DRUMMOND

CAPITAL PARTNERS

INVESTMENT PERSPECTIVES

February 2026

Month In Review

Global Equities
1.5%

Aus Equities
4.1%

Aus REITs
-2.4%

AUD/USD
1.7%

US Bonds
1.9%

Commodities
2.4%

It was an eventful month across markets, with volatility driven by both macro developments and shifting sector level dynamics. Late February, Israel and the U.S commenced coordinated military action against Iran, adding to the geopolitical risk premium. The U.S Supreme Court struck down several of President Trump's tariffs, placing ~US$175 billion in collected duties at risk of refund and adding to existing policy uncertainty.

Encouragingly, the U.S labour market strengthened in January making the case for a stabilising employment backdrop. The MSCI ACWI advanced 1.5% whilst the S&P 500 index declined 0.8%, with the latter weighed down by a broad software sell-off following Anthropic's launch of Cowork, which investors perceived as a potential structural threat to the software sector. Despite this, we are in the final stretch of reporting season, with 96% of S&P 500 companies having reported, with 73% delivering positive EPS and revenue growth surprises.

Australian equities reached record highs following a strong earnings season, with miners, banks and consumer staples delivering outsized returns. Anticipation of higher rates continued to pressure Australian REITs, falling 2.4%. Emerging markets rose 5.5% over the month, supported by sector rotation and a rally in memory chipmakers, fuelled by AI-driven capital expenditure, predominantly from U.S demand. European equities rose 3.5%, supported by reported earnings growth exceeding analyst expectations.

U.S bond prices gained 1.9% on softer-than-expected January inflation data, despite a resilient labour market. Australian bonds rose 1.1%, with sticky inflation providing less room for yields to fall. High-yield credit was flat, whilst investment grade credit rose 1.4%.

Amid volatility, driven in part by geopolitical risks, commodities closed higher with oil and gold rising 3.7% and 4.5% respectively. The Australian dollar extended gains against the U.S dollar, supported by strengthening commodity prices and a hawkish local interest rate outlook.

Things That Matter

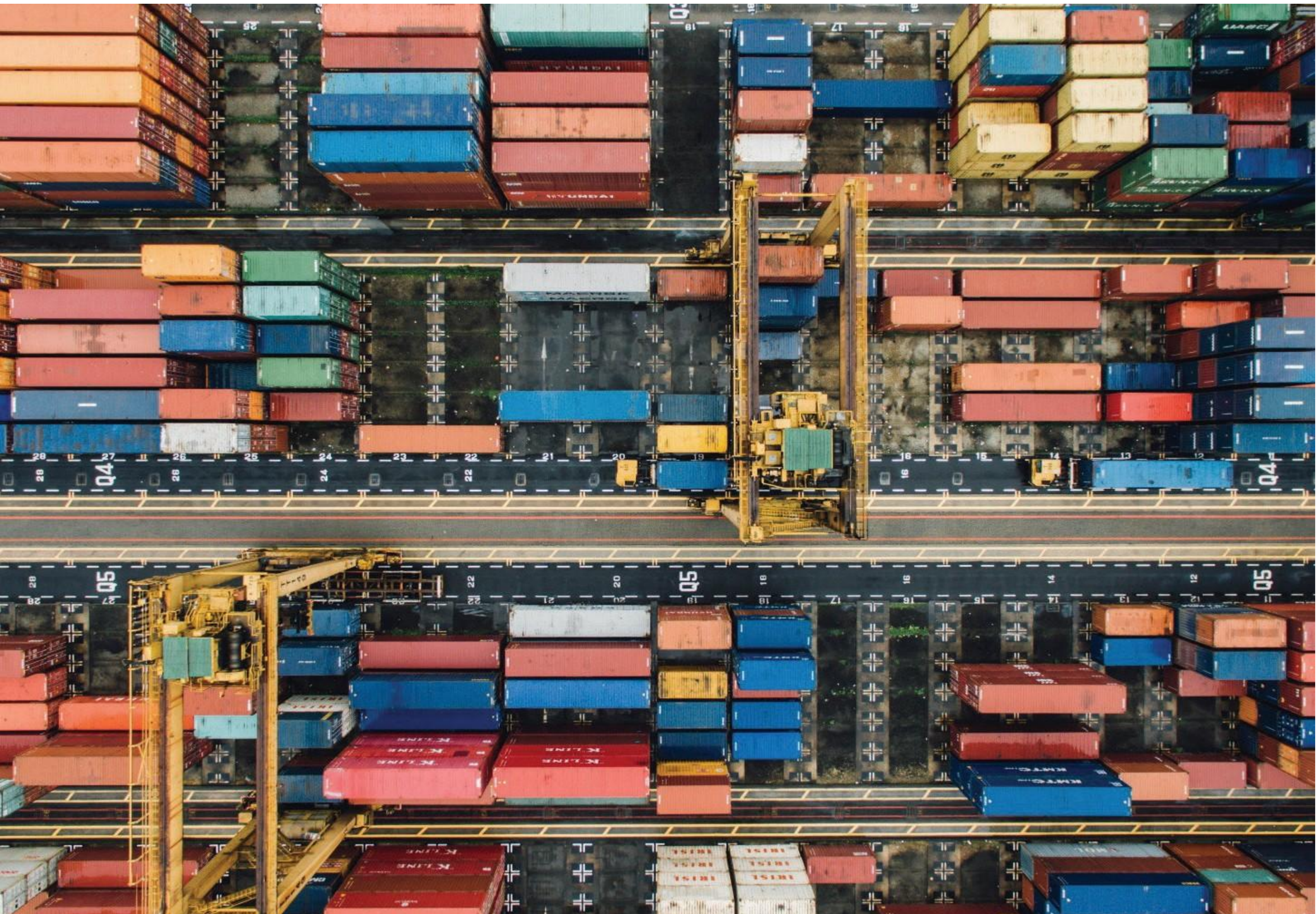
1.	Inflation stabilising across key economies, indicating central banks are near the end of rate cuts and, in some regions, tightening
2.	An era of geopolitical fragmentation is rewiring global trade, with the world organising into regional blocs
3.	AI adoption is in its infancy and is set to transform the competitive landscape across businesses, industries and geographies
4.	Global demographic shift is underway: aging populations, shrinking workforces, and developing economies driving future growth
5.	Fiscal stimulus is currently boosting liquidity with mounting government debt presenting longer-term risks

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	🟨	○	○	○	🟢	○

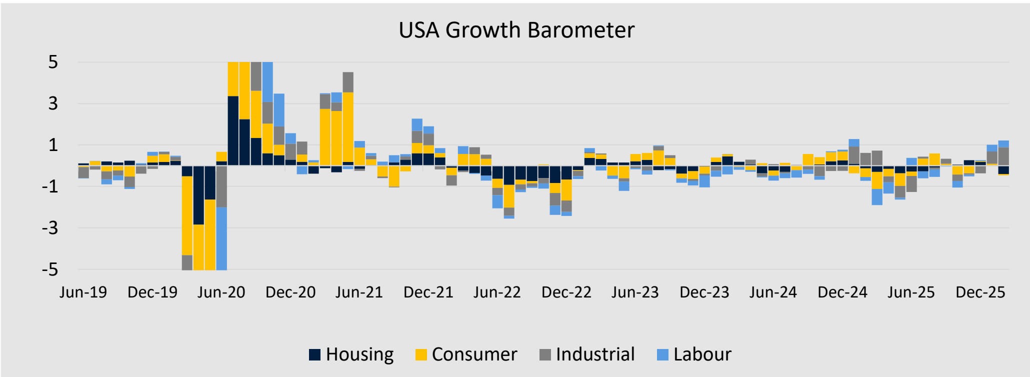
Macroeconomic Overview

North America	▲
Asia	▲
Europe	●
Australia	●



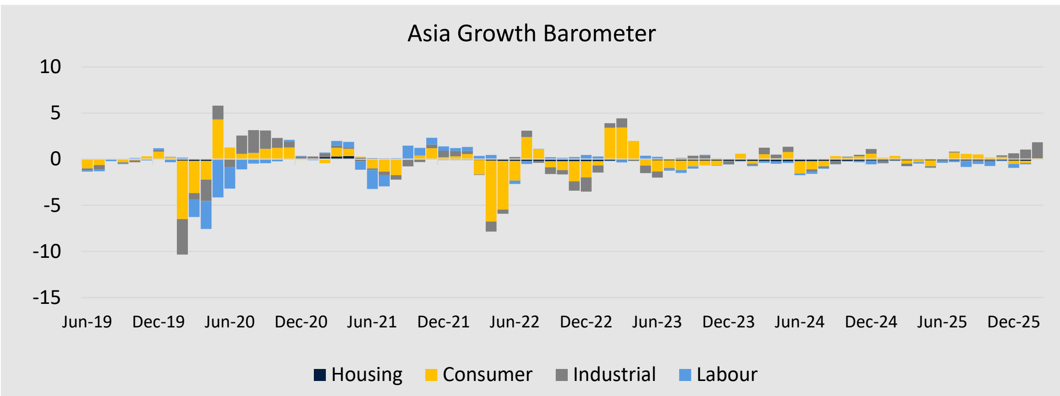
North America

Since March 2025, the U.S dollar has depreciated sharply amid expectations of continued Federal Reserve rate cuts, tariff uncertainty, policy volatility and a rising fiscal deficit under the OBBB Act. The rejection of Trump's tariff program by the Supreme Court is unlikely to change the economy's course. January labour market data surprised on the upside, with unemployment falling to 4.3% and below consensus. U.S factory activity expanded, with the manufacturing PMI rebounding to 52.6. This is the first reading above 50.0 in 12 months, signalling growth in a sector accounting for 10.1% of the world's largest economy. Incoming tax cuts in 2026 are expected to support higher consumer spending and business investment. Combined with a strong corporate earnings season, in which results have broadly exceeded analyst expectations, these factors create a supportive environment for a risk-on stance.



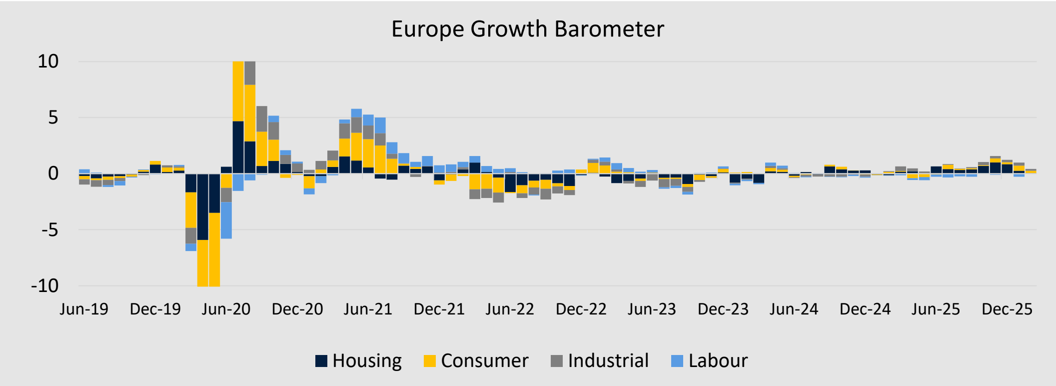
Asia

China's growth outlook remains constrained by weak household demand, a protracted property downturn and excess industrial capacity, all of which continue to exert deflationary pressure. January data reinforced this dynamic, with consumer inflation easing and producer price deflation persisting, underscoring the fragility of domestic demand and the uneven nature for a recovery. Industrial output has improved, supported by firmer manufacturing activity and a redirection of exports towards Europe and Southeast Asia. However, this momentum reflects external demand and pricing competitiveness rather than durable domestic expansion. Meanwhile, Japan's historic election landslide provides a clear mandate for Prime Minister Takaichi to pursue reflationary policies and lift investment through targeted public spending to support consumption and stimulate growth for the region.



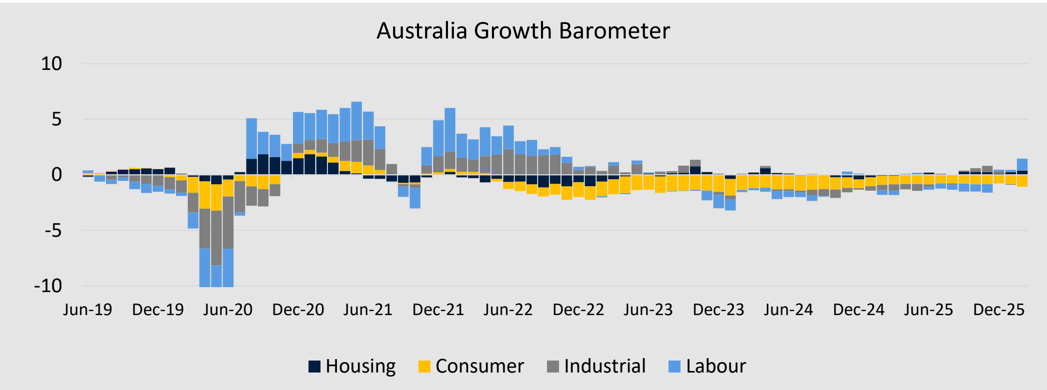
Europe

Europe continues to face structural headwinds, including weak productivity, demographic pressures, and rising demands on public finances tied to defense spending and the transition to a decarbonised, digital economy. The ECB recently highlighted Europe's uncertain outlook amid ongoing trade policy volatility and outlined measures to make it easier for foreign central banks to access euro funding as part of its broader strategy to strengthen Europe's position against the U.S and China. This reflects a logical response to Europe's challenging trade environment that features a shrinking trade surplus pressured by U.S tariffs and rising Chinese imports crowding out domestic production. Meanwhile, the region benefits from low unemployment, inflation near the ECB's 2% target, solid private sector balance sheets, and increased infrastructure and defense spending. Expectations are for Germany's fiscal expansion to have a more material impact for the Eurozone in 2026.



Australia

Australia's economy is navigating a high cost, low growth environment. Inflation remains elevated, with January's CPI steady at 3.8% YoY and the trimmed mean figure rising slightly from 3.3% in December to 3.4% YoY to January, underscoring capacity constraints and raising the prospect of further rate hikes. The December quarter saw wage growth broadly in line with expectations, however January jobs data was strong with unemployment at 4.1%. Adding to inflationary pressures is public spending, currently at near record share of GDP, which limits the scope for private consumption to expand without exacerbating capacity constraints and inflation. Major reforms aimed at boosting productivity, including deregulation and tax reforms are critical to expanding the economy's supply capacity. Collectively, these factors challenge Australia's prospects for sustainable growth.



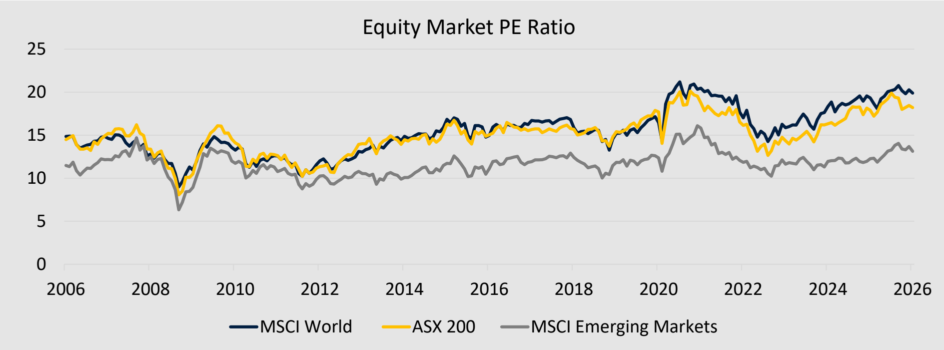
Asset Class Overview

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

Equities

Overweight

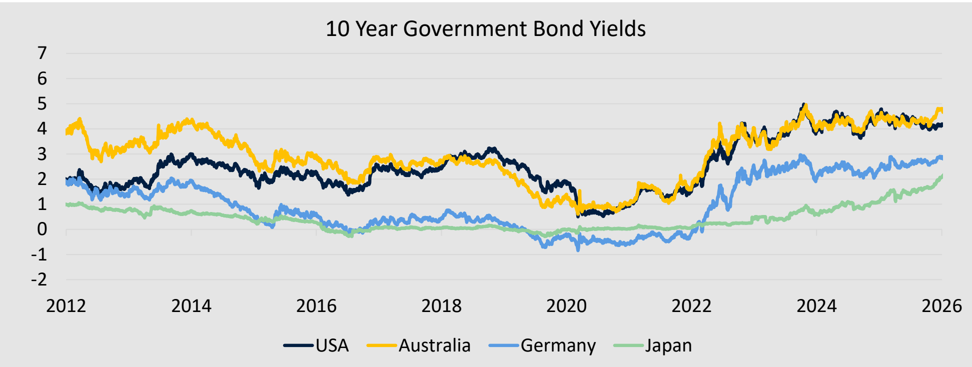
The U.S economy remains resilient, underpinned by a structurally strong corporate sector characterised by low net debt, healthy free cash flow and margins. Solid earnings across regions continue to support equity markets highlighted during reporting season. With 96% of S&P 500 companies reporting, 73% delivered positive EPS and revenue surprises. Markets are pricing continued momentum, relfected in a forward 12-month P/E ratio of 21.6, above the 10-year avearge of 18.8. Earnings breadth is more evident, with European shares posting better than expected results. Increased U.S allocations to Japan, emerging markets and Europe, driven by diversification and reassessment of AI related capex sustainability, saw markets across regions benefit including European equities closing February at a record high. While geopolitical risks generate near term volatility, they reinforce the case for disciplined regional diversification amid broadening earnings strength.



Bonds

Underweight

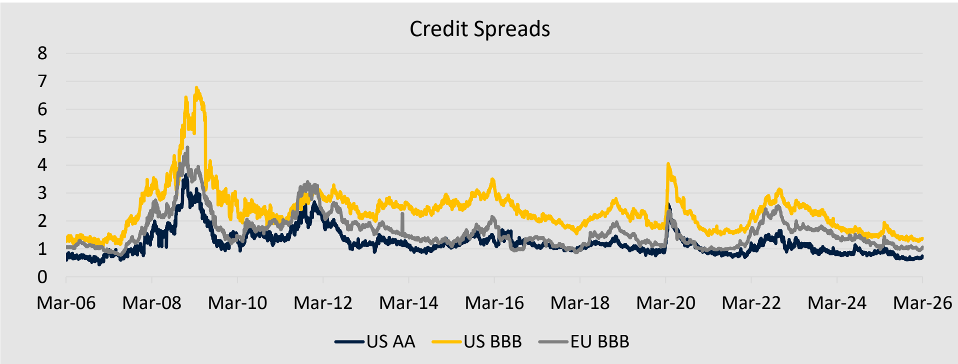
Fixed income markets remain broadly range bound as investors await clearer signals from inflation data, labour markets and central bank guidance, particularly from the U.S. While trade policy uncertainty and potential corporate refund lawsuits enter the fray, bond market volatility has remained relatively subdued. Rising fiscal deficit concerns from the U.S continue to weigh on duration risk. Australian bond yields are around multi-year highs as markets anticipate a hawkish RBA stance in 2026. Concerns around Japan's bond market focus on Takaichi's fiscal agenda potentially creating deficits, yet Japan's economic fundamentals including corporate goverance reforms set to continue to boost profitability and tax revenues, alongside lower foreign ownership of bonds relative to the U.S, provide insulation against capital flight during periods of uncertainty. Portfolios remain underweight bonds.



Credit

Our preference for floating rate Australian credit is underpinned by solid corporate earnings and resilient business models. The Australian market remains compelling on a relative value basis offering yield premium to offshore markets. Yields in Australian investment grade corporate debt remain attractive versus cash and government bonds, supporting higher income generation potential and more consistent return outcomes. Portfolio sizing reflects this view, with a cautious bias towards quality and liquidity.

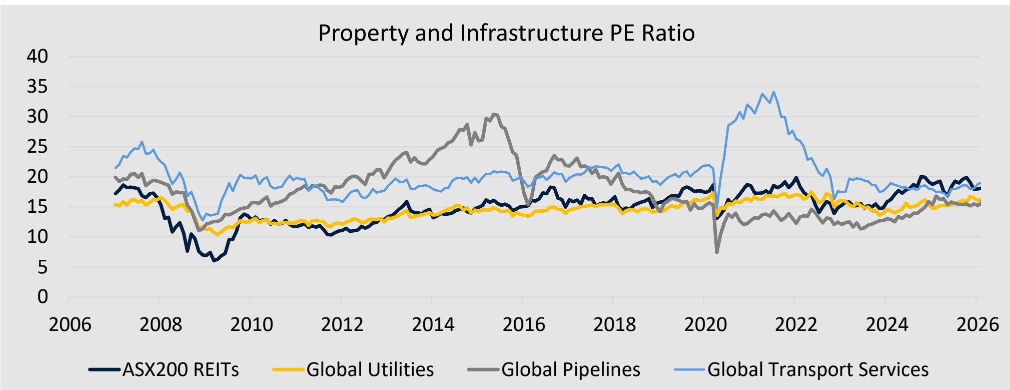
Overweight



Property / Infrastructure

These assets are typically more defensive than global equities. Over the long-term both have robust inflation hedging characteristics. In the REIT universe, income typically grows annually by fixed or inflation-linked review mechanisms. Demand for AI focused data centres is unprecedented requiring buildout of energy infrastructure. Current valuations across these asset classes remain compelling relative to global equities, offering valuable portfolio diversification. The portfolios remain neutral on property and overweight infrastructure.

Overweight



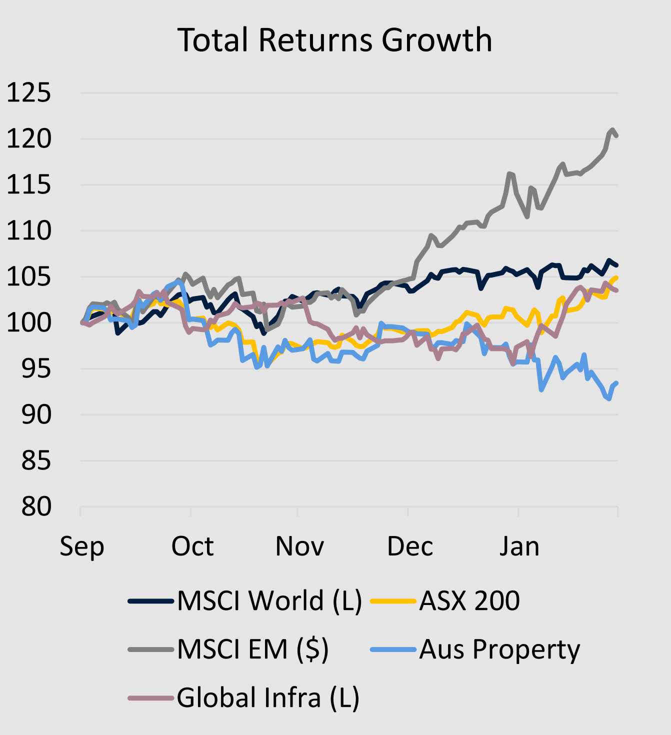
Global Alpha

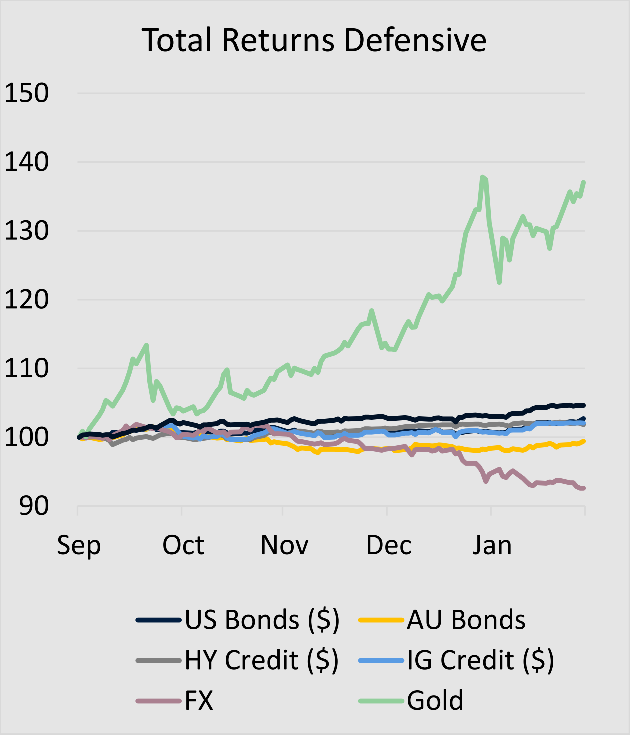
An allocation to this asset class can be very manager and strategy specific. Under recent SAA changes, growth assets sit modestly above neutral, reflecting our overweight allocations to infrastructure and global equities. This was offset by an underweight to global alpha and Australian equities.

Underweight

Asset Class Returns

	Latest Value 28/02/26	Monthly Performance	Quarterly Performance	Half Year Performance	Yearly Performance
MSCI World All Countries	1,260	1.5%	4.8%	12.0%	22.0%
S&P/ASX 200	9,199	4.1%	7.3%	4.8%	16.2%
MSCI Emerging Markets	1,611	5.5%	18.3%	26.3%	50.8%
Nasdaq Composite	22,668	-3.3%	-2.9%	7.2%	21.0%
Euro Stoxx	651	3.5%	9.1%	14.4%	20.1%
Australian Property	94	-2.4%	-3.7%	-8.2%	5.8%
Global Infrastructure	76	6.6%	2.1%	7.2%	7.0%
Australian Bonds	4.65%	1.1%	0.2%	0.0%	2.2%
US Bonds	3.96%	1.9%	1.4%	3.4%	5.3%
High Yield Credit (spread/return)	1.4%	0.0%	1.1%	2.8%	6.8%
Investment Grade Credit (spread/return)	0.7%	1.4%	1.0%	4.0%	6.6%
US $ / Australian $	0.71	1.7%	9.1%	8.5%	14.7%
Crude Oil-WTI	67.0	3.8%	14.3%	7.9%	-4.3%
Gold Bullion $/T Oz	5,254	4.5%	25.1%	50.9%	84.3%





DISCLAIMER

Prepared by Drummond Capital Partners (Drummond) ABN 15 622 660 182, AFSL 534213. It is exclusively for use for Drummond clients and should not be relied on for any other person. Any advice or information contained in this report is limited to General Advice for Wholesale clients only.

The information, opinions, estimates, and forecasts contained are current at the time of this document and are subject to change without prior notification. This information is not considered a recommendation to purchase, sell or hold any financial product. The information in this document does not take account of your objectives, financial situation or needs. Before acting on this information recipients should consider whether it is appropriate to their situation. We recommend obtaining personal financial, legal and taxation advice before making any financial investment decision. To the extent permitted by law, Drummond does not accept responsibility for errors or misstatements of any nature, irrespective of how these may arise, nor will it be liable for any loss or damage suffered because of any reliance on the information included in this document. Past performance is not a reliable indicator of future performance.

This report is based on information obtained from sources believed to be reliable, we do not make any representation or warranty that it is accurate, complete, or up to date. Any opinions contained herein are reasonably held at the time of completion and are subject to change without notice.