

Market and Model Commentary

Commentary Q3 2025

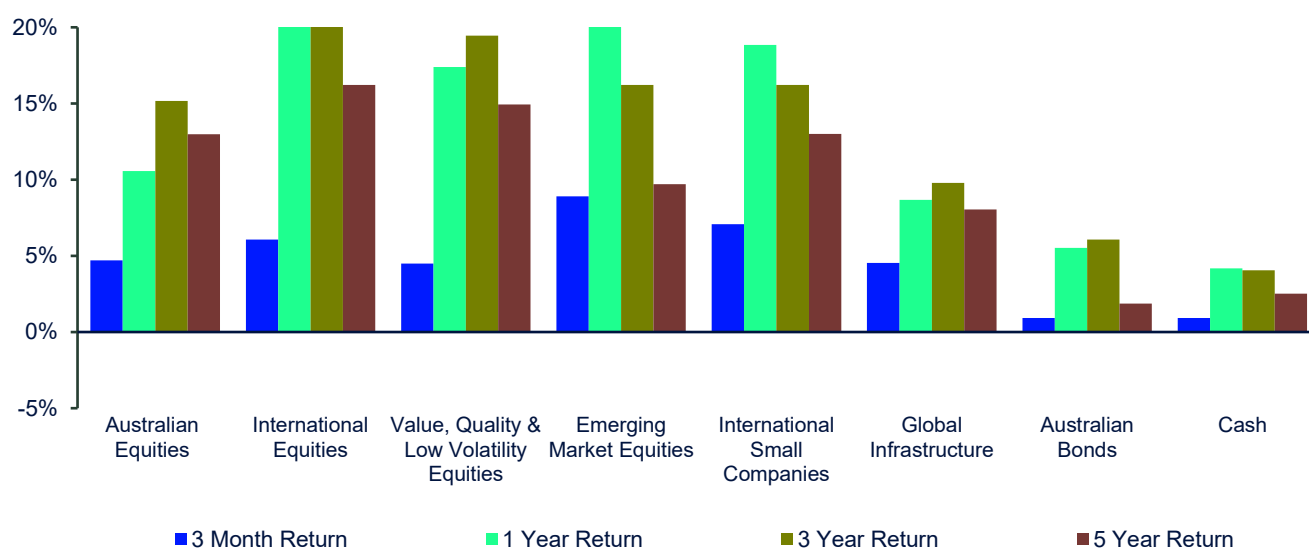
Economy in review

Global markets rose during the third quarter, supported by strong company earnings, optimism around AI, and central bank interest rate cuts. Economic activity stayed resilient, especially in services, though inflation remained high in some regions. New tariffs in the US and ongoing challenges in Europe created uncertainty. In Australia, household spending positively impacted the economy's growth, and the RBA cut interest rates again in August to support the economy, though it paused in September as inflation ticked up.

Asset class performance (in AUD)¹

- **Australian equities** rose 4.7%² over the quarter, with the materials sector leading performance.
- **International equities** advanced by 6.1%.³
- The **combined value, quality & low volatility equity** factor investment strategy was up 4.5% for the third quarter of 2025.⁴
- **Emerging market stocks** grew 8.9%.⁵ Asia led gains due to strong tech demand, improving trade conditions, and supportive policies. China stood out with gains in property and tech stocks, while Taiwan and South Korea also benefited from booming interest in AI and semiconductors.
- **Small cap equities** climbed 7.1%⁶ over the quarter. Except for Consumer Staples, all sectors delivered positive returns.
- **Infrastructure** shares gained during the quarter, up 4.5%,⁷ with boosted investor appetite for income generating assets.
- **Australian bonds** were up, 0.9% for the third quarter of 2025.⁸
- **Cash** returns in the Australian money market were up 0.9%.⁹

Figure 1: Asset class performance (%)



Source: As of 30 September 2025, Bloomberg Finance L.P., MSCI and S&P Dow Jones Indices. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. The index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. Past performance is not a reliable indicator of future performance. Australian Equities: S&P/ASX 200 Total Return Index; International Equities: MSCI World Net Total Return AUD Index; Value, Quality and Low Volatility Equities: MSCI World Factor Mix A- Series (AUD) Net Total

Return Index in AUD; Emerging Markets Equities: FTSE Emerging Markets All Cap China A Inclusion Net Tax Index (AUD); International Small Companies = MSCI World ex-Australia Small Cap Index; Global Infrastructure = FTSE Developed Core Infrastructure 50/50 100% Hedged to AUD; Australian Bonds: Bloomberg AusBond Credit 0+ Yr Index; Cash: S&P/ASX Bank Bill Total Return Index.

Factor investing is a ‘rules-based’ approach to investing.

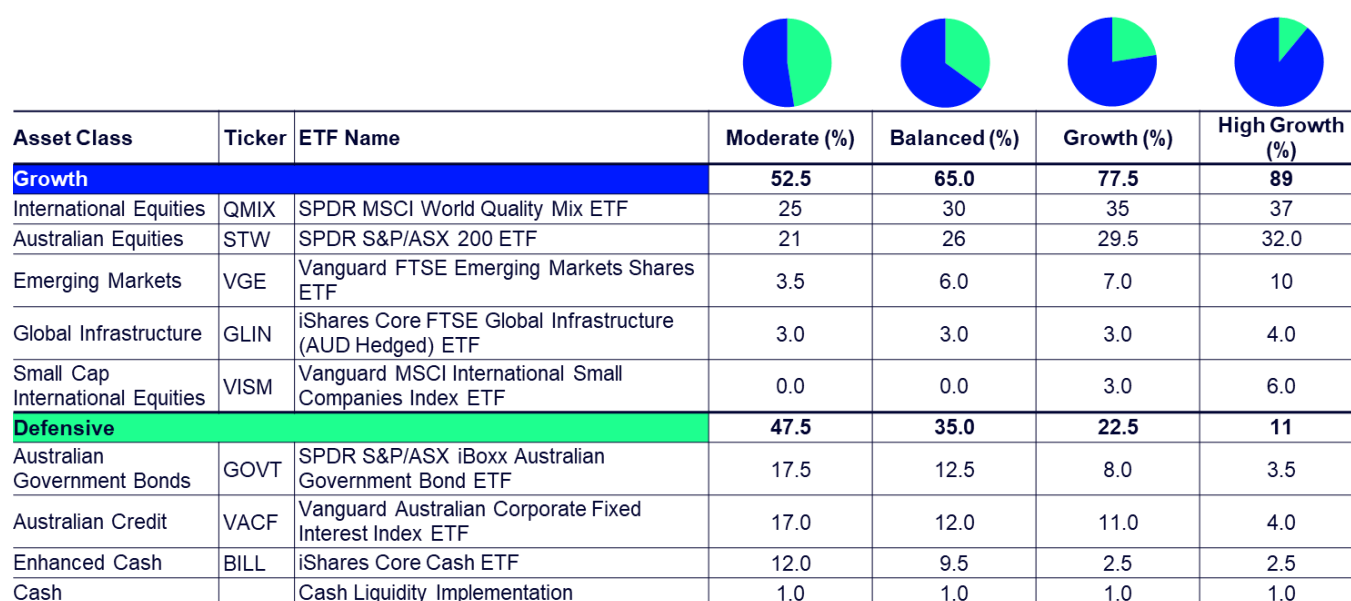
These strategies seek to capture specific investment characteristics such as value and quality. Why? Academic research has led to documented long-term outperformance of factors. History tells us that over long term equally combining the below 3 factors may lead to outperformance.

- Value companies with attractive fundamental ratios like Price/Book, Price/Earnings, Price/Cash Flow and Dividend Yield.
- Low volatility companies that are less likely to fluctuate dramatically and tend to be steadier.
- Quality companies are those with high and stable profitability, and low leverage.

Performance summary

- Equity stocks led the way, with strong gains from both Australian and international markets, driven by solid company earnings and growing confidence in technology.
- Emerging market equities added value, especially China, where government stimulus, a stabilising property sector, and tech stock growth supported the markets performance.
- Bonds contributed positively, with both Australian government and corporate bonds (i.e. loans for company’s) helping to balance returns and potentially reduce risk.
- Infrastructure and international small company stocks enhanced diversification, offering potential for steady income and resilience in a volatile economic environment. Small company stocks have been less impacted by Tariffs and benefit from interest rate reductions.

Figure 2: Target model portfolio allocations



Important Information: Source: State Street Investment Management as of 30 June 2025. **Model Portfolio Allocations shown are the “target” asset allocations used in the hypothetical State Street Model Portfolio and have been provided for illustrative purposes only.** State Street’s model portfolios are accessed through a Platform or Managed Accounts provider (“Provider”). The actual results of accounts managed by the Provider that receives access to the models may differ substantially from the hypothetical results of a model for a variety of reasons including, but not limited to, the Provider’s decision to exercise its discretion to implement a model in a way that differs from the information provided by State Street. The model portfolio “target” allocations will be reviewed every 12 months and reset on the last business day

of each quarter, using State Street's strategic asset allocation process, and will be subject to change with market movements thereafter until the next calendar rebalancing.

Endnotes

- 1 All returns as at 30 September 2025. Index returns reflect capital gains and losses, income, and the reinvestment of distributions. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. The index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. Past performance is not a reliable indicator of future performance.
- 2 Source: S&P/ASX 200 Total Return Index.
- 3 Source: MSCI World Net Total Return AUD Index.
- 4 Source MSCI World Factor Mix A-Series (AUD) Net Total Return Index in AUD.
- 5 Source: FTSE Emerging Markets All Cap China A Inclusion Net Tax Index (AUD).
- 6 Source: Bloomberg, MSCI World ex-Australia Small Cap Net TR AUD.
- 7 Source: Bloomberg, FTSE Developed Core Infrastructure 50/50 100% Hedged to AUD Net Tax Index.
- 8 Source: Bloomberg AusBond Credit 0+ Yr Index.
- 9 Source: S&P/ASX Bank Bill Total Return Index.

Important risk information

statestreet.com/investment-management

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