

Managed Portfolios: Sustainable



Quarter to 31 March 2026

Macroeconomic views and asset allocation positioning

Topic	Market highlights	Portfolio positioning
Attack on Iran introduces significant volatility in markets	<ul style="list-style-type: none"> Global share markets experienced extreme volatility in the March quarter, starting strong – particularly in Emerging Markets, Asia and Europe – followed by a sharp drawdown following the commencement of a joint Israel/US attack on Iran. By the end of March, global equities had suffered significant losses with an estimated US\$10 trillion in value wiped out. This has led to a belief that central banks will be required to raise interest rates where many had been in a position where they were considering easing. There is also renewed concern about stagflation, or a period where high inflation is combined with stagnant economic growth and elevated unemployment. 	<ul style="list-style-type: none"> We are currently modestly overweight to US and developed markets and overweight to emerging market equities. Emerging market flows were driven by attractive valuations and the value of diversification as well as a weaker US dollar.
AI influences performance and view of tech and Magnificent 7 companies	<ul style="list-style-type: none"> Magnificent 7 companies underperformed benchmarks during the quarter. Nvidia's fourth-quarter numbers showed a significant growth in revenue, margins and income but the share price dropped nearly 5%, leaving analysts worried about an AI bubble and capex requirements. AI has been cited as a reason for massive layoffs through tech and software companies. Oracle announced significant job cuts at the end of the quarter – an expected 30,000 people – as they seek to cut costs and shift responsibilities to AI. Block, the parent company of Square, announced 4,000 people would be made redundant; Australian software giants Atlassian and WiseTech also announced AI-related cuts (1,600 and 2,000 respectively). 	<ul style="list-style-type: none"> We're yet to see how large global thematics like artificial intelligence play out, with US markets likely to benefit from improved productivity. In emerging markets, investors have become more optimistic on AI-linked producers including chipmakers in Taiwan and South Korea.
Australian markets outperform early; RBA raises rates	<ul style="list-style-type: none"> Australian markets were hit by extreme volatility in the quarter. January and February performed reasonably well, carrying momentum from the end of 2025. Gains were wiped out by geopolitical shock that overwhelmed quarterly returns, leaving Australian equities down for the quarter overall. March was the worst month on the ASX since 2022, falling significantly on surging inflation expectations and more tightening measures from the Reserve Bank of Australia (RBA). The RBA raised interest rates twice in the quarter; the first was widely expected after high inflation figures and strong employment figures at the close of 2025 called for proactive moves to limit spending. Markets are pricing in three more hikes this year. 	<ul style="list-style-type: none"> As credit spreads widened at the end of March, we added to high-yield debt, halving our underweight versus our long-term positioning target.



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

Topic	Commentary
Overview	<ul style="list-style-type: none"> Australian equity markets were volatile in the quarter, providing positive returns in the first two months of the year followed by the worst month since 2022. The S&P/ASX 100 returned -1.97% during the period. The conflict in the Middle East caused global oil prices to rise to their highest point in several years. The Reserve Bank of Australia (RBA) raised interest rates twice in the period on the back of above-target inflation figures and strong employment numbers. The direct ESG Australian equity portfolio underperformed its benchmark (the S&P/ASX 100) during first quarter of 2026 with both the portfolio and the benchmark finishing with negative absolute returns over the quarter. Selection within Materials and nil weighting towards the energy sector were the main detractors. Selection in Communication Services and overweight towards Consumer Staples were positives.
Materials	<ul style="list-style-type: none"> Nil holding of BHP and overweight Northern Star were detractors. BHP performed well in reporting season.
Energy	<ul style="list-style-type: none"> Nil weight toward energy was a detractor as the sector rallied with the conflict in the Middle East and global oil supply disruption.
Communication services	<ul style="list-style-type: none"> Overweight to Telstra and nil holdings of Seek, CAR Group and REA Group were positives as the last three were affected by software-related sell-offs on concerns their business model could be disrupted by AI.
Consumer staples	<ul style="list-style-type: none"> Overweight to Woolworths and Coles were positives; Woolworths in particular performed well in reporting season, seeing a 16% jump in profits.

Portfolio performance at 31 March 2026 (%)

Russell Investments Sustainable Managed Portfolios	1 month	3 months	1 year	3 years (p.a.)	5 years (p.a.)	since inception (cumulative)
Conservative	-3.21	-1.80	4.31	-	-	16.16
Diversified 50	-4.05	-2.70	5.57	7.11	-	22.87
Balanced	-4.86	-3.25	6.91	8.37	-	26.92
Growth	-5.71	-3.98	7.90	9.73	-	32.95
High Growth	-6.36	-4.45	8.81	-	-	27.95

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 31 March 2026 (%)

Asset class	Conservative	Diversified 50	Balanced	Growth	High Growth
Growth assets	34.4	53.2	68.5	85.4	97.5
Australian equity	12.3	19.8	26.4	33.1	41.6
Global equity	16.4	26.8	34.6	44.6	48.0
Australian property	0.4	0.9	0.9	0.9	0.9
Global property	1.0	2.1	2.6	2.6	2.5
Infrastructure	1.6	1.5	2.5	3.0	4.5
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	65.6	46.9	31.5	14.6	2.5
Loans & absolute return credit	0.0	0.0	0.0	0.0	0.0
Australian fixed income	28.6	20.3	12.3	7.8	0.5
Global fixed income	19.6	12.2	8.4	3.3	0.0
Defensive alternatives	3.0	1.8	1.8	0.8	0.0
Short-term credit	9.8	9.0	5.0	0.0	0.0
Cash	4.5	3.5	4.1	2.7	2.0



IMAP
MANAGED ACCOUNT
AWARD FINALIST
MULTI ASSET



IMAP
MANAGED ACCOUNT
AWARD WINNER
RESPONSIBLE
INVESTING



Where to next?



[Meet the team](#)
or visit russellinvestments.com.au

About Russell Investments

Russell Investments is a leading global investment solutions partner providing a wide range of investment capabilities to institutional investors, financial intermediaries, and individual investors around the world. Since 1936, Russell Investments has been building a legacy of continuous innovation to deliver exceptional value to clients, working every day to improve people's financial security. Headquartered in Seattle, Washington, Russell Investments has offices worldwide, including: Dubai, London, Mumbai, New York, Paris, Shanghai, Sydney, Tokyo, and Toronto

IMPORTANT INFORMATION

The SQM rating in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. The rating applies to the Russell Investments Sustainable Managed Portfolio – Conservative, Diversified 50, Balanced, Growth, and High Growth. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating systems of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. An investor should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

Issued by Russell Investment Management Ltd ABN 53 068 338 974, AFS Licence 247185 (RIM). This document provides general information for financial advisers who are AFS licence holders or representatives only. It must not be passed on to any retail client. This document contains factual information only. The information provided is not intended to imply any recommendation or opinion about a financial product. RIM is not providing financial product advice in this document. It has not been prepared having regard to any investor's objectives, financial situation or needs. Before making an investment decision, an investor must obtain advice from a financial adviser and consider whether that advice is appropriate to their objectives, financial situation or needs. This information has been compiled from

sources considered to be reliable but is not guaranteed. Past performance is not a reliable indicator of future performance. Any potential investor should also consider the latest financial product disclosure statement in respect of the Managed Portfolio ("Disclosure Document") in deciding whether to make, or continue to hold, an investment in the Managed Portfolio. The Disclosure Document can be obtained by contacting the relevant platform operator(s) offering the Managed Portfolio.

RIM is part of Russell Investments. RIM is the investment adviser for the Managed Portfolio. Russell Investments or its associates, officers or employees may have interests in the financial products referred to in this information by acting in various roles including broker or adviser, and may receive fees, brokerage or commissions for acting in these capacities. In addition, Russell Investments or its associates, officers or employees may buy or sell the financial products as principal or agent.

To the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

This material does not constitute professional advice or opinion and is not intended to be used as the basis for making an investment decision.

This work is copyright 2026. Apart from any use permitted under the Copyright Act 1968, no part may be reproduced by any process, nor may any other exclusive right be exercised, without the permission of Russell Investment Management Ltd.

AUSF2-01980