

Managed Portfolios - Sustainable



Quarter to 31 December 2025

Macroeconomic views and asset allocation positioning

Topic	Market highlights	Portfolio positioning
Equity markets rally on encouraging trade developments	<p>Global equities delivered positive returns in the fourth quarter of the year with emerging markets and non-US equities outperforming the US. Australian markets posted gains in late December but there were bouts of volatility. Mineral and resources companies benefitted from record-high prices for things like copper, gold and silver. Monetary policy diverged as well, with the US Federal Reserve delivering a rate cut in December while the Reserve Bank of Australia kept rates stable. Others, like the Bank of Japan, raised rates.</p> <p>While tech firms continue to be influential drivers of value, there was volatility in November as concerns arose around revenue forecasts and capital expenditures to build and maintain data centres.</p> <p>Positive corporate earnings were related largely to productivity gains in the US that are attributable to AI; there is a focus on hyper-scaling companies and the amount of debt they need to take on to keep pace with their peers.</p>	<p>The Sustainable Managed Portfolios benefitted from a modest overweight to global equities during the quarter, a position which we retain into 2026, supported by an improved US economic cycle, strong corporate earnings and resilient US labor market which is not showing heightened signs of adverse unemployment.</p> <p>Overall, the portfolios remain positioned close to their long-term strategic asset allocations – where we retain an overweight to global equities and a modest overweight to duration, paired with an underweight to lower rated credit.</p>
Central banks continue to lower interest rates amid easing inflation	<p>Global inflation trends diverged in the last quarter. US Inflation slowed to 2.7% per November data, which is below forecasts; the UK saw inflation decline to 3.2% from 3.6% in October. Both the Federal Reserve and Bank of England reduced their bank rates in December as a result, by 0.25%.</p> <p>The European Central Bank kept all key interest rates unchanged at its December meeting, noting that inflation was within band but that strong labour markets and domestic demand may limit further disinflation.</p> <p>The Reserve Bank of Australia kept its cash rate steady through the quarter, noting a recent uptick in inflation and unemployment figures.</p>	<p>Moving forward, the portfolios' defensive allocations remain close to their long-term strategic asset allocation targets.</p>

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

Topic	Commentary
Overview	<p>The Australian share market struggled in the December quarter, with the S&P/ASX 100 Accumulation Index closing down 0.89%. Positive performance in the markets was due in large part to material and resources companies, especially those tied to gold, rare earths and critical minerals that experienced significant growth through the quarter. Generally, the market shifted away from risk sensitive companies – particularly tech – amid macro uncertainty and mixed earnings.</p> <p>The direct Australian equity ESG portfolio significantly outperformed its benchmark over the period. Stock selection was the primary driver of outperformance during Q4, driven by selection within financials, consumer discretionary and communication services. During the period, an underweight to the materials sector was a headwind, with materials (driven by RIO, Fortescue and gold stocks) delivering the strongest returns from a sector perspective, underweights to information technology and healthcare were positives, with both of these sectors significantly underperforming.</p>
Consumer discretionary	Selection effects within the consumer discretionary sector added significant value – with an overweight to Flight Centre Travel Group positively adding value, as the share price rose almost 30% during the period. Generally, consumer discretionary was a negative in the period.
Financials	An overweight to financials had low impact with regards to benchmark relative returns, with financials very modestly underperforming compared to the S&P/ASX 100 over the period. An overweight to ANZ Group holdings was positive, with ANZ outperforming during the period.
Materials	Underweight positioning in materials was a negative but selection in the sector was a positive, with overweights to RIO and Fortescue while not holding BHP, which underperformed vs the sector.
Communication services	Communication services share selection was strong with an overweight to Telstra and underweight positions to REA and Seek.

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

Portfolio performance at 31 December 2025 (%)

Russell Investments Sustainable Managed portfolios	1 month	3 months	1 year	3 years (p.a.)	5 years (p.a.)	since inception (p.a.)
Conservative	-0.22	0.14	6.58	-	-	7.37
Diversified 50	-0.19	0.32	8.17	-	-	8.84
Balanced	-0.16	0.45	9.52	11.18	-	7.33
Growth	-0.09	0.63	10.71	13.01	-	8.85
High Growth	-0.13	0.61	11.48	-	-	12.83

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 31 December 2025 (%)

Asset class	Risk profile				
	Conservative	Diversified 50	Balanced	Growth	High Growth
Growth assets	35.7	54.1	70.3	86.4	98.1
Australian equity	12.7	20.4	27.2	33.4	40.2
Global equity	16.2	26.6	34.6	44.3	49.3
Australian property	0.7	0.8	0.8	1.4	1.6
Global property	1.8	2.9	4.0	3.3	2.8
Infrastructure	1.5	1.4	2.3	2.7	4.2
Growth alternatives	0.0	0.0	0.0	0.0	0.0
Extended credit	2.8	2.1	1.4	1.3	0.0
Defensive assets	64.3	45.9	29.7	13.6	1.9
Loans & absolute return credit	0.0	0.0	0.0	0.0	0.0
Australian fixed income	25.7	17.7	10.8	5.8	0.0
Global fixed income	20.6	13.4	9.7	4.1	0.0
Defensive alternatives	3.0	1.8	1.8	0.8	0.0
Short-term credit	9.6	8.8	3.3	0.1	0.0
Cash	5.4	4.2	4.2	2.8	1.9



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