DRUMMOND

CAPITAL PARTNERS

INVESTMENT PERSPECTIVES

October 2025

Month In Review

Global Equities
2.8%

Aus Equities
0.4%

Aus REITs
0.4%

AUD/USD
-0.8%

US Bonds
0.7%

Commodities
1.4%

With the MSCI ACWI rising 2.8% in October, global equities advanced for a fifth consecutive month. Markets were optimistic in the lead up to the widely anticipated meeting between the presidents of both the United States and China, set to cover a broad agenda including tariffs, trade, rare earths and pathways to end Russia's war in Ukraine. The S&P 500 remained resilient buoyed by the US Federal Reserve electing to cut interest rates, despite ongoing uncertainty surrounding the US government shutdown. Strong earnings from major technology companies and AI-related activity saw the Nasdaq deliver a strong 4.7% gain.

Australian equities edged higher by 0.4%, however volatility remained steadfast. A surprise inflation spike dampened market expectations for further interest rate cuts this year from the Reserve Bank, despite September's unemployment rate figure rising to 4.5%. Although Australian REITs finished marginally higher, up 0.4%, the rate sensitive sector experienced a sell off late in the month driven by shifting monetary policy expectations. Emerging markets advanced a solid 4.2%, supported by improved sentiment around US-China trade tensions and continued strength in technology names, particularly semiconductor manufacturers benefiting from ongoing AI-driven growth. Japan's Topix index posted a strong 6.2% gain riding on US tech momentum and optimism surrounding the economic and security agenda from Japan's newly appointed Prime Minister Sanae Takaichi.

Fixed income markets delivered positive returns in a volatile month amidst renewed caution from Federal Reserve officials, with US bonds rising 0.7%. Australian bonds gained 0.4% amid a narrowing window for further rate cuts. High yield credit was flat, while investment grade credit edged 0.2% lower as spreads remained tight with sustained demand for yield.

Commodities were mixed, with oil declining 2.3% and gold rising 3.8%, despite the latter experiencing a sell-off during the month with markets pausing to question the sustainability of recent price increases. The Australian dollar declined 0.8% against the USD as markets priced in easing tensions between the US and China.

Things That Matter

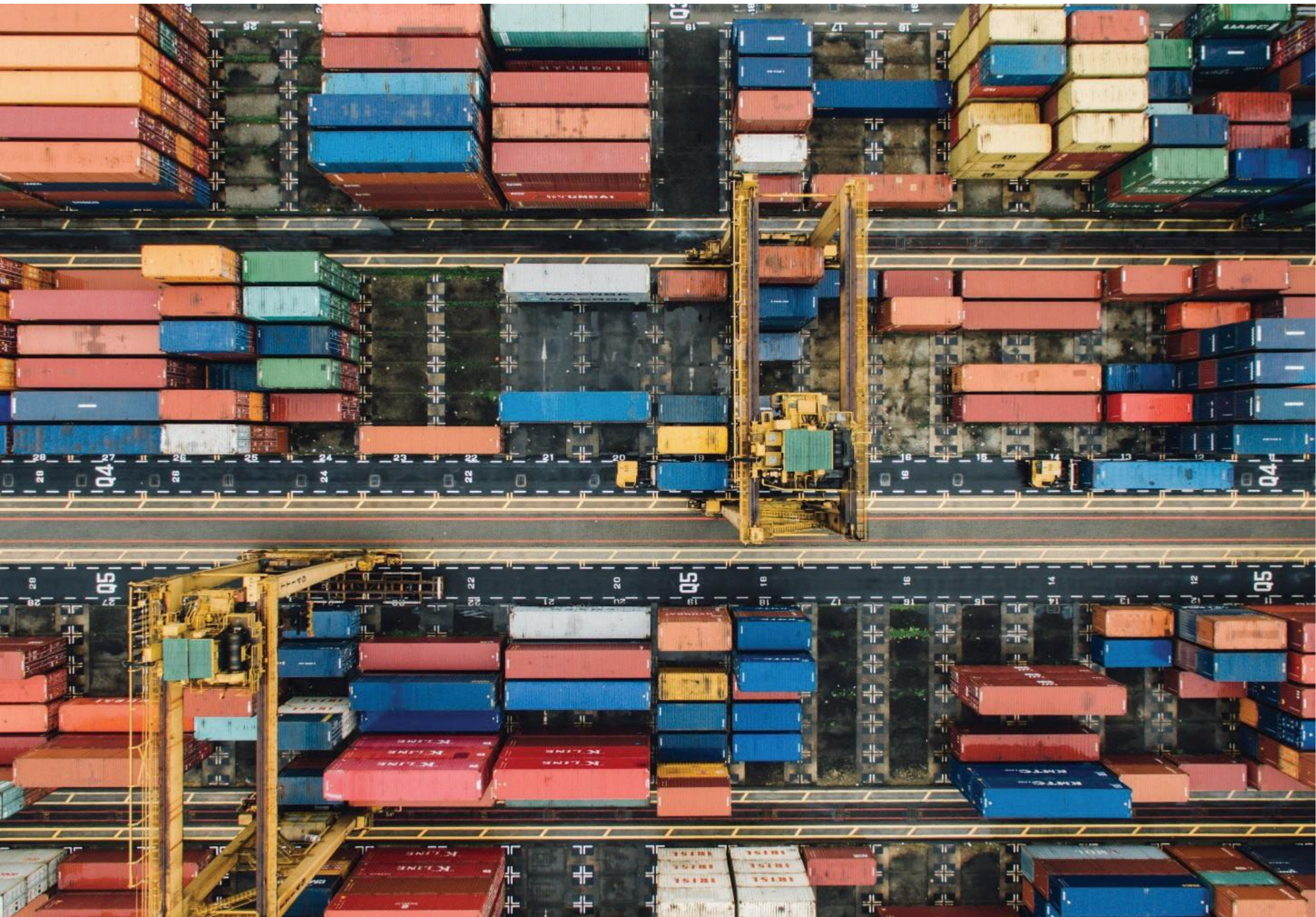
1.	With inflation close to target in most major economies, central banks are broadly cutting interest rates.
2.	President Trump has significantly increased the level of global policy uncertainty for investors.
3.	Equity market and bond valuations will be challenged if inflation begins to rise or if there 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	↑	○	○	○	●	○

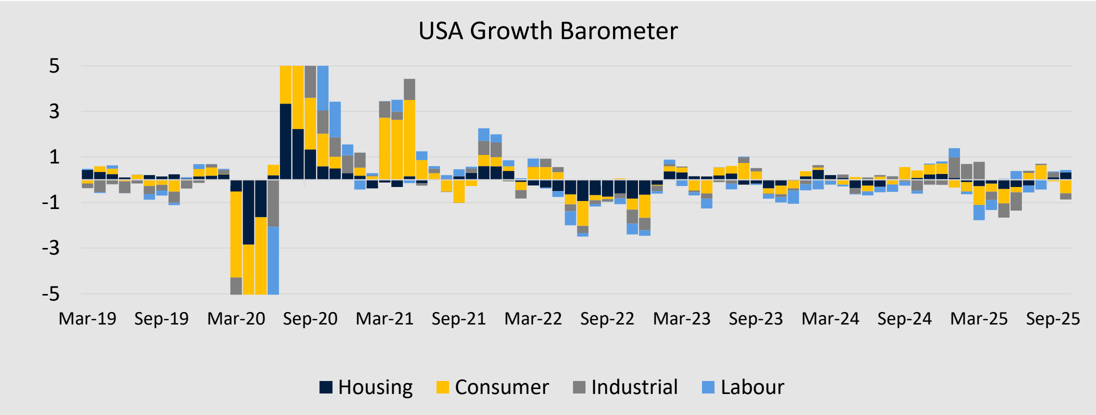
Macroeconomic Overview

North America	▼
Asia	●
Europe	▲
Australia	●



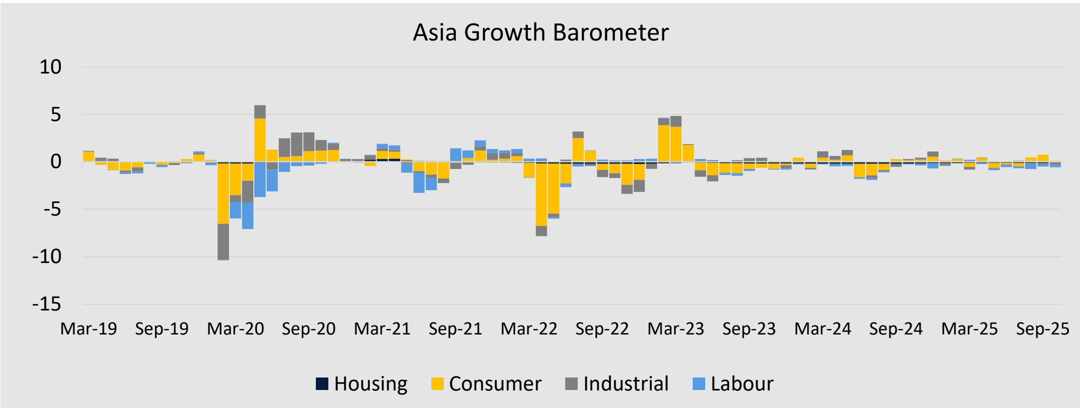
North America

Although the US economy has weathered the tariff regime reasonably well, a softening labour market has weighed on consumer confidence reaching a six-month low in October, as shown in our growth barometer. With the limited data following the ongoing US government shutdown, unemployment reached a four-year high of 4.3% in August, and payroll growth continues to lag expectations. As anticipated, the Federal Reserve cut interest rates by 25bps in October, though it emphasised further easing is not a 'foregone conclusion'. Monetary policy stimulus persists against a backdrop of strong US corporate earnings following reporting season. Collectively, these factors help contain 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 adjust to the evolving tariff landscape and to the impact of fiscal stimulus from Trump's One Big Beautiful Bill.



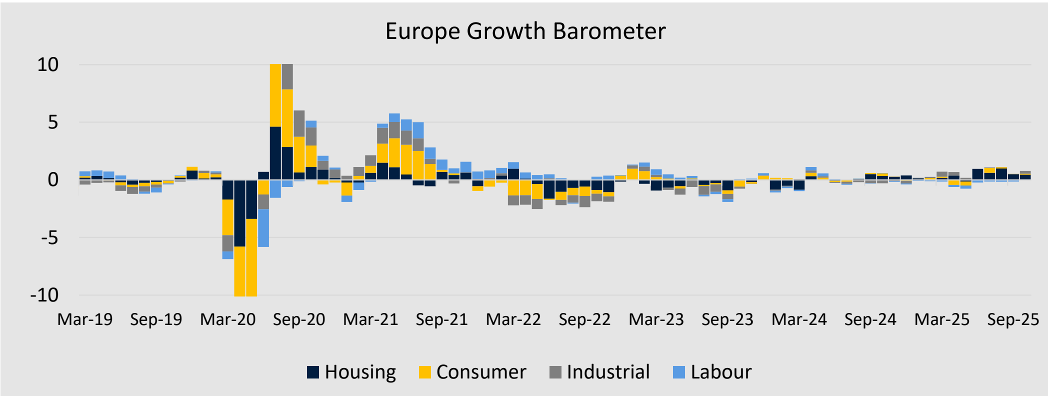
Asia

In Q4 2024, China announced a large-scale support package to revive its struggling economy. The result of which has been mixed thus far, and the success of this policy will be heavily reliant on whether 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 for the first nine months of 2025. However, China's economy continues to face structural challenges, particularly in its housing market, where recent accelerating price declines suggest the effects of earlier stimulus measures may be fading. Against this backdrop, we expect further support measures to be announced by the government.



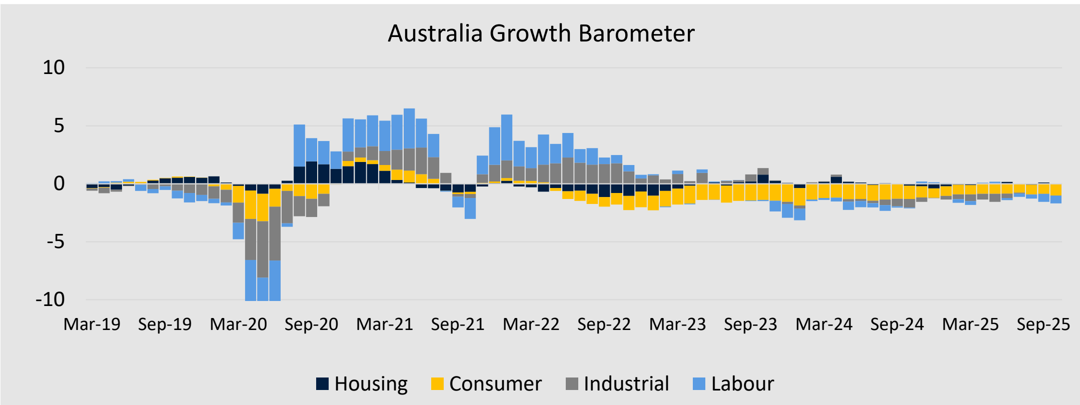
Europe

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. 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. The ECB's base case for holding rates steady rests on the premise the worst risks facing economic growth for the region have declined and cited services inflation contributing to stickier inflation.



Australia

The Australian economy is experiencing below trend growth. Strong migration has supported 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 back to target, allowing the RBA to hold the cash rate at 3.6%. Although markets recently priced in more rate cuts leading into Q4, this expectation has taken an about face as inflation has picked up and was materially higher than expected in the RBA's August statement. With higher-than-expected inflation figures eroding hopes of policy easing, this will likely impact business and consumer confidence. Markets have priced this in with the consumer discretionary sector down 6.5% in October. Fundamentally, Australia needs to employ measures to boost labour productivity and reduce excessive regulation to encourage a more dynamic investment environment.



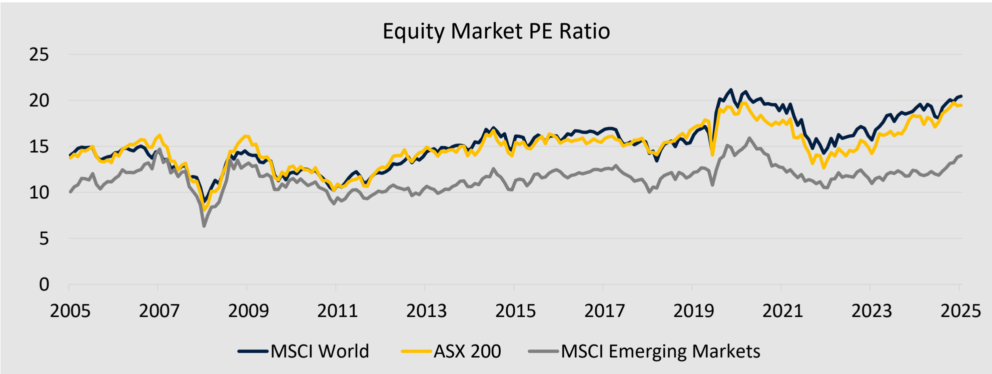
Asset Class Overview

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

Equities

Overweight

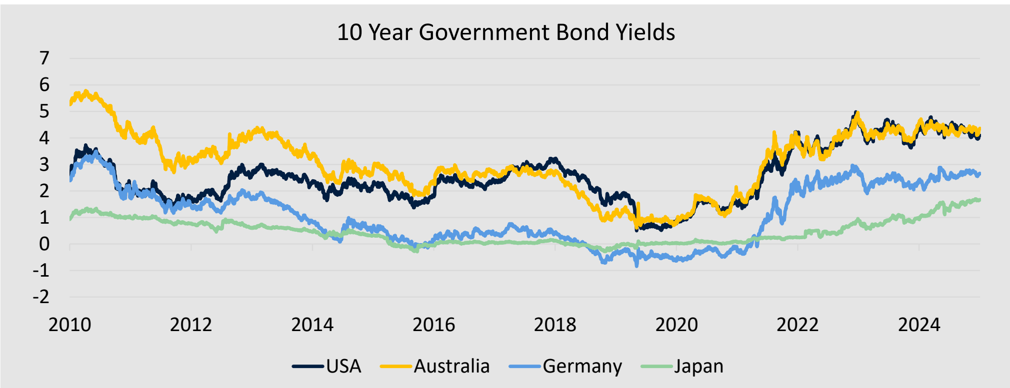
With tariff uncertainty easing coupled with continuing signs of weakness in the US labour market, the US Federal Reserve, although cautious, is set to continue its interest rate cutting cycle. US corporate profits have remained resilient through earnings season, which in combination with rate cuts, provide a buffer against material shocks to employment for the region. Risk assets continue to perform strongly with 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.



Bonds

Underweight

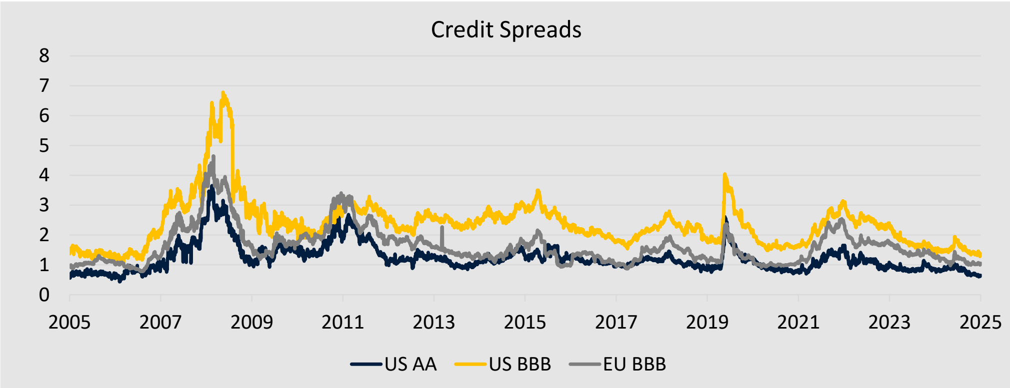
The portfolios remain underweight bond exposure as central banks continually reassess the speed of rate cuts. Trump's presidency and potential policy shifts alongside rising fiscal deficit concerns have altered the market's outlook on longer-dated treasury yields, and this is likely to remain a source of uncertainty for the foreseeable future. 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. It remains however that bonds have a greater potential to provide true diversification and act as ballast to portfolios in times of true economic crisis.



Credit

Overweight

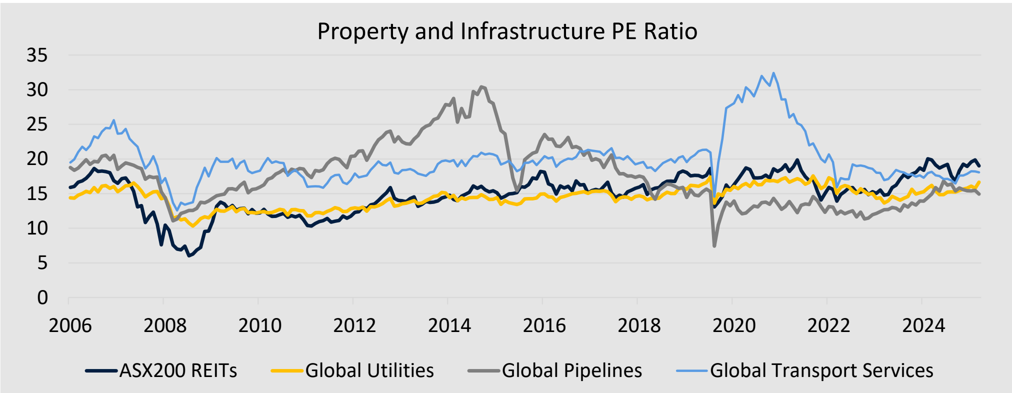
We continue to lean into floating rate Australian credit as corporates are in good shape. This was recently reinforced in the latest reporting season. On a relative value basis, the Australian market looks attractive compared to offshore credit markets. Importantly, we view the current yields available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



Property / Infrastructure

Overweight

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. The portfolios are currently neutral for property and overweight infrastructure.



Global Alpha

Underweight

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.

Asset Class Returns

	Latest Value 31/10/25	Monthly Performance	Quarterly Performance	Half Year Performance	Yearly Performance
MSCI World All Countries	1,207	2.8%	8.7%	18.9%	22.2%
S&P/ASX 200	8,882	0.4%	2.7%	8.7%	12.5%
MSCI Emerging Markets	1,402	4.2%	13.3%	24.9%	28.7%
Nasdaq Composite	23,725	4.7%	12.5%	30.3%	32.0%
Euro Stoxx	597	2.4%	5.6%	9.8%	23.4%
Australian Property	103	0.4%	2.5%	8.4%	7.2%
Global Infrastructure	73	-0.3%	1.5%	2.3%	7.7%
Australian Bonds	4.32%	0.4%	0.7%	1.1%	6.0%
US Bonds	4.10%	0.7%	2.7%	3.3%	5.2%
High Yield Credit (spread/return)	1.3%	0.0%	2.0%	5.1%	8.2%
Investment Grade Credit (spread/return)	0.6%	-0.2%	2.7%	5.5%	6.3%
US $ / Australian $	0.66	-0.8%	1.3%	1.9%	-0.3%
Crude Oil-WTI	61.8	-2.3%	-12.2%	2.9%	-11.3%
Gold Bullion $/T Oz	3,979	3.8%	20.7%	21.5%	45.2%