QUARTERLY UPDATE

Managed Portfolios - Sustainable

Russell Investments

Market and portfolio update for the September quarter 2025

Macroeconomic views and asset allocation positioning

Topic	Market highlights	Portfolio positioning
Emerging markets perform strongly on optimism around Chinese tech	○ Emerging market equities posted strong gains through the September quarter, fueled by renewed optimism in China's technology and consumer sectors. Beijing's targeted stimulus measures — including easier credit conditions, support for the property market, and incentives for innovation — helped lift confidence after a sluggish first half. Major Chinese tech names surged as investors anticipated better earnings momentum and regulatory stability, while broader Asian markets benefited from stronger regional trade flows and improved risk appetite. The result was a broad-based rally that saw emerging markets outpace developed peers for the quarter.	○ The portfolios exposure to emerging markets added to the positive returns during the quarter. The portfolios have exposure to emerging market equities via the Russell Investments Low Carbon Global Shares Fund and the Russell Investments Sustainable Global Opportunities Complex ETF.
Labour market concerns bring Fed cuts back to the table	○ Global markets finished the September quarter higher as signs of a cooling U.S. labour market pushed the Fed to ease policy once in mid-September, trimming the target federal-funds range by 25 basis points to 4.00–4.25%. This helped compress US yields over the period and supported risk assets. ○ In August, the Reserve Bank of Australia also reduced the cash rate by 25 basis points from 3.85% to 3.60%, citing that inflation has "substantially fallen" since its peak a few years ago in 2022, as higher interest rates during the period assisted in rebalancing supply and demand. However, a slightly hotter monthly CPI print at the back end of September lead to interest rates rising, increasing the spread between Australian vs US government bond yields.	○ During the quarter we trimmed our Australian equity exposure in favor of global equities. Additionally, we retain a modest overweight to Australian bonds where we see comparative value compared to the US and in absolute terms. Should the Australian economy weaken further, or surprise to the downside, this position should add incremental value. ○ More broadly, our positioning remains close to our long-term strategic asset allocations, with a modest overweight to equities and underweight to credit. Our contrarian sentiment indicator is not yet showing unsustainably high levels of optimism (overbought conditions) in the market, and as such, we believe the rally may continue.

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

Topic	Commentary
Overview	○ Equity markets generated strong positive returns in the September quarter. Global developed market equities (ex-Australia) generated a 7.6% total return in $A hedged terms, and emerging markets also generated strong returns, close to 10%, with China a large contributor up more than 20% over the period, buoyed by renewed policy stimulus, stabilization efforts in the property sector, and positive momentum in technology and consumer names[1]. In Australia, equity markets were also positive, albeit underperforming global counterparts and generating low single digit returns. Australian small caps were a highlight though, up over 15% at the S&P/ASX Small Ordinaries index level[2] as easing inflation and hints of interest rate moderation boosted investor willingness to take risk, rotating into more attractively valued smaller companies. These gains were underpinned by moderating inflation trends, a gradual easing of interest rate expectations, and broadly resilient corporate earnings. ○ The direct Australian equity portfolio underperformed the S&P / ASX 100 benchmark during the September quarter, predominantly driven by stock selection within materials and information technology. Offsetting this partially was an underweight to healthcare, which significantly underperformed during the quarter off the back of disappointing earnings and weak forward guidance. Additionally, not having exposure to the energy sector, which also underperformed was positive.
Materials	○ The materials sector performed strongly during the September quarter, leading to negative relative performance from being underweight the sector. Whilst exposure to Evolution Mining, Fortescue, Northern Star Resources and Rio Tinto all delivered strong returns over the period, not having exposure to Lynas Rare Earths (rare earths miner) or Mineral Resources and Pilbara minerals (lithium miners) was a headwind, with these companies share prices rising in the order of around 90%.
Information technology	○ Performance of the IT sector was wide during the quarter, with Life360 generating very strong returns and NextDC positive returns, but Technology One, Wisetech and Xero generating negative returns. Overweight positions in Wisetech and Xero detracted from performance on an absolute and relative basis. Wistech's financial guidance disappointed investors due to margin compression following an associated major acquisition, and Xero reported strong revenue but investors were concerned due to a slow down in small business sales growth in its target markets.
Healthcare	○ The healthcare sector has continued to perform relatively poorly compared to the broader market, both locally but globally as well, in part as a response to Tarriff concerns out of the US under Trumps administration. Having an underweight to the sector was positive over the quarter, with only three of the ten companies in the index generating positive performance.
Energy	○ An underweight to the energy sector added value. The energy sector underperformed, despite both Ampol and Whitehaven Coal achieving strong returns, because the non-binding indicative proposal from XRG (subsidiary of Abu Dhabi National Oil Company) to acquire Santos (the largest company in the sector) was withdrawn.

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

[1] Source: Bloomberg

[2] Source: Bloomberg

Portfolio performance at 30 September 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	0.41	1.95	6.67	-	-	8.21
Diversified 50	0.47	2.67	8.98	-	-	9.63
Balanced	0.52	3.21	10.41	12.76	-	7.73
Growth	0.54	3.73	11.84	14.95	-	9.31
High Growth	0.43	4.12	12.91	-	-	14.11

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 September 2025 (%)

Asset class	Risk profile				
	Conservative	Diversified 50	Balanced	Growth	High Growth
Growth assets	**35.5**	**53.8**	**70.1**	**86.2**	**98.2**
Australian equity	13.0	20.8	27.8	34.2	41.3
Global equity	15.8	26.0	33.9	43.4	48.4
Australian property	0.7	0.8	0.9	1.4	1.6
Global property	1.8	2.8	3.9	3.3	2.8
Infrastructure	1.5	1.3	2.2	2.7	4.1
Growth alternatives	0.0	0.0	0.0	0.0	0.0
Extended credit	2.8	2.1	1.4	1.4	0.0
Defensive assets	**64.5**	**46.2**	**29.9**	**13.8**	**1.8**
Loans and absolute return credit	0.0	0.0	0.0	0.0	0.0
Australian fixed income	26.0	18.0	11.0	5.9	0.0
Global fixed income	20.5	13.4	9.7	4.1	0.0
Defensive alternatives	3.0	1.8	1.7	0.8	0.0
Short-term credit	9.6	8.9	3.3	0.1	0.0
Cash	5.4	4.2	4.2	2.8	1.8

Asset class breakdown is based on the model and may vary slightly depending on the Platform.

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