D R U M M O N D

C A P I T A L   P A R T N E R S

INVESTMENT PERSPECTIVES

July 2025

Month In Review

Global Equities
2.2%

Aus Equities
2.4%

Aus REITs
-0.1%

AUD/USD
-1.2%

US Bonds
-0.4%

Commodities
3.6%

Global equity markets delivered solid gains in July, with MSCI ACWI rising 2.2%. Markets found resilience despite ongoing trade uncertainty, with the key July 9th tariff deadline ultimately extended to August 1st, providing temporary relief. The S&P 500 continued its record-breaking run, posting multiple new all-time highs throughout the month as investors remained optimistic about corporate earnings and economic resilience. The standout performer was the Nasdaq Composite, up 3.7%, again led by mega-cap technology stocks. US markets were buoyed by strong Q2 earnings reports and continued AI optimism, while Fed Chair Powell's balanced commentary kept rate cut hopes alive without signalling urgency.

Australian equity markets kept pace with global markets, rising 2.4%, despite the RBA's surprise decision to hold rates steady in a 6-3 split vote, disappointing expectations for the widely anticipated 25bp cut. The decision hinged on "timing" according to Governor Bullock, with markets now pricing cuts for August and beyond. Emerging markets posted solid gains of 2.0%, with Chinese markets showing resilience despite ongoing trade negotiations, supported by Q2 GDP growth beating expectations at 5.2% year-on-year.

Fixed income markets were soft in July. Australian bonds fell -0.3% as rate cut expectations were pushed back, while US bonds fell -0.4% on balanced Fed messaging. UK gilts experienced notable volatility mid-month on political uncertainty before stabilising. Credit markets were flat.

The commodity complex was volatile, with copper spiking on news of potential 50% US tariffs, while oil gained 6.1% on Middle East tensions and supply concerns. Gold continued its march higher, up 0.4%, supported by central bank buying and safe-haven demand. The Australian dollar weakened 1.2% against the USD despite improved global risk sentiment, the RBA's hawkish hold and expectations that rate cuts may now come later than anticipated.

Things That Matter

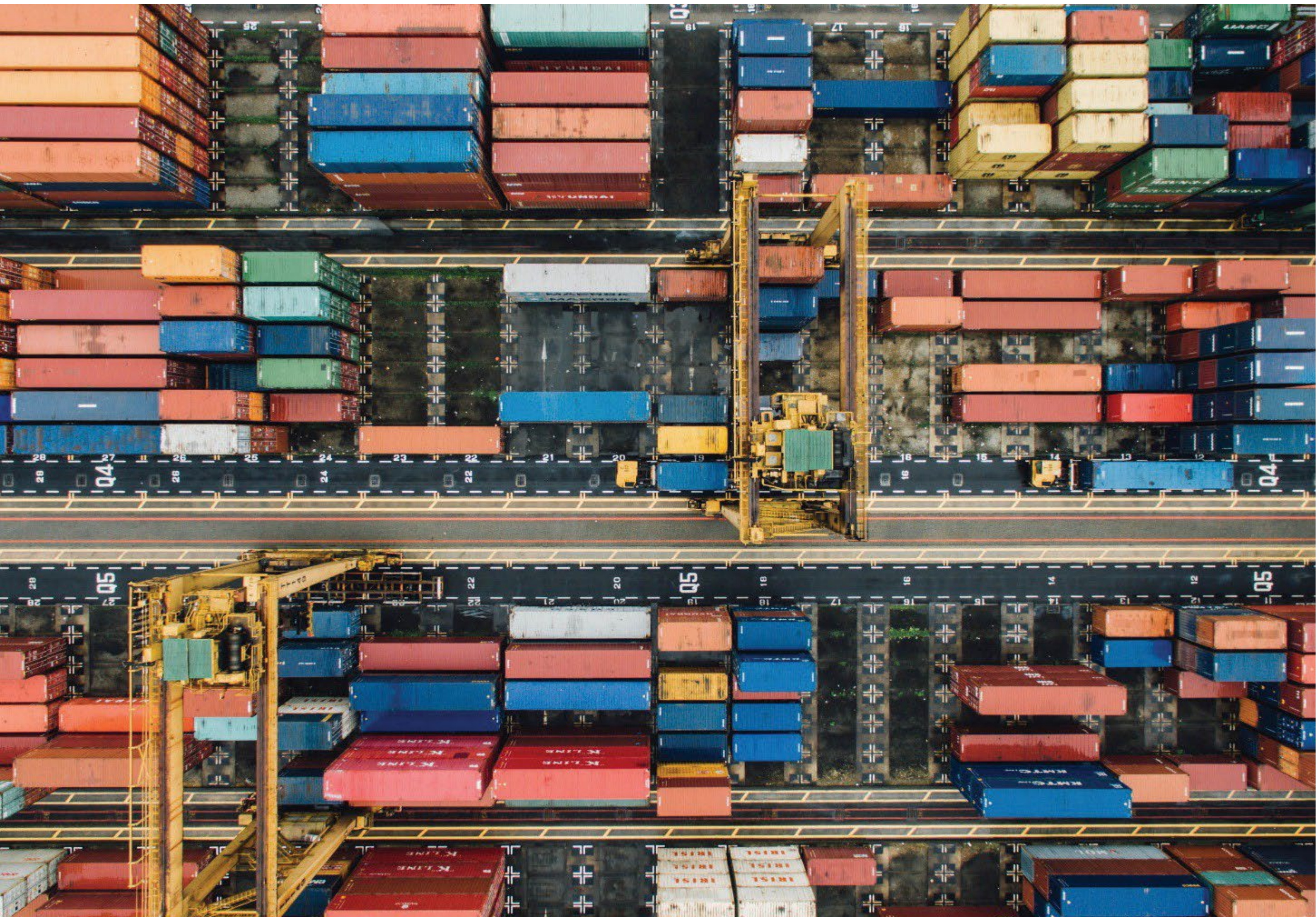
1.	With inflation close to target in most major economies, central banks have begun to cut interest rates.
2.	President Trump has significantly increased the level of global policy uncertainty for investors.
3.	Equity market and bond valuations will be challenged if inflation begins to rise or if there is a recession.
4.	Chinese property data remains depressed. However, China last year intensified efforts to revive growth with a large stimulus package.
5.	Geopolitical tensions are heightened across the globe and may contribute to elevated volatility in the years ahead.

Asset Class Positioning

	Change MoM	Strong Underweight	Underweight	Neutral	Overweight	Strong Overweight
Australian Equities	↑	○	●	○	○	○
Global Equities	↑	○	○	●	○	○
Property	↓	○	○	●	○	○
Infrastructure	■	○	○	○	●	○
Global Alpha	■	○	○	●	○	○
Government Bonds	■	○	●	○	○	○
Corporate Debt	↓	○	○	○	○	●
Cash	↓	○	○	●	○	○
Total Growth vs Defensive	↑	○	●	○	○	○

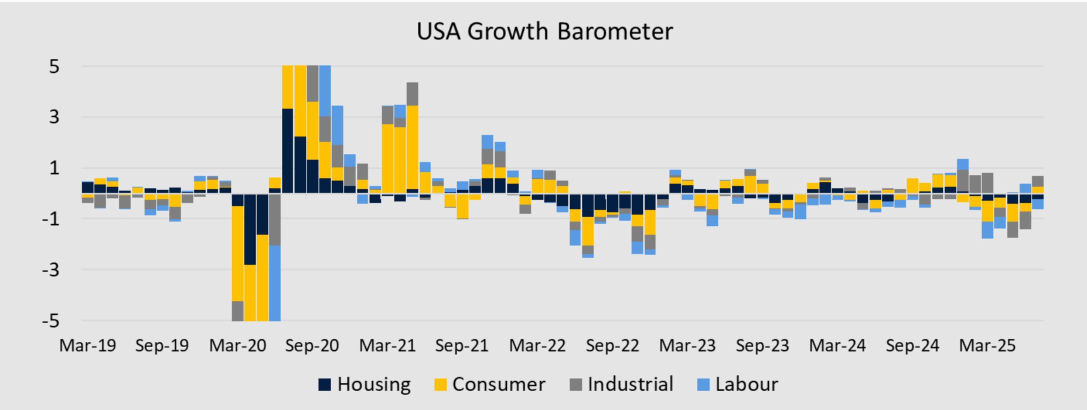
Macroeconomic Overview

North America	▲
Asia	●
Europe	▲
Australia	●



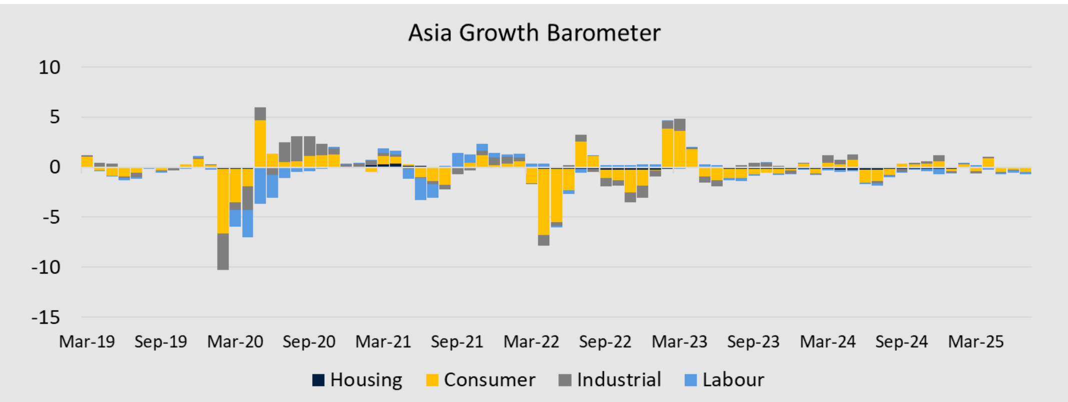
North America

Soft economic data (surveys for example) in the US continues to point to a modest slowdown in growth in the second half of the year, largely due to tariff related weakness. Hard data has held up better but has also been impacted. Concerns around Trump's trade policies are starting to delay investment and spending behaviour which increases the risk of a more meaningful slowdown and has seen the US economy enter a period of instability. Despite the potential for inflation to reaccelerate over the next few months, with an expectation of slowing growth markets are pricing in between two and three US rate cuts by the end of 2025. The medium-term outlook for growth will be heavily influenced by how quickly businesses and consumers adapt to the new tariff regime and the path of potential fiscal stimulus driven by the latest Budget negotiations in Congress.



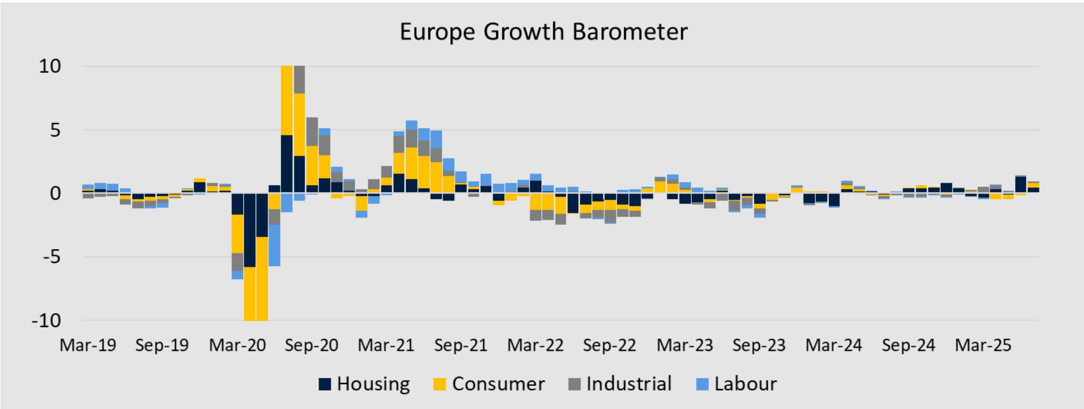
Asia

In Q4 2024, China announced the largest stimulus in years to revive its struggling economy. The success of this policy mix will be determined by the degree to which it can revive household sentiment and allow China to escape its deflationary spiral. So far, there have been early signs of success on that front, with economic data beginning to improve in recent months. However, China's economy faces ongoing structural issues such as the weakness in their housing market and economic growth could slow from here as the trade war sets in. We expect more stimulus announcements in the period ahead, and these measures will have a pivotal role in how Asian equity markets fare from here.



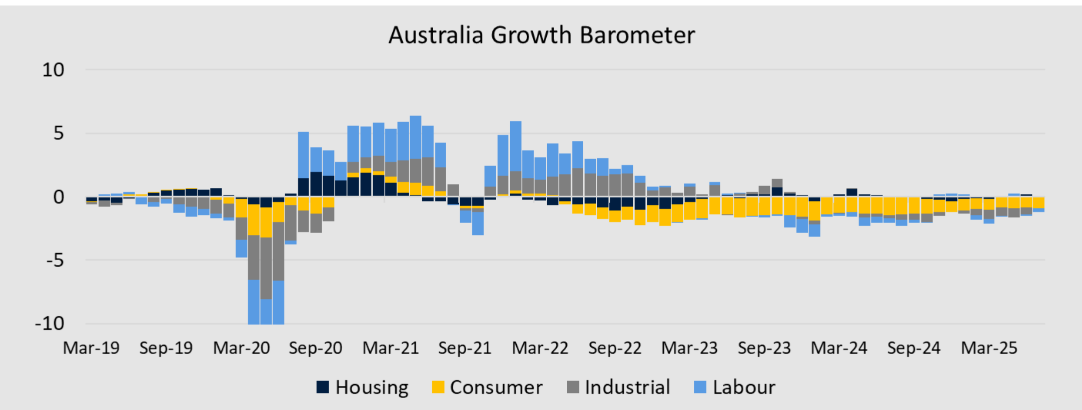
Europe

Europe's economy has struggled to regain momentum following the pandemic and there are questions remaining about Europe's ability to revive its manufacturing sector and economy more widely. There is emerging positivity around prospects for increased European fiscal support to the economy, with Germany, typically a key deficit hawk, relaxing its fiscal rules. Some of this spending will be directly tied to defence, with the Ukraine war on Western Europe's doorstep and Trump's commitment to NATO weak. The European Central Bank (ECB) has cut rates by 200 basis points thus far and is expected to cut again once more this year, which should also support growth. Offsetting this is the continued punitive energy and regulatory regimes in the bloc, which hinder business investment and productivity growth.



Australia

The Australian economy is still experiencing below trend growth. Strong migration has been supporting the housing market and overall headline economic activity although the economy has been generally shrinking in per-capita terms since mid-2022. Inflation in Australia is now back to target, allowing the RBA to take the cash rate down to 3.85%. Additionally, the market is pricing three more cuts between now and early next year. On the trade policy front, the direct impact of Trump's tariffs on the economy should be minor, but it is susceptible to any fall in global trade, particularly if it lowers demand for Chinese imports of our raw materials. Weak consumer demand, still high interest rates and cost of living pressures also continue to be a problem. Australia needs to employ measures to boost labour productivity and reduce excessive regulation to encourage a more dynamic investment environment.



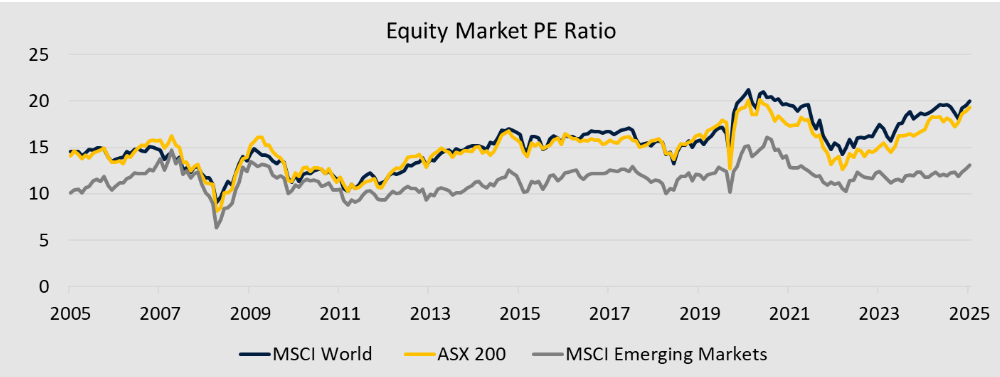
Asset Class Overview

Equities	Underweight
Bonds	Underweight
Credit	Overweight
Infrastructure	Overweight
Property	Neutral
Global Alpha	Neutral

Equities

The Trump administration continues to bring a high level of uncertainty to global commerce and markets. The short-term impact is increased costs to consumers as businesses pass on tariffs via higher prices, this in turn can impact consumer demand. The long-term impact is the cost of rebuilding supply chains which can take years and require substantial capital investment. Having previously moved underweight Australian equities in December, and global equities in February, the portfolios have been well positioned to wait for clarity on these issues. Overall, we expect volatility to remain high until the tariff and trade noise calms down, ideally giving way to pro-growth influences such as tax cuts and deregulation alongside further Federal Reserve rate cuts. In the meantime, the portfolios remain marginally underweight equities.

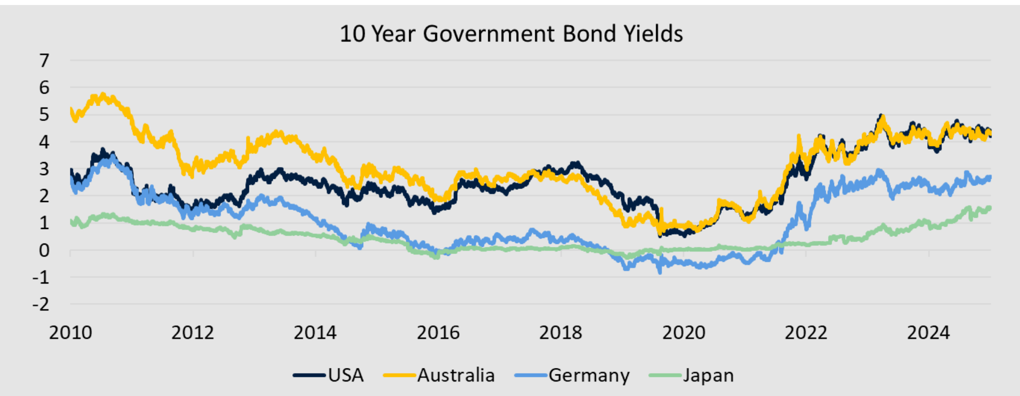
Underweight



Bonds

The portfolios remain underweight bond exposure as central banks continually reassess the speed of rate cuts. Trump's presidency and potential policy shifts alongside rising fiscal deficit concerns have altered the market's outlook on longer-dated treasury yields, and this is likely to remain a source of uncertainty. As a result, government bond markets are likely to incur further volatility until the future path for interest rates becomes clearer and the shifting fiscal narrative is becoming an increasingly important driver of duration risk. Although we do continue to believe that bonds today have a greater potential to provide true diversification in times of true economic crisis.

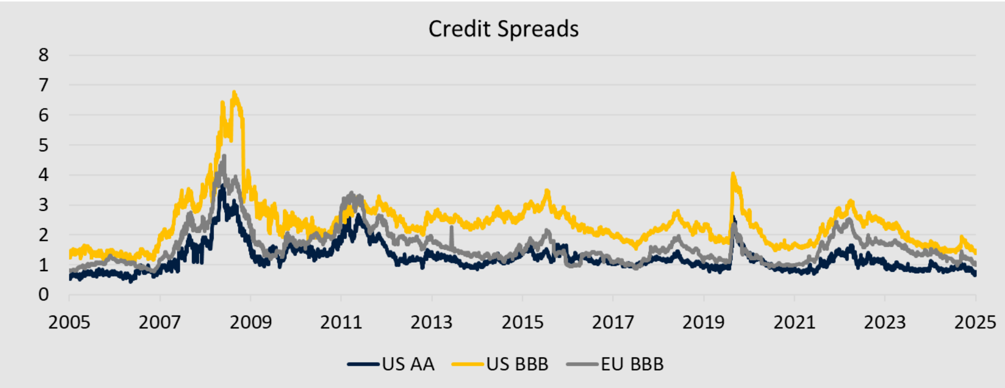
Underweight



Credit

We continue to lean into floating rate Australian credit as corporates are in good shape and on a relative value basis, the Australian market looks attractive compared to offshore credit markets. Importantly, we view the current yields available in Australian investment grade corporate debt as attractive versus cash and government bonds and accordingly have a large exposure to this sector. Overall, we remain cautiously positioned with a focus on quality and liquidity.

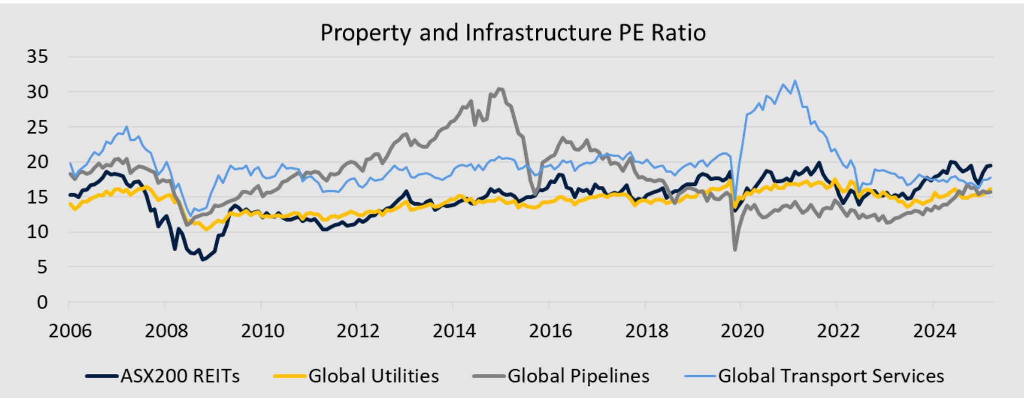
Overweight



Property / Infrastructure

These sectors are traditionally more defensive than global equities and over the long term both have robust inflation hedging characteristics. Valuations are also more attractive than global equities. Following the latest SAA changes, the portfolios are neutral overall, though with a slightly overweight exposure to infrastructure.

Neutral



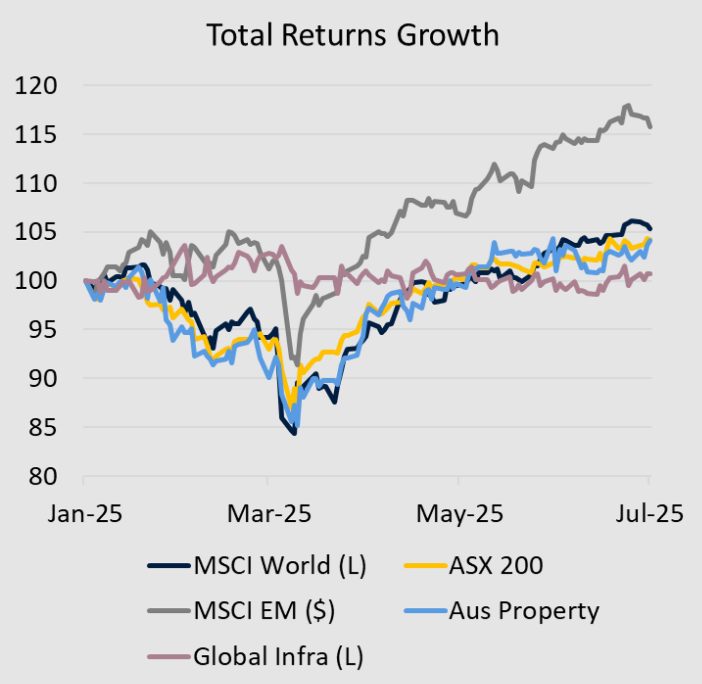
Global Alpha

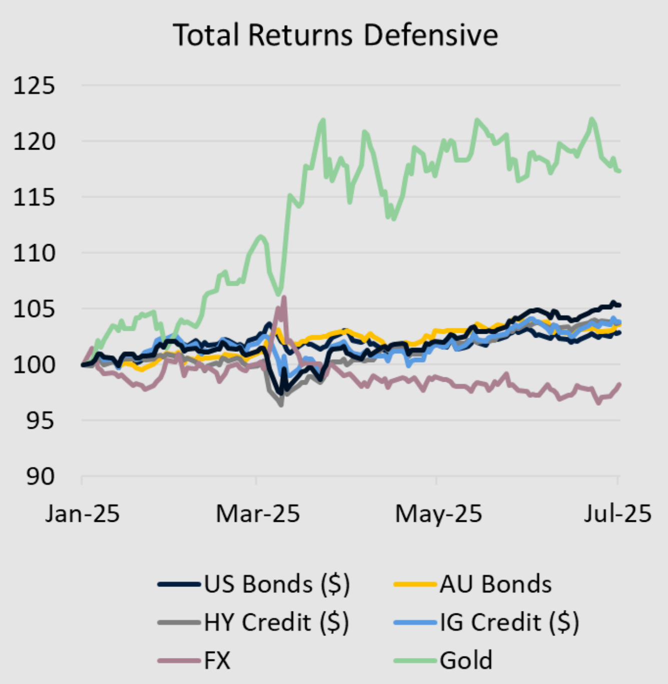
An allocation to this asset class can be very manager and strategy type specific, during volatile markets global alpha strategies remain a prudent diversifier in multi-asset portfolios.

Neutral

Asset Class Returns

	Latest Value 31/07/2025	Weekly Performance	Monthly Performance	Quarterly Performance	Yearly Performance
MSCI World All Countries	1,114	0.6%	2.2%	12.3%	15.3%
S&P/ASX 200	8,743	0.8%	2.4%	8.2%	11.8%
MSCI Emerging Markets	1,243	-0.3%	2.0%	12.9%	17.9%
Nasdaq Composite	21,122	1.1%	3.7%	21.3%	20.9%
Euro Stoxx	566	0.7%	1.0%	6.5%	16.1%
Australian Property	101	1.3%	-0.1%	10.4%	9.7%
Global Infrastructure	73	0.0%	0.8%	0.7%	9.6%
Australian Bonds	4.28%	0.3%	-0.3%	0.5%	4.3%
US Bonds	4.36%	0.0%	-0.4%	-0.2%	2.1%
High Yield Credit (spread/return)	1.4%	-0.2%	0.1%	3.8%	8.5%
Investment Grade Credit (spread/return)	0.7%	0.1%	-0.1%	2.2%	4.1%
US $ / Australian $	0.65	-0.7%	-1.2%	0.8%	-0.3%
Crude Oil-WTI	70.4	4.1%	6.1%	18.2%	-11.3%
Gold Bullion $/T Oz	3,296	-3.9%	0.4%	-0.4%	36.1%





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