MARKET AND PORTFOLIO UPDATE

Managed Portfolios: Sustainable

Russell Investments

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 positioned overweight to developed markets & the US. Some modest overweight to EM as well whilst being underweight to Australian equities.
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.	

Direct Australian equity ESG 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. The S&P/ASX 100 returned 4.38% during the period with Consumer discretionary, Real estate & Materials being the top performing sectors. ○ The RBA maintained the cash rate at 4.35% in June, noting that inflation remained above target and that the outlook continued to warrant a restrictive monetary policy stance. ○ The direct ESG Australian equity portfolio underperformed the S&P/ASX 100 Index during the second quarter of 2026, although both the portfolio and the benchmark delivered positive absolute returns. Sector allocation added value overall, while stock selection detracted, primarily, within the materials, industrials and IT sectors.
Materials	○ The Materials sector posted strong positive absolute returns over the quarter (8.7%) however the relative performance detracted, driven by stock selection. The largest detractor was an underweight position in BHP Group, while overweight positions in Newmont, Evolution Mining, Fortescue and Perseus Mining also weighed on returns.
Energy	○ The portfolio's nil allocation to the energy sector contributed positively to relative performance as the sector materially underperformed the broader market yielding 15.9% over the quarter.
Communication services	○ Communication services sector posted a negative absolute return of -3.37%. The portfolio detracted from relative performance, primarily due to an overweight position in a sector that underperformed. Stock selection also detracted modestly, driven mainly by CAR Group and partially offset by REA Group.
Consumer staples	○ Consumer staples contributed positively to relative performance outperforming the benchmark by 2.40% over the quarter. An overweight position in the sector added value, while stock selection benefited from A2 Milk and Coles, partially offset by Treasury Wine Estates.

Portfolio performance at 30 June 2026 (%)

Russell Investments Sustainable Managed Portfolios	1 month	3 months	1 year	3 years (p.a.)	5 years (p.a.)	since inception (p.a.)
Conservative	1.47	4.64	4.92	-	-	7.07
Diversified 50	1.88	6.28	6.52	8.71	-	8.56
Balanced	2.22	7.44	7.78	10.15	-	7.42
Growth	2.56	8.91	9.16	11.73	-	8.92
High Growth	2.90	9.78	9.90	-	-	12.37

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
Growth assets	**35.3**	**54.3**	**69.7**	**86.0**	**97.7**
Australian equity	12.3	19.4	25.7	31.9	40.0
Global equity	17.6	28.7	36.8	46.7	49.8
Australian property	0.5	1.0	1.0	0.9	1.0
Global property	1.0	2.1	2.7	2.6	2.6
Infrastructure	1.6	1.5	2.4	2.8	4.3
Growth alternatives	0.0	0.0	0.0	0.0	0.0
Extended credit	2.2	1.7	1.1	1.1	0.0
Defensive assets	**64.7**	**45.7**	**30.3**	**14.0**	**2.3**
Loans & absolute return credit	0.0	0.0	0.0	0.0	0.0
Australian fixed income	28.3	19.9	11.9	7.5	0.5
Global fixed income	19.7	12.1	8.3	3.3	0.0
Defensive alternatives	2.9	1.8	1.7	0.8	0.0
Short-term credit	9.5	8.6	4.7	0.0	0.0
Cash	4.3	3.3	3.8	2.4	1.9

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