DRUMMOND

CAPITAL PARTNERS

INVESTMENT PERSPECTIVES

September 2025

Month In Review

Global Equities
3.7%

Aus Equities
-0.8%

Aus REITs
-2.2%

AUD/USD
1.0%

US Bonds
0.9%

Commodities
0.6%

Global equity markets extended gains in September, with the MSCI ACWI rising 3.7%. Earnings upgrades broadened, reaching a four-year high following a strong Q2 earnings season. The S&P 500 shrugged off concerns of a potential US government shutdown, posting a second consecutive quarterly gain and its fifth straight monthly gain, as investors continued to weigh in on expectations of further Fed easing following the September rate cut. Healthcare led sector gains, rising 2.5% amid renewed momentum following Trump's pledge to lower prescription drug prices. The Nasdaq Composite gained 5.7%, driven by continued enthusiasm around the AI secular growth theme.

After reaching record highs in August, Australian equities underperformed in September, both on an absolute basis and relative to global peers, declining by 0.8%. Nine out of eleven sectors reported losses led by energy declining 9.8% after OPEC flagged production increases. In contrast, smaller companies continued to demonstrate strong performance, up 2.8%. Australian REITs declined 2.2%, following strong gains in August, with the pullback largely driven by movements in bigger names in the index amid no material news flow. Emerging markets rose 7.2% led by renewed interest in Chinese equities from both domestic and foreign investors. Unlike past rallies of late, this one was not driven by government stimulus.

Fixed income markets delivered mostly positive returns in September driven by central bank rate cuts that ultimately reduce the appeal on potential returns for cash-like investments. US bonds gained 0.9% and Australian bonds were steady. Credit markets performed reasonably well, with investment grade and high yield returning 1.9% and 0.9% respectively.

The commodity stable was mixed, with crude oil falling by 1.9% on higher expected supply. Gold rallied strongly, gaining 11.4% as investors flocked to its safe-haven status in anticipation of further US rate cuts and fears of a potential government shutdown. The Australian dollar rose 1.0% against the USD, buoyed by more positive risk sentiment.

Things That Matter

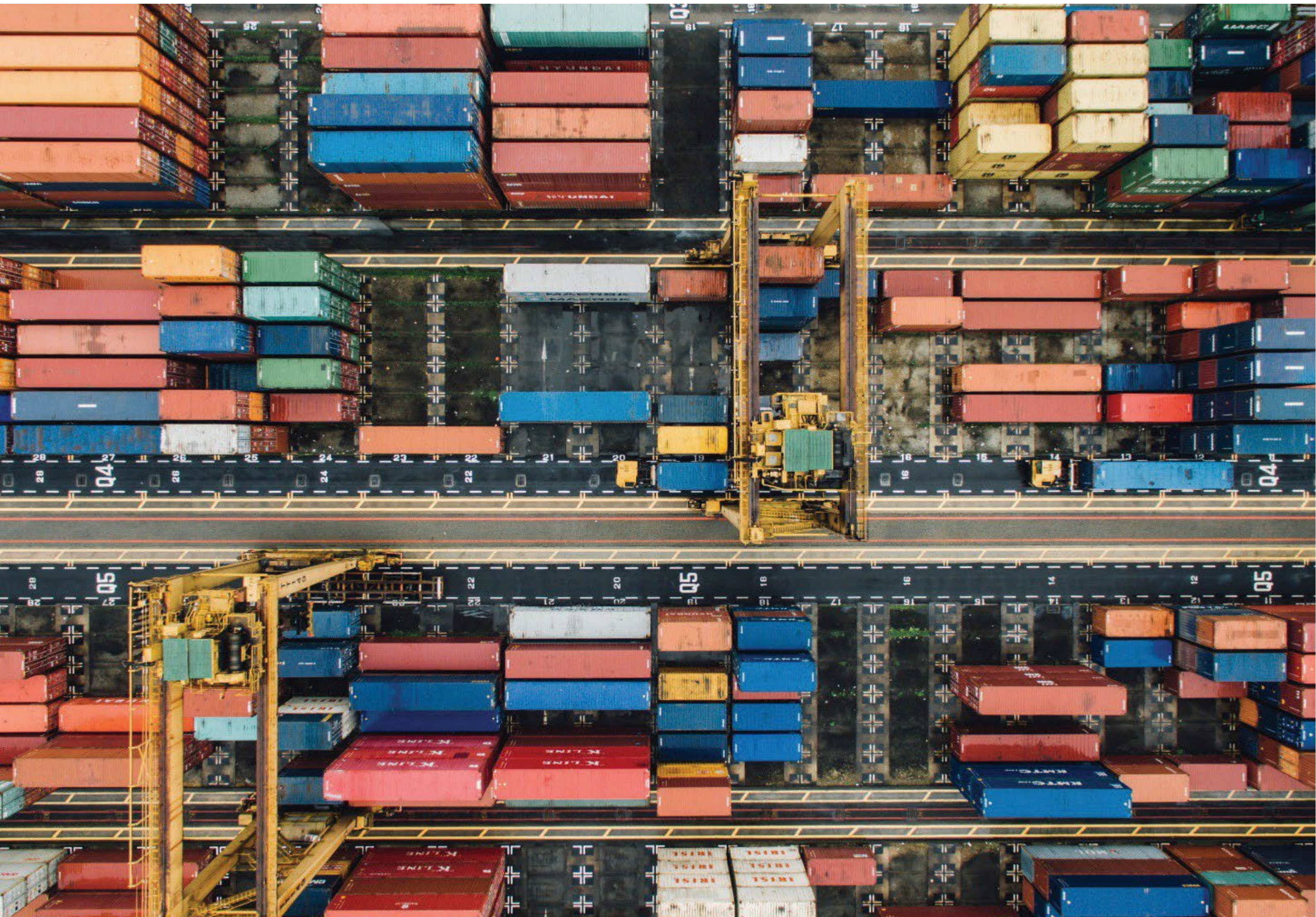
1.	With inflation close to target in most major economies, central banks are broadly cutting interest rates.
2.	President Trump has significantly increased the level of global policy uncertainty for investors.
3.	Equity market and bond valuations will be challenged if inflation begins to rise or if there is a recession.
4.	Chinese property data remains anaemic. However, China last year intensified efforts to revive growth with a large stimulus package.
5.	Geopolitical tensions remain 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	↑	○	○	○	●	○

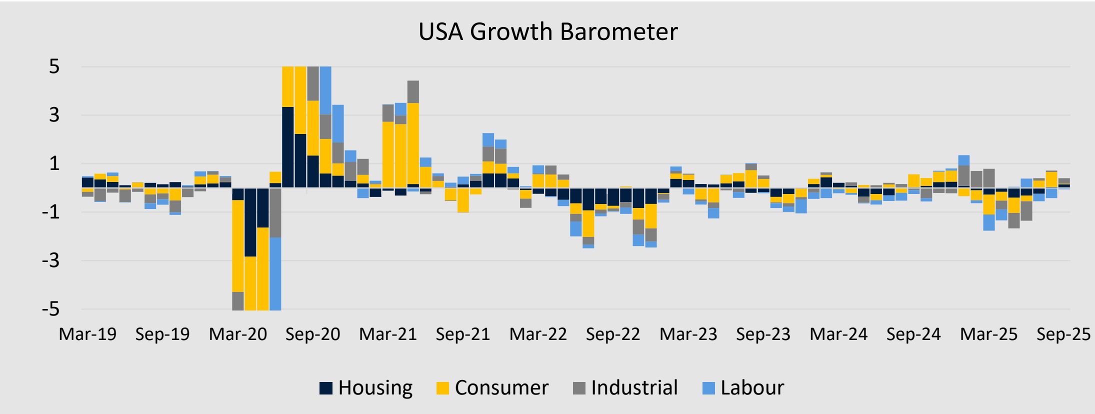
Macroeconomic Overview

North America	●
Asia	●
Europe	▼
Australia	●



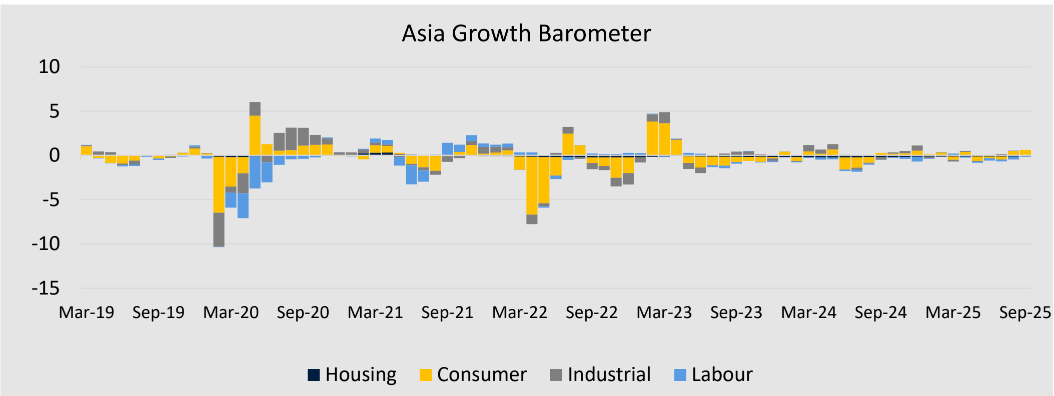
North America

Our growth barometer indicates that the US economy has weathered the tariff shock reasonably well. However, moderating this resilience is a softening labour market, with unemployment rising to 4.3% and payrolls falling short of expectations. As markets anticipated, the Fed cut interest rates by 25bps in September, with further easing from the Fed expected later this year and into 2026. Unusually, this monetary stimulus coincides with strong US corporate earnings emerging from reporting season. Together, these factors serve to limit downside risks to the labour market. While investors are now less preoccupied with tariff concerns, the medium-term growth outlook remains closely tied to how businesses and consumers adapt to the evolving tariff regime, as well as the effects of fiscal stimulus stemming from Trump's One Big Beautiful Bill.



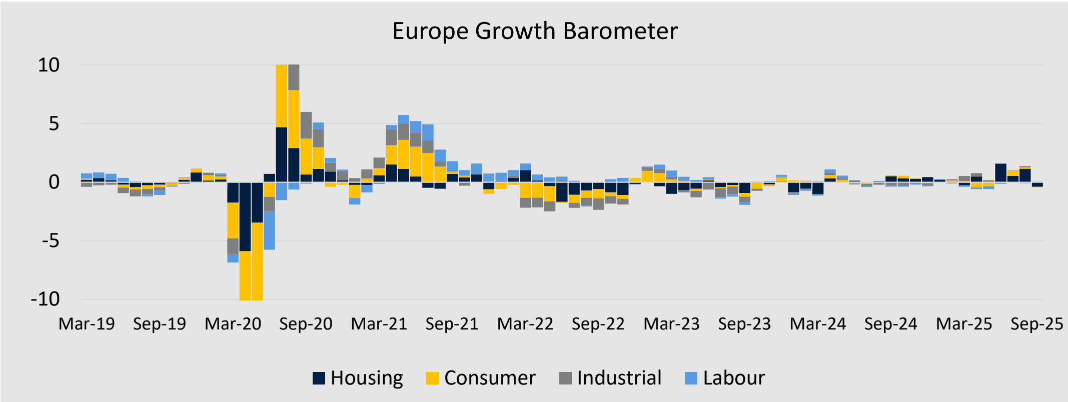
Asia

In Q4 2024, China announced the largest stimulus package 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 signs of success with retail sales growing modestly in the first eight months of 2025 and the gradual improvement in our Asia Growth Barometer. However, China's economy still faces ongoing structural issues such as weakness in its housing market whilst economic growth could also slow if trade war tensions re-escalate. We expect more stimulus announcements in the future, which will play a pivotal role in how Asian equity markets fare from here.



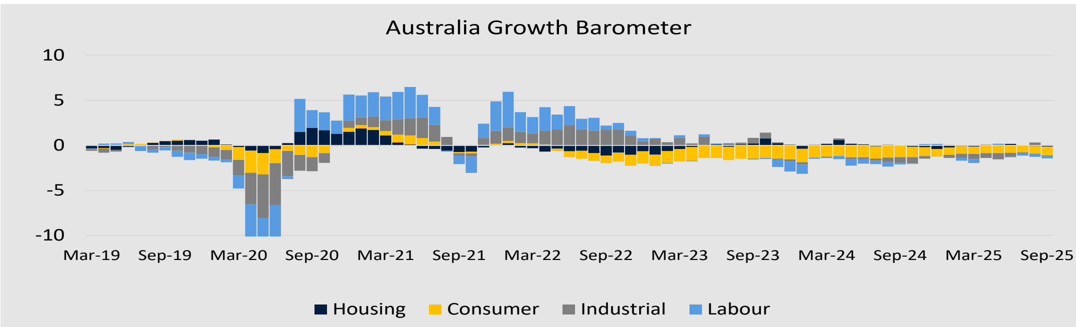
Europe

Europe's economy has struggled to regain momentum post the pandemic, with ongoing challenges to revive manufacturing and broader economic activity. There is growing optimism around potential fiscal support with investments in infrastructure and defence set to accelerate in 2026. However, other sectors face headwinds, notably the healthcare sector, which is currently under pressure from the launch of additional U.S import investigations targeting robotics, industrial machinery and medical devices. Challenges persist around punitive energy and regulatory environments that stand to impede business investment and productivity growth. The European Central Bank (ECB) has cut rates by 235 basis points since 2023 and has held steady since its June cut, citing inflation at around the 2% medium-term target and an unchanged inflation outlook.



Australia

The Australian economy continues to experience below trend growth. Strong migration has been supporting the housing market and overall headline economic activity, although the economy has mostly been 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 3.6%. With the market pricing three more cuts between now and early next year, caution is warranted considering the RBA's recent hawkish tone in its latest Monetary Policy Statement, specifically around private demand recovering more rapidly than expected. That said, it is early days and the outlook for consumer spending remains subdued, which will act to limit business investment uplift. 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.



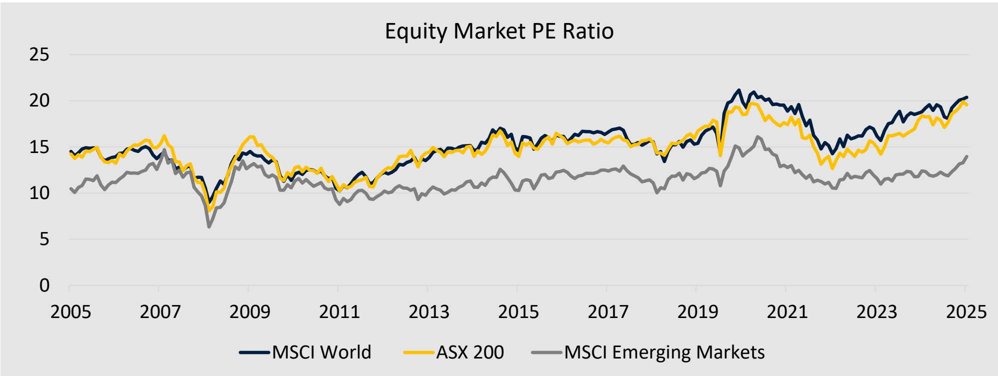
Asset Class Overview

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

Equities

With tariff uncertainty easing, signs of weakness in the US labour market have emerged, prompting the US Federal Reserve to resume its interest rate cutting cycle. US corporate profits have remained resilient through earnings season, which in combination with rate cuts, provide a buffer against material shocks to employment for the region. Risk assets continue to perform strongly in Q3 and there are few signs of stress in markets. Any slight deterioration in the macro environment may be viewed positively by equity markets, as it would increase the case for further monetary policy stimulus. While valuations remain elevated, equities are likely to outperform in an earnings driven market, especially as positive earnings revisions have become increasingly evident in the US, Europe, emerging markets and Japan.

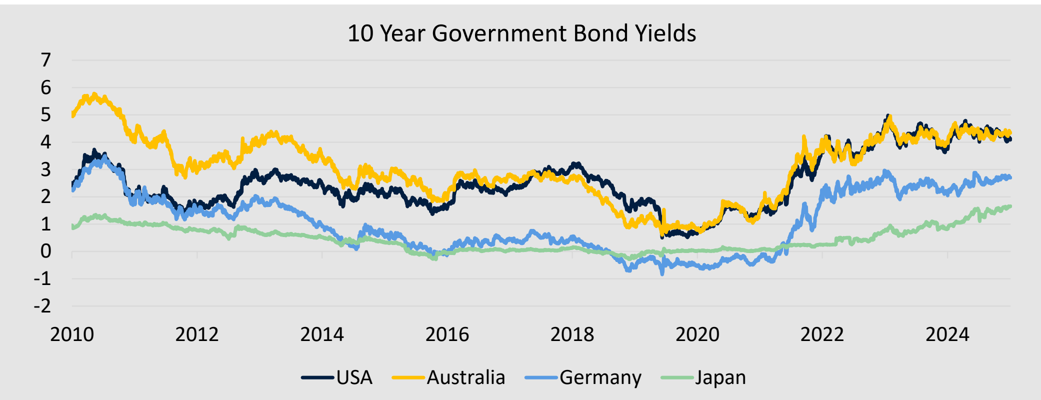
Overweight



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 for some time. As a result, government bond markets are likely to face continued volatility until the future path for interest rates becomes clearer, with the evolving fiscal narrative emerging as an increasingly significant driver of duration risk. We do however believe that bonds today have a greater potential to provide true diversification and act as ballast to portfolios in times of true economic crisis.

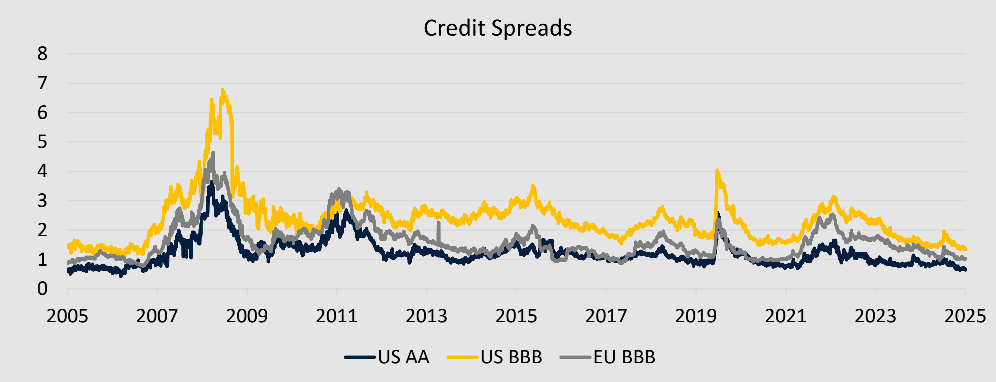
Underweight



Credit

We continue to lean into floating rate Australian credit as corporates are in good shape. This was recently reinforced in the latest reporting season. 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.

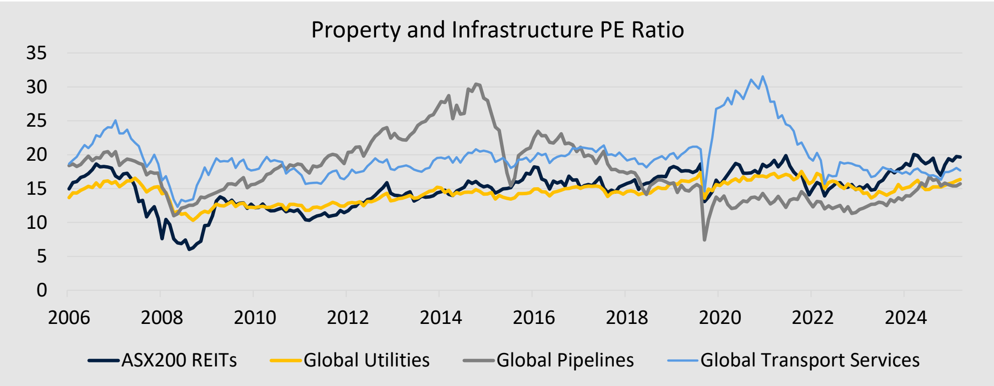
Overweight



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 for property and slightly overweight infrastructure.

Overweight



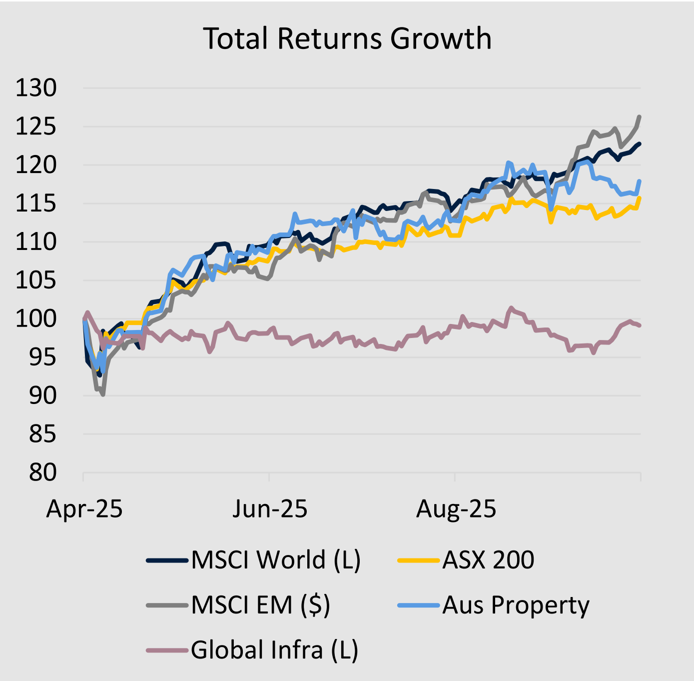
Global Alpha

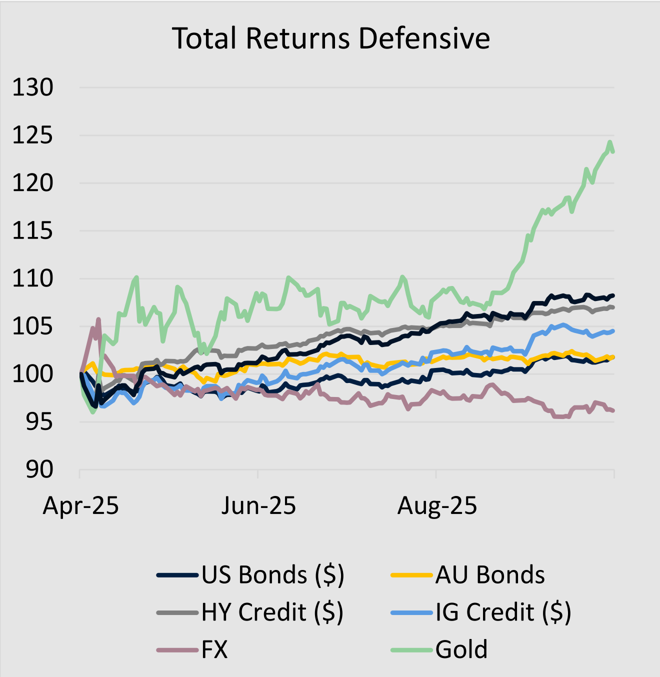
An allocation to this asset class can be very manager and strategy type specific, and during volatile markets global alpha strategies remain a prudent diversifier in multi-asset portfolios. Following the latest SAA changes, growth assets are slightly above neutral with an overweight to infrastructure and global equities, offset by an underweight to global alpha and Australian equities.

Underweight

Asset Class Returns

	Latest Value 30/09/25	Weekly Performance	Monthly Performance	Quarterly Performance	Yearly Performance
MSCI World All Countries	1,174	0.5%	3.7%	8.1%	17.5%
S&P/ASX 200	8,849	0.9%	-0.8%	4.7%	10.6%
MSCI Emerging Markets	1,346	0.4%	7.2%	10.9%	18.2%
Nasdaq Composite	22,660	0.2%	5.7%	11.4%	25.4%
Euro Stoxx	584	1.2%	2.8%	4.2%	16.8%
Australian Property	103	-1.8%	-2.2%	1.9%	4.2%
Global Infrastructure	74	2.6%	1.2%	2.6%	11.4%
Australian Bonds	4.34%	-0.3%	0.0%	0.0%	3.0%
US Bonds	4.15%	0.0%	0.9%	1.6%	1.9%
High Yield Credit (spread/return)	1.3%	-0.1%	0.9%	2.1%	7.2%
Investment Grade Credit (spread/return)	0.7%	-0.2%	1.9%	2.9%	3.2%
US $ / Australian $	0.66	0.1%	1.0%	0.8%	-4.8%
Crude Oil-WTI	63.2	0.2%	-1.9%	-4.7%	-8.1%
Gold Bullion $/T Oz	3,834	4.4%	11.4%	16.7%	45.6%





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