portfolios as the daily spot price of gold rose 17%[14] to U.S.$3858 in the quarter.

Looking ahead

The outlook for markets depends to a large extent on the health of the global economy and the ongoing impact of tariffs introduced by the Trump administration.

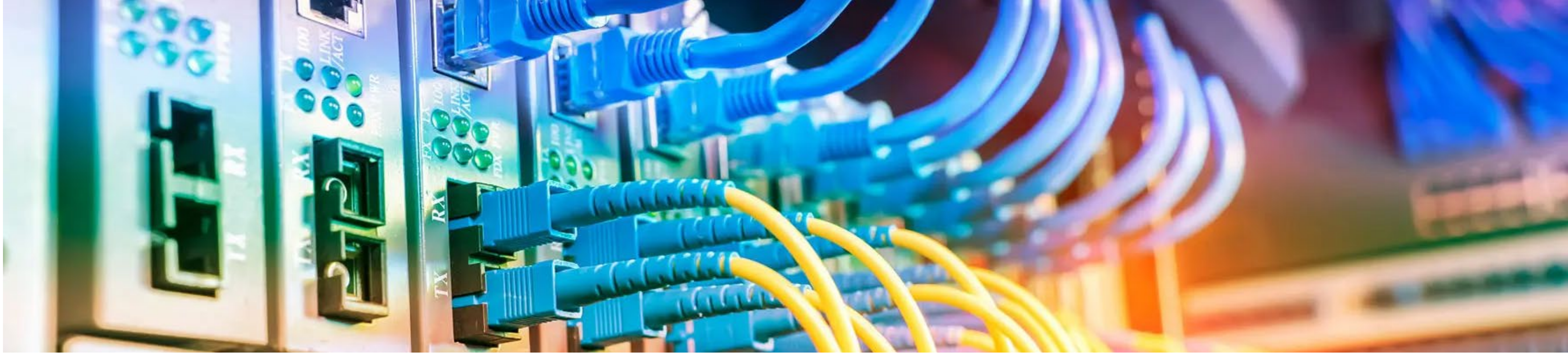
The risk of a U.S. recession continues to fall as the economy continues to register slow growth off the back of high-end consumer spending and AI spending by big business. Another rate cut from the Federal Reserve would provide additional support to struggling sectors and further boost the resilience of the world's biggest economy.

Other major economies like Japan and Europe also appear in decent shape, despite issues like political uncertainty.

Australia's economy is more fragile than the U.S. but remains resilient with early signs of green shoots on the back of the interest rate cut in August.

In this environment, U.S. shares may perform better than local shares, but Australian bonds appear more attractive than others. The Cornerstone portfolios were also adjusted late in the quarter to make small additional investments in emerging market debt and global listed infrastructure – given the solid performance of both asset classes so far this year.

[9] Source: Russell Investments
[10] Source: Bloomberg
[11] Morningstar
[12] https://ir.jameshardie.com.au
[13] Morningstar
[14] [Live Gold Price Australia | ABC Bullion]



WHAT ARE PRIVATE MARKETS?

And why you should consider them in your portfolio

Learn more about the investments that were once available only to institutional investors

Most people are familiar with shares, bonds and cash. These are common holdings in portfolios and traded on public markets like the ASX or London Stock Exchange, for example.

But more investors can now gain access to private market that were once only available to institutional investors, such as super funds and insurers.

Private market investments aren't traded on a market like a stock exchange. They can include:

- Private equity: Shares in private companies. These companies might later list on the stock market or just stay private.
- Private credit: A private credit fund raises money from investors and uses it to provide loans to companies, generating regular income from interest repayments.
- Real assets: Tangible assets like property, infrastructure and commodities that provide income and diversification.

These types of investments are growing rapidly across the world, representing trillions of dollars. For suitable investors, they can broaden investment opportunities and provide alternative sources of return.

Unlike shares that move every day on the stock market, private market investments are valued less often and don't always follow the same path as listed markets. That difference can help balance out the ups and downs in a portfolio.

While private markets can be a valuable addition to a portfolio, they are not suitable for everyone. Given their higher risk profile, they are generally more appropriate for those with a long investment timeline and a higher risk tolerance.

They are harder to sell as quickly as other investments, and some funds may temporarily restrict withdrawals. As valuations are updated less often than public investments, their price movements are not as visible day-to-day.

In many instances, people must be prepared to hold a private market investment for at least ten years to reap the benefits. And the need for specialist managers and complex structures in the private markets space often means fees are higher than for traditional investments.

The complexities of private markets make it important to approach an investment via a carefully considered and diversified strategy.

At Russell Investments, we continue to research and build solutions designed to give more investors access to the benefits of private markets. We look forward to sharing more as these opportunities evolve to better serve everyday investors.

MEET THE TEAM

How this private credit manager invests for income

Pete Robinson
Head of Investment Strategy
Challenger Investment Management

What is your daily work routine?

As the head of investment strategy at Challenger Investment Management I oversee our multi-strategy credit portfolios, including the Challenger IM Credit Income Fund.

Much of my day is gathering information – reviewing market trends, evaluating new investment opportunities, and monitoring transactions. I regularly connect with our local and London-based teams, as well as clients, to understand their evolving challenges and to inform our investment process.

I also sit on our investment committees and write our monthly and quarterly reports which are quite granular as I believe written analysis clarifies our approach and strengthens decision making and portfolio construction. In addition, I contribute to the Australian Financial Review's Market Minds column, reflecting on topics as broad as banking sector dynamics to recent changes to superannuation tax policy.

How did you get into the investment industry?

As an undergraduate I completed a combined finance and mathematics degree and started as a risk quant analyst before moving into securitised markets, looking at specialised asset classes including insurance-linked securities. I began investing in these instruments around 2005.

During the Global Financial Crisis I transitioned into more traditional securitised markets, working in the U.K. at a credit opportunities fund where I was buying distressed assets. In 2010 I returned to Australia to manage investments for Challenger's insurance balance sheet. Then about a decade ago I moved into funds management.

Why is Australia an attractive credit market?

Australia is a strong market for credit investors. It is less liquid than global markets which can lead to mispricing of risk in both public and private markets. Unlike equities where assets can be mispriced perpetually, credit assets have a repayment date where the mispricing or "cheapness" must be reversed. Of course, the critical part of the equation is that investors need to be confident in their ability to hold to maturity in order to monetize the mispricing.

The illiquidity premium in private credit markets enhances yield potential, often without increased credit risk when compared to public investments. By designing investment products that minimise the risk of being a forced or motivated seller, investors can capture these excess returns while managing liquidity risk.

What is your favourite part of the job?

I enjoy designing investment products that maximise the return outcomes for specific market opportunities. Our approach and philosophy are to be "investment led" rather than demand led in bringing new products to market and I love the search for new opportunities.

An example is launching the Credit Income Fund in 2017. It was the first fund in Australia to genuinely invest across both public and private credit markets, offering investors monthly liquidity with a 10% fund-level redemption gate.

The structure provides us with the flexibility to shift between public and private assets as market conditions warrant and also addresses challenges with daily liquidity strategies, where managers may be otherwise compelled to maintain more liquid portfolios during periods of volatility and chase risk and illiquidity during periods of calm. It has given us an edge over traditional credit strategies.

What keeps you occupied outside work?

I've got two children, and I love spending time with them and my family. They're both very active basketball players so my partner and I often spend our time taking them to games or practice. As for many parents, being unpaid Uber drivers is our second (but probably our favourite) job.

IMPORTANT INFORMATION

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