MARKET AND PORTFOLIO UPDATE

Managed Portfolios: Core

Quarter to 30 June 2026

Macroeconomic views and asset allocation positioning

Topic	Market highlights	Portfolio positioning
Markets move on Middle East developments	○ Global markets recorded strong gains overall through the quarter, driven by resilient corporate earnings. Several indices reached historic highs, including the US S&P 500 and the Japanese Nikkei 225. Global equities hit an all-time peak at the beginning of the month and, shortly thereafter, experienced their worst day since October 2025. ○ Announcements about progress in peace talks in Iran and potential for opening the Strait of Hormuz – and subsequent retractions – drove markets higher and lower, respectively.	○ We are currently modestly overweight US and emerging markets equities with a slight overweight to developed markets ex US. ○ In MAGS and MAGS + we added downside equity protection on the US equity market, this allows upside participation in markets but provides some protection against a modest portion of the portfolio.
Swings between optimism and pessimism around AI drove markets	○ Emerging markets, particularly those that are associated with AI, were generally positive but they were not without volatility. There were several significant tech sell-offs during the quarter including the last week of June, where the South Korean KOSPI fell more than 7% in one day. Twice in June the exchange paused trading due to extreme volatility. ○ Valuation concentration became a risk during the quarter, as performance was dependent on a relatively small number of AI-linked mega cap companies. News about those companies would shake global markets, even if it was positive. In early June, Broadcom issued second quarter adjusted earnings that saw revenue up 48%, however shares fell more than 6% after the news as the guidance failed to impress.	
Persistent inflation drove Australian rates higher, dampened enthusiasm for Australian equities	○ Australian bonds produced reasonable capital growth during the quarter as investors rotated to defensive assets during periods of significant volatility led by developments in the Middle East conflict and AI-driven tech equity sell-offs. ○ The Reserve Bank of Australia (RBA) kept the cash rate unchanged at 4.35% at its June meeting – a unanimous decision – however raised the rate once during the quarter, at its May meeting. In explaining its June decision, the RBA Board said it remained focused on ensuring that inflation does not become embedded once higher oil prices pass through to the broader economy. ○ Australian equities produced growth over the quarter but underperformed international equivalents.	○ With US 10 year yields reaching similar highs from 2025, we added to global and US duration through MAIS, MAGS and MAGS +.

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

Topic	Commentary
Overview	○ The Australian equity market generated positive returns in Q2 but underperformed other global markets with US and Emerging Markets providing strong performance driven mostly by AI and Tech. These regions continue to benefit from the capital flows driven by heightened earnings, AI optimism and demand for AI themed hardware. Australia’s tech sector benefitted less relative to its global counterparts as the sector is heavily exposed to software-based companies that are less directly exposed to AI Further to this, the Australian tech sector makes up a much smaller allocation of the index with financials and materials concentrating a large part of the index. ○ The direct Australian equity portfolio underperformed its benchmark during the second quarter of 2026 while generating strong positive absolute returns. Stock selections within Materials and Industrials were the largest detractors. Selection within Consumer Discretionary and Health Care were positive contributors.
Materials	○ The materials sector posted strong positive returns (over 8.5%) during the quarter driven by resources companies, excluding gold stocks which were generally weaker off the back of a softer gold price. A slight overweight to Materials was a positive as the sector rallied after the conflict; however, overweights to gold miners Newmont and Ramelius Resources drove underperformance.
Industrials	○ The Industrials sector posted strong positive returns around 7% for the quarter. An overweight to the sector was a positive but an overweight holding of Brambles was a detractor. Nil holdings of Qantas and Computershare also were detractors.
Health Care	○ The Health Care sector posted negative returns around 6% for the quarter. An underweight to the sector was a positive and an overweight holding of Pro Medicus contributed positively as it rose around 70% on the back of several contract wins.
Consumer Discretionary	○ The Consumer Discretionary sector posted strong positive returns around 21% for the quarter which was supported by reduced rate hike expectations. Overweights to Wesfarmers and Aristocrat were positives as these stocks rallied relative to other stocks within the sector.

Dynamic real return core

MAIS[1] (Conservative and Diversified 50 profiles), MAGS[2] (Balanced profile) and MAGS+[3] (Growth profile)

MAIS, MAGS and MAGS+ invest across a diversified range of asset classes, including equities, fixed income and alternatives, and uses a dynamic approach to asset allocation.

Global equities produced strong growth through the quarter, generating positive returns for MAIS, MAGS and MAGS+ delivering negative returns net of fees (Class A).[4] While generating a positive return, Australian shares relatively underperformed.

The Russell Investments Global Opportunities Fund underperformed its benchmark (MSCI ACWI) while generating strong positive absolute returns. Stock selection and sector allocation in information technology was the largest detractor in terms of relative performance in the quarter. An overweight to materials and stock selection in the sector also impacted growth. The Russell Investments Australian Opportunities Fund outperformed its benchmark. Performance in the period benefitted from strong stock selections by managers including Platypus and Numeric, with L1 Capital taking advantage of exceptional performance from materials-related companies, which performed well during the period. Australian shares were positive in the quarter though underperformed international equivalents.

Russell Investments International Property Securities - $A Hedged produced a strong return in the quarter, though modestly underperformed its benchmark. Unfavourable security selection within the US Residential and Health Care sectors detracted from performance. Negative stock selection among Japan Developers further weighed on results. However, positive stock selection among property stocks in Australia contributed positively to performance. The RIML Global Listed Infrastructure Fund – Hedged generated positive returns and outperformed its benchmark. Favourable security selection within electric utilities contributed positively to performance. An off-benchmark allocation to railroads was also beneficial. However, unfavourable security selection and an underweight allocation to airports detracted from performance.

In fixed income, both the Russell Investments International Bond Fund – $A Hedged and the Russell Investments Australian Bond Fund outperformed and produced a positive return.

In the diversifying exposures in the dynamic real return core, the Firetrail Absolute Return Fund outperformed its benchmark over the quarter, producing a positive return, led by positive growth from Life360, which is up 50% from its May lows. Vinva's Australian Equity Long-Short Fund underperformed its benchmark while producing a positive return for the quarter due to quality and valuation signals, which were partially offset by behavioural and sentiment signals. Amundi Funds Volatility World produced a negative return for the quarter on easing volatility in the Middle East.

Positioning changes

We made changes to international equities, particularly US equities, across the growth-focused SMAs early in the quarter that included adding downside protection on the back of global equity performance. We remain overweight to global equities across the funds.

Later in the quarter, with US 10-year yields reaching their highest point in more than a year (4.6%), we progressively added to US duration by increasing exposure to Russell Investments International Bond Fund - $A Hedged. We remain underweight international duration.

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[1] Russell Investments Multi Asset Income Strategy Fund.

[2] Russell Investments Multi Asset Growth Strategy Fund.

[3] Russell Investments Multi Asset Growth Strategy Plus Fund.

[4] Past performance is not a reliable indicator of future performance.

Outlook

Market drivers continue to be a mix of the geopolitical agenda coming out of the United States and investor interest in AI. The impact of the conflict in the Middle East will depend on its duration and how long transit through the strait of Hormuz remains severely subdued, something we continue to watch closely. Even after the conflict is resolved, there will likely be ramifications of the disruption in the global oil supply that will take time to even out.

Despite volatility, asset prices outside of commodities – mainly oil and gold – have proven resilient in both US and some emerging market countries, which has led global equity markets higher driven by a resilient global economy and AI capital expenditure. Our composite contrarian indicator, which measures pessimism and euphoria in markets, moved from overbought to oversold levels, but has since reverted to be modestly overbought. We see the cycle as still relatively positive going forward, albeit the uncertainty of the conflict and AI/earnings expectations reduces conviction. Whilst asset valuations are not cheap, they have reduced, which is an incremental positive.

Our exposure to growth is modestly above benchmark, paired with exposure to diversifying assets such as hedge funds and unlisted growth. We also hold a moderate overweight to duration. We are looking to increase risk if the opportunity arises and retain an overweight to US and Emerging Market equities, and a smaller overweight to Developed Markets excluding the US. Whilst we're yet to see how large global thematics like artificial intelligence play out over the medium term, we have seen very strong earnings growth from the US hyper scalers in 2026, as well as the rest of the US market as well. Total capex on AI is continuing to rise, adding to US GDP. In emerging markets, investors have become more optimistic on AI-linked producers including chipmakers in Taiwan and South Korea.

For fixed income assets, we believe Australian government bonds offer reasonable value versus the US; we hold an overweight to duration and favour Australian duration over global. US bonds have re-rated moderately as inflation concerns reemerged due to higher energy prices – leading to rate cuts from the Federal Reserve being priced out for 2026. We expect that government bonds should act as portfolio diversifiers if the growth outlook deteriorates.

Private credit and infrastructure markets offer compelling alternative investment opportunities, with these assets benefiting from their resilience in a higher interest rate environment.

In the currency space, we increased our hedging exposure when the Australian dollar was weak in mid-2025; we have begun reducing this exposure to capitalise on the strength of the AUD.

Portfolio performance at 30 June 2026 (%)

Russell Investments Managed Portfolios	1 month	3 months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a)
Conservative	1.24	4.38	5.72	6.86	3.58	3.81
Diversified 50	1.45	5.89	7.93	9.08	5.39	5.89
Balanced	1.53	6.65	9.96	10.78	6.70	7.25
Growth	1.68	8.07	11.65	12.51	8.03	8.85
High Growth	1.80	8.68	12.53	13.82	-	12.53
Geared 120	2.27	12.17	15.03	15.25	-	15.43

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 RIML'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 the platform operator(s) for performance or current holdings in the Managed Portfolios.

Asset class allocations at 30 June 2026 (%)

Asset class	Conservative	Diversified 50	Balanced	Growth	High Growth	Geared 120
Growth assets	**37.3**	**56.6**	**74.0**	**88.0**	**98.6**	**119.3**
Australian equity	11.6	19.0	25.3	31.3	39.6	44.5
Global equity	18.0	28.0	36.4	45.8	50.4	62.7
Australian property	0.5	0.9	1.0	1.0	1.0	2.6
Global property	1.1	2.3	2.3	2.7	2.7	4.4
Infrastructure	2.9	3.2	4.3	4.8	5.0	5.1
Growth alternatives	1.5	1.5	3.8	1.5	0.0	0.0
Extended credit	1.8	1.7	0.8	1.0	0.0	0.0
Defensive assets	**62.7**	**43.4**	**26.0**	**12.0**	**1.4**	**1.5**
Loans & absolute return credit	2.8	2.7	2.4	1.7	0.0	0.0
Australian fixed income	24.3	16.2	9.7	5.8	0.0	0.0
Global fixed income	19.5	11.8	8.7	2.5	0.0	0.0
Defensive alternatives	0.4	0.4	0.9	0.3	0.0	0.0
Short-term credit	6.2	6.1	3.7	1.4	0.0	0.0
Cash	9.6	6.2	0.6	0.3	1.4	1.5

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