STATE STREET INVESTMENT MANAGEMENT

State Street ETF Model Portfolios

Commentary Q3 2025

Economic perspective

Global markets posted strong third quarter gains up 6.4%,[1] fueled by easing trade tensions, solid earnings, AI optimism, rate cuts and expectations of further policy easing.

Global economic activity in the third quarter remained resilient, driven by strong service sector growth despite a slight slowdown in September, while manufacturing showed signs of recovery. Labor markets were soft across the world and notably so in the United States (US). Inflation remained elevated but broadly stable across major economies, with regional divergence. The US experienced renewed price pressures from tariffs, whereas Europe and several emerging economies saw ongoing disinflation.

Tariff policies dominated global trade dynamics during the quarter. The US imposed a tiered system of reciprocal tariffs on numerous trading partners, with countries like India and Brazil facing rates up to 50%, while a trade truce with China was extended until November 10 to delay steeper increases. Europe obtained partial relief on car tariffs but continued to endure high duties on steel and aluminum, contributing to inflation and accelerating nearshoring efforts.

Australia's economy showed strong momentum in Q2 2025, with GDP growing by 0.6% quarter-on-quarter and annual growth steady at 1.8%. The rebound was driven primarily by resilient household spending, which provided a strong foundation for overall activity. In response to easing inflation, soft economic growth, and a slight uptick in unemployment, the Reserve Bank of Australia (RBA) cut the cash rate by 25 basis points to 3.60% in its August meeting – marking the third-rate reduction this year. However, the RBA held rates steady in its September meeting, as August CPI came in stronger than expected at 3.0% year-on-year, right at the top of the central bank's target range. The unemployment rate remained unchanged at 4.2% in August, consistent with July's figure.

Asset class performance (in AUD)[2]

Equity

- **Equity markets** posted strong gains across the board during the third quarter, supported by falling interest rates, steady corporate earnings, and improving confidence as concerns around trade and inflation eased. Growth stocks – especially AI related – outperformed value. Emerging markets outpaced developed markets, driven by China's rebound and progress in US-China talks. Broadly speaking, technology was the standout sector globally, driven by continued enthusiasm for artificial intelligence and related innovations.

- **International equities** advanced by 6.1%.[3] The multi-factor (minimum volatility, quality, and value) strategy registered a gain of 4.5%.[4] This was driven by positive performance from the Value (+6.7%[6]) and Quality (+4.8%[7]) factors, which helped offset the drag from the underperformance of Minimum Volatility (-0.1%[5]).

- **Australian equities** rose 4.7%[8] over the quarter. At the sector level, Materials led performance, followed by Utilities and Consumer Discretionary. In contrast, Health Care, Consumer Staples, and Energy were the only sectors to decline.

- **Emerging markets** advanced during the quarter, up 8.9%.[9] The rally was broad-based, but led by Asia and supported by policy easing, improving trade conditions, and strong technology demand. China was the key driver, buoyed by targeted stimulus measures, stabilisation in the property sector, and robust gains in technology stocks. Policy support for domestic chipmakers and accelerating investment in artificial intelligence fuelled optimism, while easing trade tensions with the US added to the positive backdrop. Taiwan and South Korea also posted strong returns, benefitting from semiconductor demand and global enthusiasm for AI-related themes.

- **Small cap equities** climbed 7.1%[10] over the quarter. With the exception of Consumer Staples, all sectors delivered positive returns. Materials was the top performing sector, followed by Information Technology and Utilities.
- **Infrastructure** shares advanced during the quarter, up 4.5%,[11] as falling Treasury yields and dovish Federal Reserve signals boosted investor appetite for income generating assets.

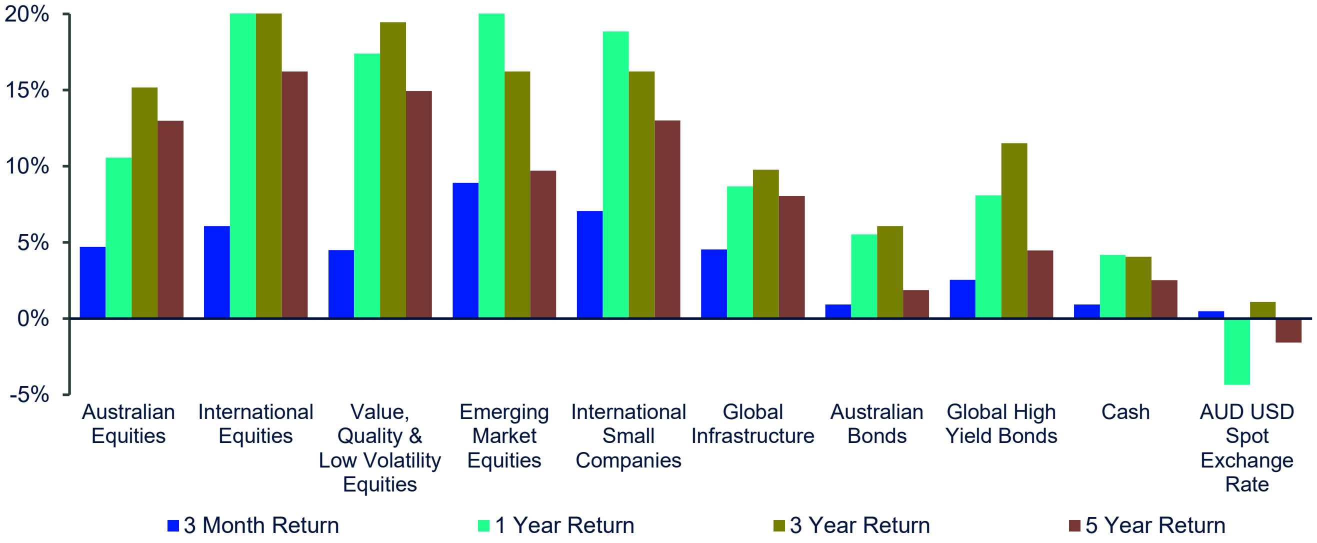
Fixed income

- **Bond yields**, which move inversely from bond prices, rose, with the yield on Australian 10-year government bonds raising by 0.14% to 4.30% by the end of Q3 2025.[12]
- **Global bonds** delivered positive returns in Q3, up 1.0%,[13] with yields increasing slightly to 3.48%. Among sectors, corporate bonds performed best, with yields declining and spreads tightening. In contrast, global Treasury yields increased 0.07% during the quarter.
- **Global high yield bonds** delivered a positive performance, up 2.5%,[14] benefiting from a risk on tone and spread compression during the quarter.
- **Australian credit bonds** returned positive, up 0.9%.[15]
- **Cash** returns in the Australian money market were up 0.9%.[16]

Currency

- The **Australian dollar** appreciated against US Dollar, up 0.5%.[17]

Figure 1: Major asset class performance (%)



Source: As of 30 September 2025, Bloomberg Finance L.P, MSCI. 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 Index (AUD) Net Total Return; Value, Quality & Low Volatility Equities = MSCI World Factor Mix A-Series (AUD) Net Return Index; Emerging Market 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; Global High Yield Bonds = Bloomberg Global High Yield Total Return Index Hedged AUD; Cash = S&P/ASX Bank Bill Total Return Index.

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Strategy performance

State Street Risk-Based ETF Model Portfolios

In the third quarter of 2025, all underlying exposures contributed positively to the performance of our risk-based portfolios. International and Australian equities were the standout drivers, supported by positive earnings updates and growing optimism around technology driven growth. The portfolio's allocation to the SPDR MSCI World Quality Mix ETF (QMIX) also added value, with quality and value factors delivering strong returns, reinforcing the benefit of factor diversification. Emerging market equities contributed positively as well, with China benefiting from new stimulus measures, signs of stabilisation in the property sector, and gains in technology stocks driven by supportive domestic chipmaker policies.

On the fixed income side, both Australian government bonds and corporate bonds positively contributed to the risk-based portfolios' total return.

Infrastructure investments also added to total returns, offering defensive characteristics and stable cash flows in a volatile macro environment. Allocations to infrastructure and international small companies in the Growth and High Growth profiles have proven to be positive additions, enhancing diversification and return potential.

State Street **Moderate** ETF Model Portfolio overall performance of the hypothetical model portfolio for the quarter was up 2.72%.

State Street **Balanced** ETF Model Portfolio overall performance of the hypothetical model portfolio for the quarter was up 3.30%.

State Street **Growth** ETF Model Portfolio overall performance of the hypothetical model portfolio for the quarter was up 3.88%.

State Street **High Growth** ETF Model Portfolio overall performance of the hypothetical model portfolio for the quarter was up 4.52%.

State Street Target Income ETF Model Portfolio

The State Street Target Income ETF Model Portfolio is designed with an income objective that is determined on an annual basis. For the 2025/2026 financial year the portfolio aims to target, before expenses, an income objective of 4.25% per annum.

The portfolio's allocation to both Australian and international high dividend stocks contributed positively to total returns. Performance among Australian high dividend stocks was driven by the Financials, Materials, and Utilities sectors. Meanwhile, Financials, Real Estate, and Utilities were the key contributors to returns in global high dividend stocks.

On the fixed income side, all major segments, Australian government, Australian investment grade, and global high yield contributed to performance, with global high yield outperforming as credit spreads tightened. This backdrop not only boosted bond prices but also reinforced the role of fixed income in supporting diversification and downside protection within the portfolio.

The income portion of the portfolio's total return for the quarter was positive 0.76%, supporting the portfolio's primary objective to generate income.

State Street **Target Income** ETF Model Portfolio overall performance of the hypothetical model portfolio for the quarter was up 2.27%.

Past performance is not an indicator of future performance.
Model Portfolio Performance presented above is hypothetical and has 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 hypothetical State Street ETF Model Portfolio Total Returns reflects the investment strategy decisions made by State Street's investment professionals for each performance period presented. Returns less than one year are not annualized. The performance was achieved by mathematically combining the actual performance data of the underlying ETFs multiplied by the model portfolio weights allocated to each ETF on a monthly basis. The performance assumes that all distributions paid by the underlying ETFs were reinvested but does not reflect trading fees, spreads or broker commissions for the hypothetical sale and purchase of the underlying ETFs or any other fees which would be charged by the product provider. State Street has chosen to use the actual historic performance of the underlying ETFs rather than the underlying ETFs index performance to ensure that the model portfolios reflect, as closely as possible, any actual investments that follow the model portfolio strategy, by reflecting differences such as tracking error of the underlying ETFs relative to the underlying ETFs indices.

Endnotes

1 Source: MSCI All Country World Net Total Return AUD Index.
2 All returns as at 30 September 2025. Index returns reflect capital gains and losses, income, and the reinvestment of dividends. 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.
3 Source: MSCI World Net Total Return AUD Index.
4 Source: MSCI World Factor Mix A-Series (AUD) Net Total Return Index.
5 Source: MSCI World Minimum Volatility (AUD) Net Total Return Index.
6 According to MSCI World Value Weighted Net Total Return Index in AUD.
7 Source: MSCI World Quality Net Total Return Index in AUD.
8 Source: S&P/ASX 200 Total Return Index.
9 Source: FTSE Emerging Markets All Cap China A Inclusion Net Tax Index (AUD).
10 Source: Bloomberg, MSCI World ex-Australia Small Cap Net TR AUD.
11 Source: Bloomberg, FTSE Developed Core Infrastructure 50/50 100% Hedged to AUD Net Tax Index.
12 Source: Bloomberg, Australia Govt Bond 10 Year Yield.
13 Source: Bloomberg Global Aggregate Total Return Hedged AUD Index.
14 Source: Bloomberg Global High Yield Total Return Index Hedged AUD.
15 Source: Bloomberg AusBond Credit 0+ Yr Index.
16 Source: S&P/ASX Bank Bill Total Return Index.
17 Source: Bloomberg, AUD USD FX rate.

Important risk information

statestreet.com/investment-management

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• the Provider's decision to exercise its discretion to implement a given strategy in a way that differs from the information provided by State Street;

• the timing of the Provider's implementation of strategy updates; and

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