

Market Commentaries

Equities

Global equities extended their gains in September, with the S&P 500 rising about 3.6%, and major indices in Europe and Asia also advancing. Strength in technology and AI-related sectors continued to drive U.S. markets to new highs, while Japanese equities benefited from supportive trade developments. Emerging markets outperformed, led by China, as investors sought opportunities in lower-valuation regions. Bond yields were mixed, with long-term rates easing on expectations of looser monetary policy. Overall sentiment remained positive, supported by resilient corporate earnings and moderating inflation.

European equities saw moderate gains, with the EuroStoxx 50 returning 3.4% for the month. U.K. equities posted a similar gain of 1.78%.

In Japan, the Nikkei was up 5.18% and the Topix rose 2.03%. Chinese and Hong Kong stocks also advanced, with the CSI 300 rallying 3.2% and the Hang Seng up 7.09%.

Australian equities declined in September, with the ASX 200 down 0.8%. The materials and information technology sectors outperformed, gaining 7.92% and 1.64%, respectively, while the energy sector lagged, falling 8.56%.

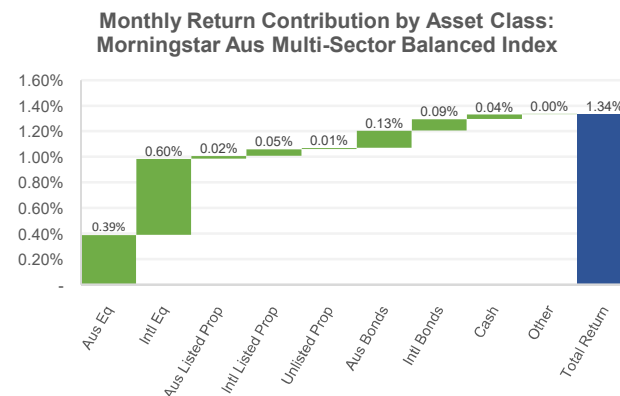
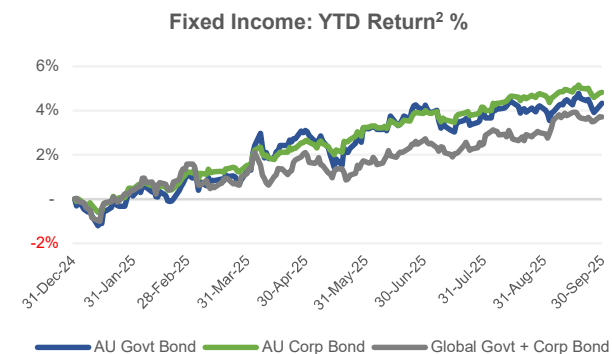
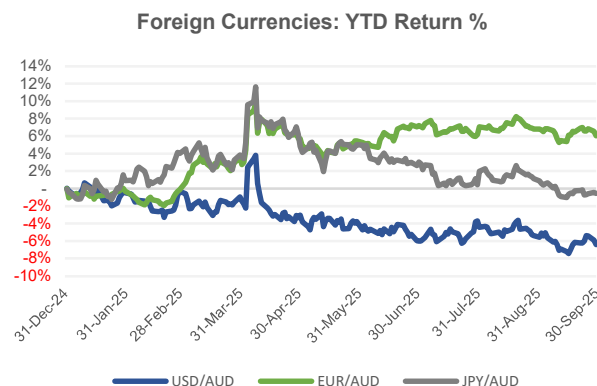
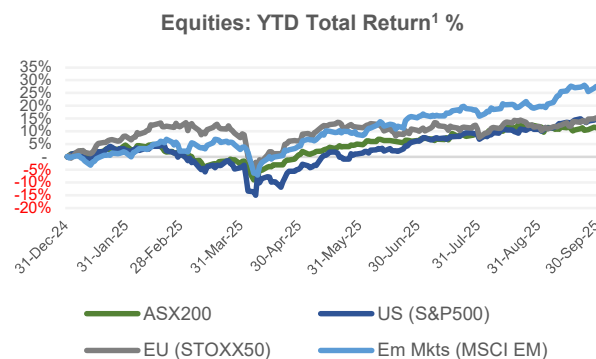
Fixed Income

Fixed income markets were mixed in September. Australian bonds posted a modest gain of 0.1%, while global bonds returned 0.7%, based on the Bloomberg Aggregate Indices. The Japanese 10-year government bond weakened, declining 1.27%.

The Reserve Bank of Australia kept the cash rate unchanged at 3.6% in September, maintaining a cautious stance as inflation eased and economic growth moderated.

Currencies

The Australian dollar strengthened against the US dollar, with the AUD/USD rate rising 1.1% to close at 66.13 US cents. The USD/CNY fix was slightly weaker than the previous month, declining by 0.13% to 7.1214. The yen also lost ground against the dollar, with the USD/JPY rate rising 0.67% to close at 148.03.



Returns ending 30 September 2025

	ASX200	US (S&P500)	EU (STOXX)	EM Mkts (MSCI)	AU Govt Bond	AU Corp Bond	Global Bond	USD/AUD	EUR/AUD	JPY/AUD
1 Month	-0.8%	3.6%	3.4%	7.2%	0.1%	0.1%	0.7%	-1.1%	-0.7%	-1.7%
3 Month	4.7%	8.1%	4.5%	10.6%	0.3%	0.9%	1.0%	-0.5%	-0.9%	-3.1%
1 Year	10.6%	17.6%	13.3%	17.3%	3.9%	5.5%	2.4%	4.5%	10.1%	1.5%
CYTD	11.5%	14.8%	15.4%	27.5%	4.3%	4.8%	3.7%	-6.4%	6.1%	-0.5%

¹Equities returns captures both the capital gains as well as any cash distributions, such as company dividends.

²AU Govt Bond uses the Bloomberg AusBond Govt 0+ Yr Index, which measures the return of Australian Treasury and Semi-government bonds maturing in 0+ years. AU Corp Bond uses the Bloomberg AusBond Credit 0+ Yr Index, which measures the return of Australian corporate/credit securities maturing in 0+ years. Global Govt + Corp Bond uses the Bloomberg Barclays Global Aggregate Index, which measures global investment grade debt from 24 countries, both developed and emerging markets issuers.

Upcoming Key Economic Events & Risk Commentaries

● Implied volatility, often regarded as the market's fear index, has increased for both the ASX 200 and S&P 500, while implied volatility for both indices remains below the 25th percentile over the past year. The implied probability of the S&P 500 declining by more than 10% or 5% in October has also increased from last month, now standing at 3% and 9%, respectively.

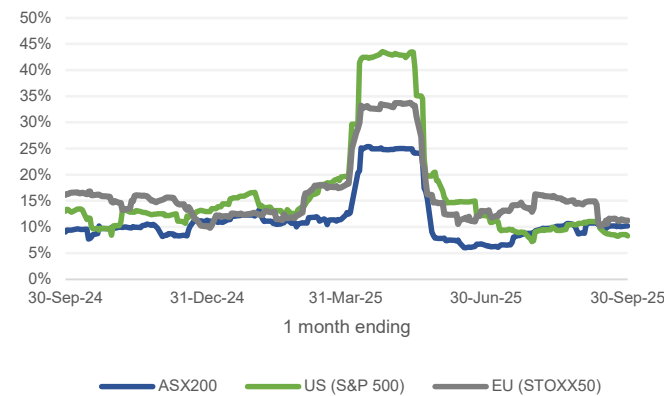
● U.S. Treasury yields declined, and the curve flattened early in the month after weak job openings and employment data increased expectations for a September Fed rate cut. Yields dropped further due to soft inflation, a strong 10-year auction, safe-haven buying amid geopolitical tensions, and disappointing manufacturing data, with the 10-year yield falling nearly 21 basis points by mid-month.

● Following the Fed's first rate cut this year, Treasury yields rebounded on stronger housing data, supply pressures, and hawkish FOMC comments regarding inflation. Yields also rose after positive GDP revisions, falling jobless claims, and robust income and spending data, while concerns over fiscal health and a potential government shutdown further supported the recovery. The 10-year yield ended the month approximately 8 basis points lower.

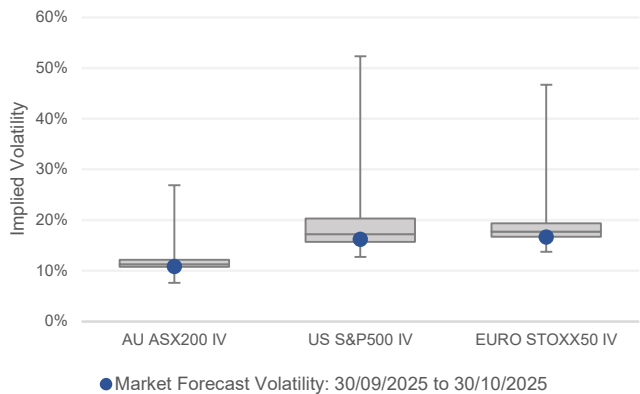
● Global equities posted strong gains in September, with both developed and emerging markets performing well. U.S. equities reached new record highs, driven by strong momentum in the tech sector, while Japanese equities benefited from a new trade deal with the Trump administration. European equities and emerging markets also saw robust gains as investors sought opportunities with lower valuations. However, some investors remain wary of relatively high equity valuations in developed markets, and the VIX index rose slightly over the month but remained far from cautionary levels. Precious metals, especially gold, were well bid as defensive assets in an environment of easing central banks, higher credit risk in U.S. Treasuries, and anticipated demand from the AI sector.

● The ASX 200 declined by 0.8% over the month, and Australian government bond yields rose as a recent pickup in domestic inflation stalled momentum and led to a scaling back of projected RBA rate cuts. The domestic labour market is also showing signs of deterioration, with 5.4k jobs lost compared to an expected gain of 21k. Building approvals declined, and both consumer and business confidence weakened last month. This puts the RBA in a difficult position, unable to cut rates due to rising inflation while the economy is showing signs of weakness.

Realised 1 Month Equity Volatility (%)

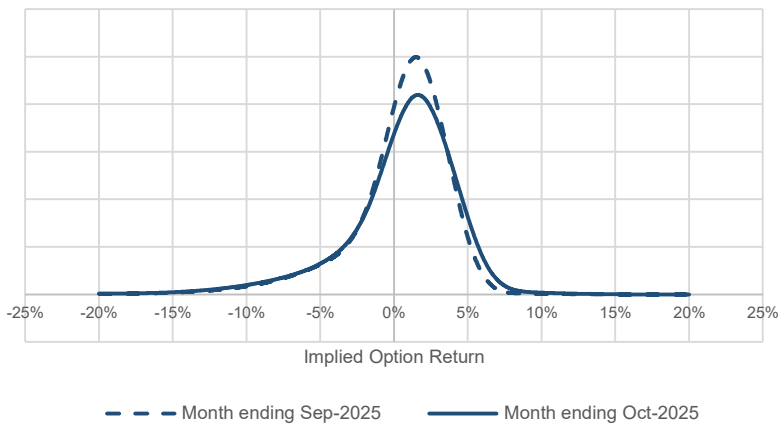


Implied Volatility^{3,4} (IV)



The chart above shows the current market implied volatility for the next month, and compares it against the range of implied volatilities for the past 1 year.

1 Month S&P500 Implied Return Distribution⁵



Implied likelihood ⁵ of S&P 500:	Month ending Oct-2025	Month ending Sep-2025
Falling more than 10%	~ 3%	~ 2%
Falling more than 5%	~ 9%	~ 8%

³Implied Volatility (VIX) represents the expected volatility of the index over the next 30 days (starting from the effective date of this report), as derived from the market prices of index options traded on the exchange.

⁴Box & Whisker Plot is designed to give readers a quick sense of the range of implied volatility for the past year. The end of the whiskers indicate the maximum and minimum implied volatility for the past year. The box represents the interquartile range (from first to third quartile implied volatility values), and the middle line indicates the median implied volatility value for the past year.

⁵Implied Return Distribution / Implied Likelihood represents the forecasted return (and its likelihood) of the index over the next 30 days (starting from the effective date of this report), as implied from the market prices of index options traded on the exchange.

Observations on Sustainable Withdrawal Rates

We observe that sustainable withdrawal rates at the end of Q2 2025, are lower compared to Q1 2025.

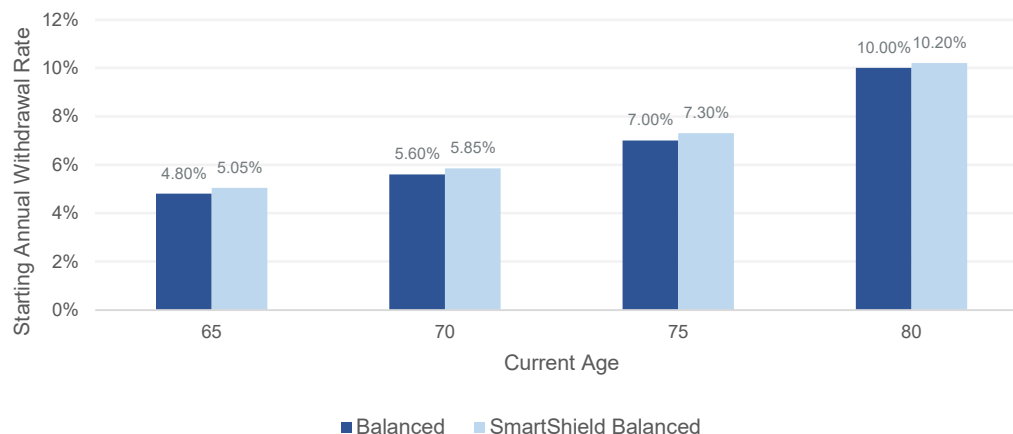
This is primarily driven by the change in interest rate levels over the period of 10 year government bond yields decreasing by approximately 23bps, leading to lower simulated returns from all asset classes.

Using the SmartShield series of portfolios as an example, we have illustrated that additional sustainable withdrawal rates are achieved when we add a risk management strategy to the portfolios.

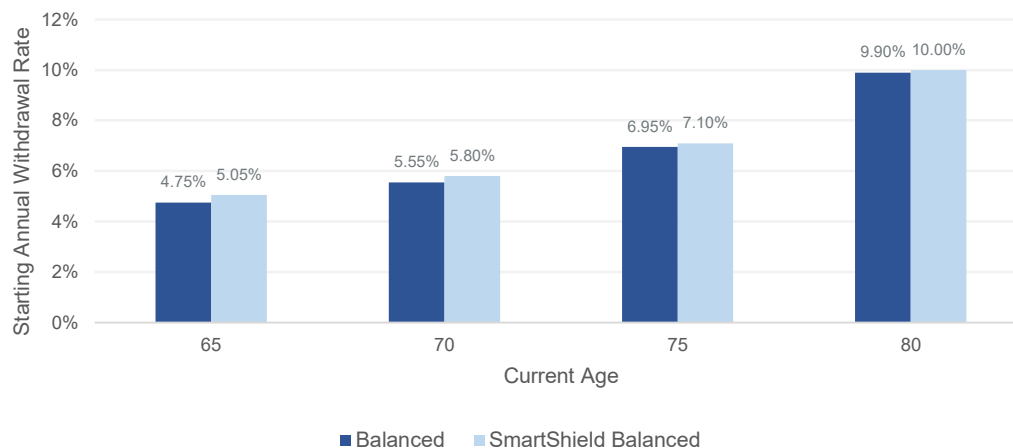
By controlling the level of volatility and reducing the impact of sustained market drawdowns, solutions such as the SmartShield portfolios which employ a risk management strategy, can reduce the exposure to sequencing risk and result in higher sustainable withdrawal rates for retirees.

In September, Milliman's SmartShield portfolios maintained an average hedge level of approximately 3% for Australian equities and 0% global equities.

Sustainable Withdrawal Rates, Q1 2025



Sustainable Withdrawal Rates, Q2 2025

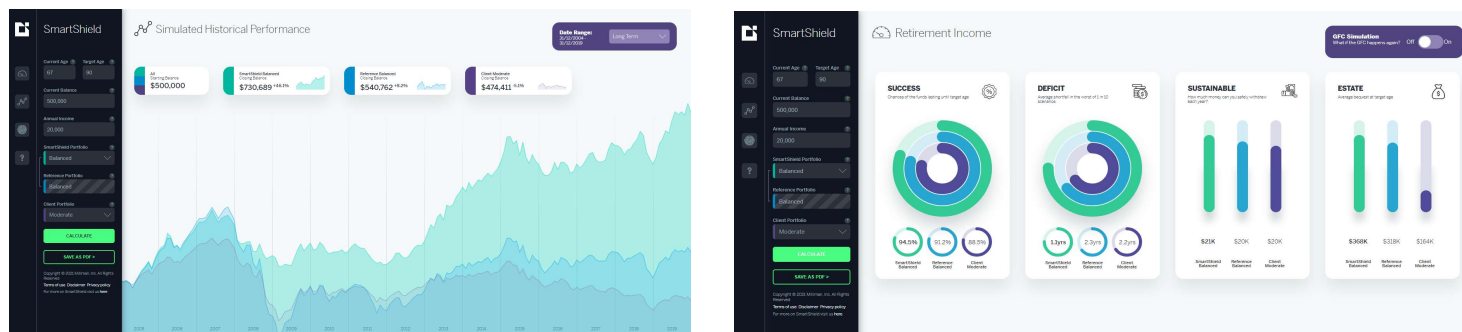


Sustainable Withdrawal Rate is defined as the maximum amount that can be withdrawn from a portfolio each year with a 90% certainty that this rate can be sustainably withdrawn (adjusted for inflation) until the target age of 90. An additional constraint introduced is for the potential shortfall to be less than 5 years. Note the withdrawal rate is calculated with regards to future projections of 5,000 stochastic scenarios. Further information on the assumptions used to generate these scenarios can be found via our portfolio simulator, which is free to access at <https://smartshield.millimandigital.com/>. For example, a 4% sustainable withdrawal rate for a 70 year old retiree with \$500k balance means the retiree can withdraw \$20k in the first year. And for each subsequent years, the amount the retiree can withdraw is \$20k plus any increase due to projected inflation (CPI).

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Built for financial advisers and complementary to Milliman's SmartShield portfolios, the Simulator strengthens your client conversation by:

- Calculating the likelihood of meeting retirement goals
- Illustrating the impact of experiencing a market crash scenario e.g. the GFC or Covid-19



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If you would like more information on the content in this report, or more information about our

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