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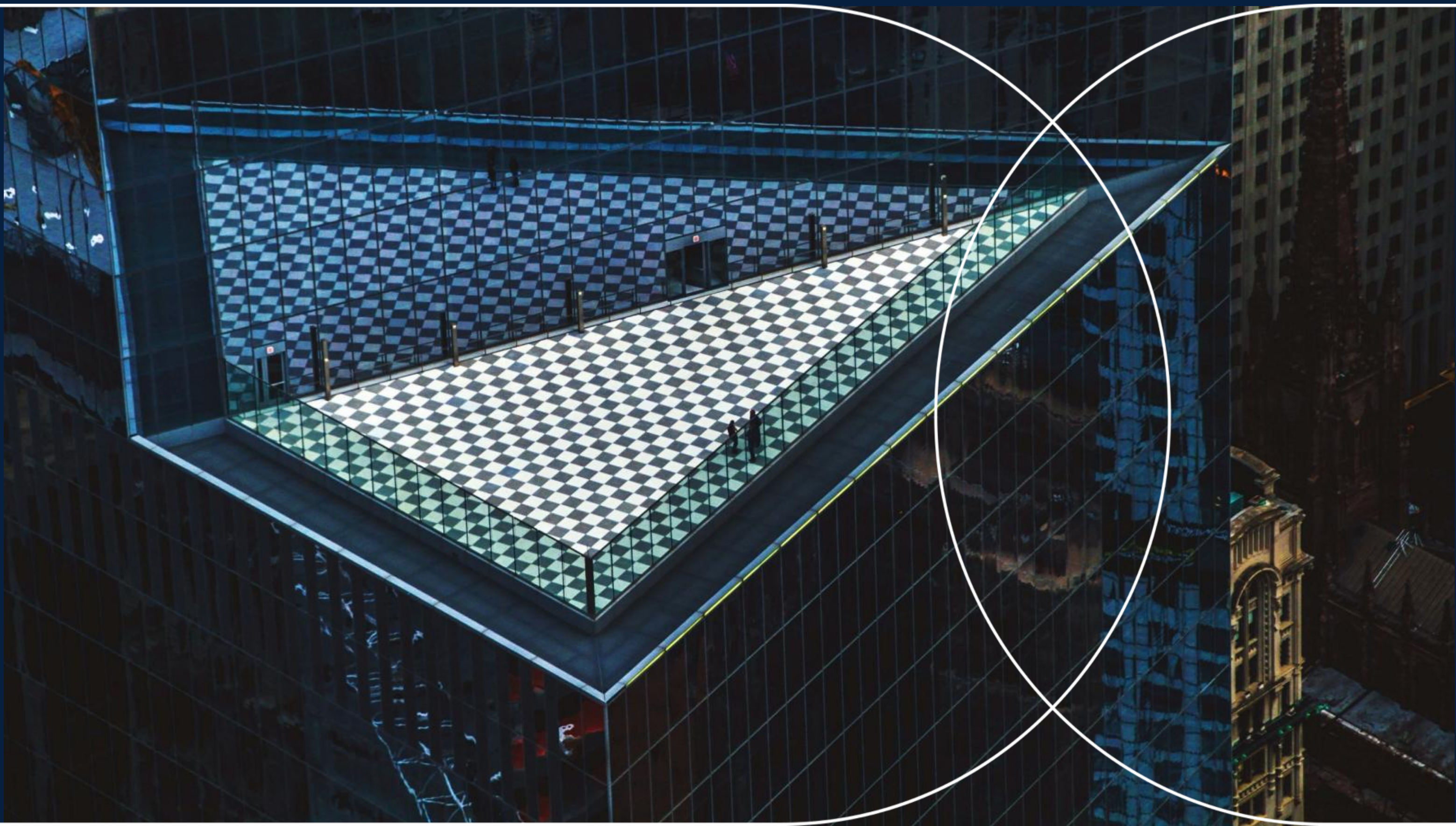

2026 STRATEGIC ASSET ALLOCATION REVIEW

July 2026

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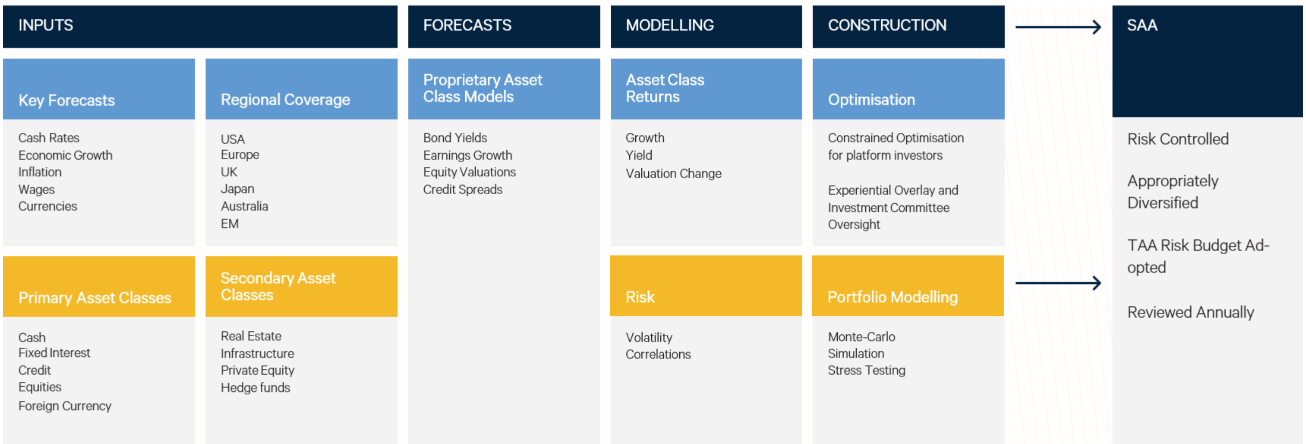
DRUMMOND'S STRATEGIC ASSET ALLOCATION

At Drummond, we believe in the power of asset allocation. We invest considerable time and resources into both strategic and tactical asset allocation. Strategic asset allocation (SAA) is the process of constructing a portfolio which is designed to best achieve the investor's objectives over the longer term. This portfolio is reviewed annually, and is agnostic to short term market movements, opportunities and manager skill. Alongside the SAA, we operate a separate tactical asset allocation (TAA) process, which aims to add value by dynamically managing the portfolio's asset allocation through the cycle, within risk limits. For those interested, we have written white papers overviewing both processes in detail.

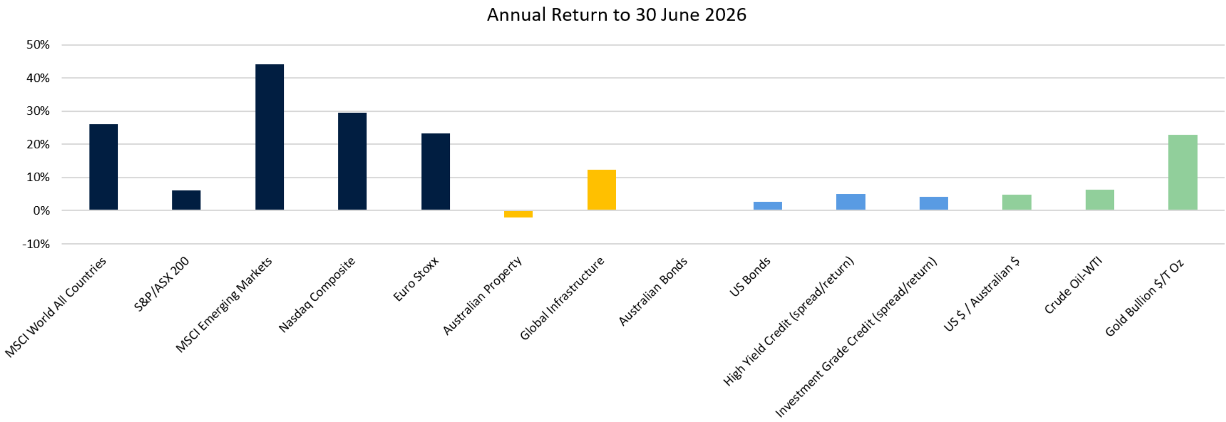
In the paper below, we present the outcomes of the 2026 SAA review. Our SAA review is a multi-stage, iterative process. We begin by formulating capital market assumptions (expected returns, volatility and correlations). Using these assumptions, we create portfolios using a combination of mathematical optimisation as well as the judgement and expertise of the investment team and Investment Committee. We then stress test these portfolios using simulation modelling against historical outcomes.



Below, we step through the process in a little more detail and show the resulting SAAs.

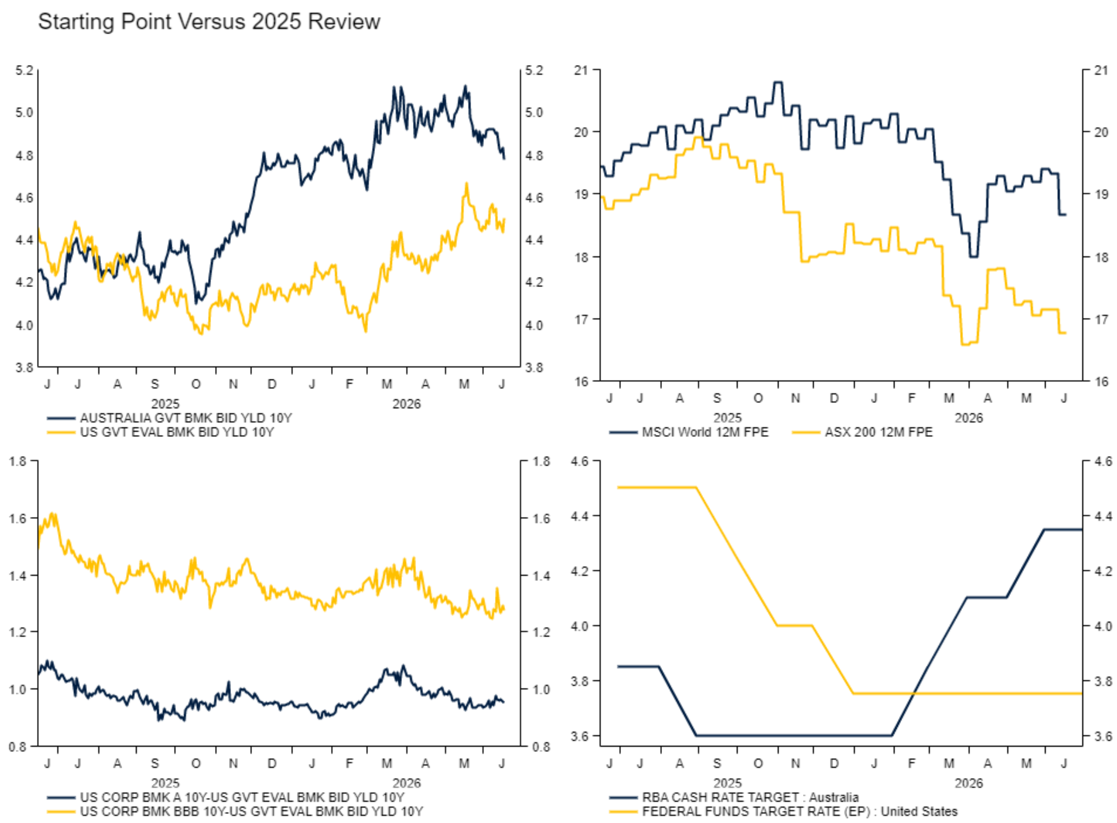
SETTING THE SCENE

Despite the threat of a tariff related economic slowdown and a global oil shortage due to the Iran War, the last twelve months have been a good period for markets. Some of the return in the chart below reflected the early stages of post Liberation Day equity market recovery, but not all. Earnings have driven equity markets higher over the year, predominantly driven by the tech sector and AI related companies. Gold had an amazing run in the second half of 2025, but has given much of that return back so far in 2026. Oil finished the last 12 months around 5% higher, as hopes around ceasefire and then a MOU have offset a very real supply shortage given months of missing shipments through the Strait of Hormuz. Bonds have sold off a little, with inflation remaining stickier than markets expected and the global central banking complex switching from an easing or on hold bias towards a hiking bias. The RBA being the aggressive leader of the pack here, in stark contrast to their lack of response to inflation spiking through 2021.



Source: LSEG DataStream, Drummond Capital Partners

So, similar to the year before, the starting point for this year's SAA review appears basically the same place as last year. Bond yields have gone up a fraction. Valuations for global equities are a little better than a year ago on a forward earnings basis, and a little worse on a trailing earnings basis. Credit spreads are a little lower, the Australian cash rate is a little higher.



Source: LSEG Datastream, Drummond Capital Partners

With a similar starting point, changes in our expected capital market returns are driven by changes in our outlook, which are outlined in detail below.

THEMATIC CONSIDERATIONS

There are key thematic considerations which we incorporate into our portfolio construction process which sit outside traditional quantitative modelling. The key themes we wrote about last year continue to be relevant this year and therefore have been summarised. New themes have also been introduced and are detailed below.

Less structural faith in alternatives

This year, we have removed structural exposure to global alpha (hedge funds for the most part) from our strategic series portfolios. While these types of investments have strategic diversification benefits, the experience over the past decade has been one where this diversification benefit has not sufficiently compensated for lower returns. They are also generally much more expensive (from an ICR perspective) than listed market investments and have shown limited diversification potential in negative market environments. We can still hold these investments from a tactical standpoint when the outlook for growth market beta is sufficiently unattractive, but we see no reason to hold them from a structural perspective.

US Exceptionalism / Deglobalisation

We have long been believers in the concept of US exceptionalism. We wrote about the concept in May 2021. The key point we made back then being: The US produces the world's most successful companies for a variety of reasons. It is an enormous single currency, single language market full of wealthy potential customers. Regulatory and legal structures are amenable to growing a business. It is easier to raise debt and equity finance. The Americans have an entrepreneurial spirit unmatched elsewhere which draws the world's best and brightest. However, increasing polarisation in US politics (both party bases are heavily influenced by their extremes) as well as increasing multi-polarisation in the global economy means it will be harder for national champions to remain global leaders – the addressable market for companies is narrowing to political spheres of influence. As a result, some of the valuation premium we had previously assigned to US equities was reduced in the 2025 SAA review.

AI Permeation

In the 2023 SAA review we introduced an AI Boom scenario where AI leads to a positive productivity supply side shock, boosting economic growth globally by a similar magnitude as the PC revolution in the 1990s. This year, we maintain this scenario with some tweaks, but we also lift baseline economic growth forecasts (as we did last year) across all scenarios modestly. We have seen enough progress for certainty that AI will boost global economic growth structurally.

Emerging Markets Allocation

Unchanged from previous years, we believe the potential benefit of a structural allocation to emerging markets is not worth the risks incurred. Particularly around China's debt load, potential conflict over Taiwan and general decoupling between China and the Western world. We think a better approach is to only invest tactically, when the potential benefit is higher than normal.

CAPITAL MARKET SCENARIOS

Given the uncertain longer-term environment, we take a scenario-based approach to constructing the SAA. We create capital market assumptions and SAAs for each scenario and then probability weight them to get a final portfolio, which should be robust to a variety of potential outcomes.

A high-level description of each scenario is shown in the table below. This year the scenarios are broadly the same as last year.

Sticky Inflation	Deglobalisation	Benign Normal	AI Economy
Lack of fiscal credibility, green energy transition, increased defence spending, less central bank independence and supply chain disruptions all combine to deliver higher neutral real interest rates than are politically tolerable. Inflation targets are raised, or missed, but there is no stomach for a protracted period of above normal interest rates to reset inflation expectations. In this scenario, headline returns for defensive assets look healthy, as higher running yields offset capital losses later in the decade. Equity returns are low, especially in real terms as investors demand a better earnings yield than is currently on offer.	A commitment from the US to restructure the global order and become a more inward facing nation is revealed to be bipartisan over the decade ahead. The world fractures into regional blocs while global conflict intensifies. Economic growth is weaker everywhere and inflation is higher as supply chains get rewired and manufacturing is onshored. The benefits of global trade and a unipolar world order were real, and its reversal makes everyone poorer. The US dollar falls sharply. Portfolio returns are very weak in this environment, especially after inflation.	"Normal" in the true sense of the word, with real interest rates remaining positive. In this scenario, the decade of low interest rates and inflation following the Financial Crisis were an overhang of balance sheet repair. With that behind us, growth in this scenario is solid, with productivity growth estimates lifting by around 1% point from the post Financial Crisis period in line with positivity around AI. Inflation is around target and bond yields are around nominal GDP growth rates. Equity market returns in this scenario are solid, despite high starting point valuations given robust economic growth.	The World experiences a productivity growth boom similar to the 90's PC revolution. This boosts potential GDP growth by around 1.75% pa in the US and moderately less elsewhere (the US being the heart of AI and tech innovation). Equity earnings are strong given very solid GDP growth. Importantly, in this scenario the benefits of AI flow to the economy, rather than a narrow group of tech companies. Portfolio returns are the strongest under this scenario.
Moderate Probability	Lower Probability	Most Probable	Moderate Probability

Benign Normal

By the standards of history, the period after the Financial Crisis was a strange one. Interest rates sat near zero almost everywhere for years on end, yet growth stayed stubbornly sluggish. That combination is what pushed central banks into experimental tools such as quantitative easing, extended forward guidance and yield curve control, alongside repeated bursts of fiscal stimulus, all in an effort to get economies moving.

With hindsight, that era now looks like the exception rather than the rule. The post Covid burst of inflation reset expectations and dragged economies back towards the way they used to function, where the central bank's job is to keep inflation contained rather than to manufacture it. In practice that leaves interest rates higher across this scenario, with real rates positive, than they were in the decade following the Financial Crisis. Those positive real rates hold inflation at target, though the trade-off is slightly softer growth than would otherwise have been the case. This is our baseline, and really just describes how economies are meant to work in normal times.

Equity returns here look fairly "normal" against history, with reasonable earnings growth partly offset by elevated starting valuations. Fixed interest does respectably, helped by some easing in long yields from current levels. What stands out is how closely returns across most asset classes in this scenario line up with their long run historical averages.

Sticky Inflation

Like the Benign Normal scenario, our Sticky Inflation case is largely unchanged from last year. Here inflation is driven mainly by demand. Government spending, fuelled by electioneering, climate adaptation and rising defence budgets, props up growth over the decade ahead, while the onshoring of manufacturing and a broader unwinding of global trade add to price pressures. Shifting demographics push in the same direction. Interest rates rise to lean against all of this, but not far enough to actually fix it. In fact, we see a fair risk that central banks are partly co-opted into supporting the government's agenda.

Over the forecast horizon, bond yields generally increase, driven by higher inflation and also a loss in central bank credibility. Investors demand compensation for the inflation risk premium which has re-emerged in the asset class. This is obviously a problem for equity markets, where current multiples are based on the expectation that rates stay around current levels. In a higher inflation and interest rate environment, equity markets derate, but this is offset by higher revenue growth. Cash and credit returns in this scenario are higher. The important difference between real and nominal returns matters most here. Nominal returns are somewhat higher, real returns are lower.

AI Economy

The AI Economy is the most upbeat of our scenarios. Rapid advances in generative AI, and equally rapid take-up, let knowledge workers lift their productivity meaningfully. Across the economy as a whole, the effect is comparable in scale to the spread of personal computers through the 1990s. The United States and China lead the way, with adoption slower elsewhere. Because the impulse is a supply side productivity shock, growth runs hotter while inflation stays close to target, so interest rates climb by less than they usually would in a boom.

Higher economic growth boosts earnings growth significantly in this scenario, seeing strong returns to equity markets in particular. As a result, overall portfolio returns are highest in this scenario.

Deglobalisation

Here, decoupling from China hardens into a bipartisan priority in Washington that outlasts any single administration. Tariffs, both on China and on other trading partners, stay high or ratchet up further until the US goods trade deficit has shrunk materially.

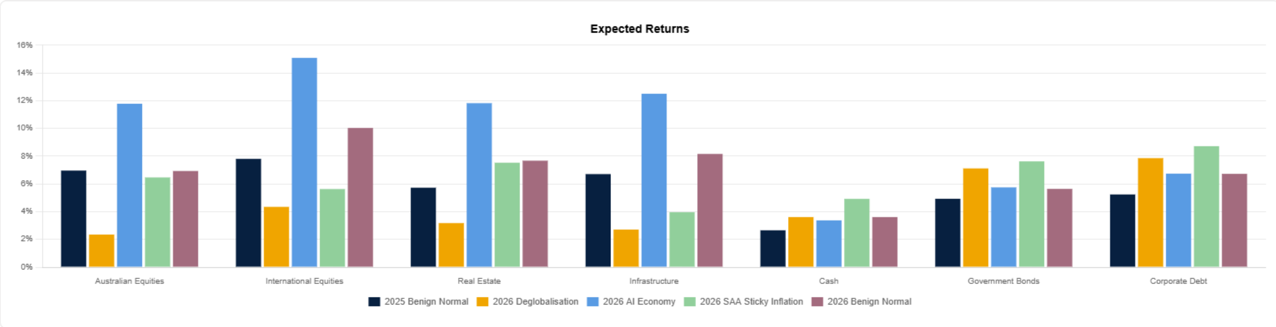
The US dollar falls heavily against other major currencies as global confidence in the reserve currency drains away. Even with weak growth worldwide, US inflation stays stubbornly high, pushed up by the supply chain disruption that abrupt policy shifts create, by higher input costs as cheap imports vanish, and by wage pressure in the manufacturing sectors being reshored.

This realignment of trade tips the world into recession, with only an anaemic recovery to follow. Ambitious plans to reshore manufacturing soak up some of the slack, but much of that spending shows up as inflation rather than real output. Central banks are left in a bind. Even as activity weakens, they keep rates elevated to fight persistent inflation, and the result is a drawn out bout of stagflation.

Returns are poor right across the asset class spectrum. Equities derate as higher long-term rates and elevated volatility weigh on multiples, while earnings stall under the combined weight of recession and a feeble recovery. Bonds offer little shelter either, with high inflation eating into real returns and pervasive uncertainty pushing risk premiums up everywhere.

EXPECTED RETURNS

The chart below shows our ten year expected returns across the four scenarios modelled versus expected returns in the 2025 Benign Normal scenario.



Source: LSEG, Drummond Capital Partners

Across most of the scenarios, returns are relatively similar to last year's assumption set, given starting points for valuations and interest rates haven't changed materially over the year and the scenarios are broadly the same. However, expected returns in the Benign Normal scenario are higher for equity markets. There are a few reasons why this is the case. Economic growth is expected to be strong due to AI related productivity growth. Last year, following the introduction of tariffs we expected the first year of the ten-year horizon to be weak from an economic growth perspective. This is no longer the case with aggregate tariffs much lower now than a year ago. Starting point valuations are a little better which helps at the margin. Currency is no longer expected to have a negative return in Benign Normal, which also helps.

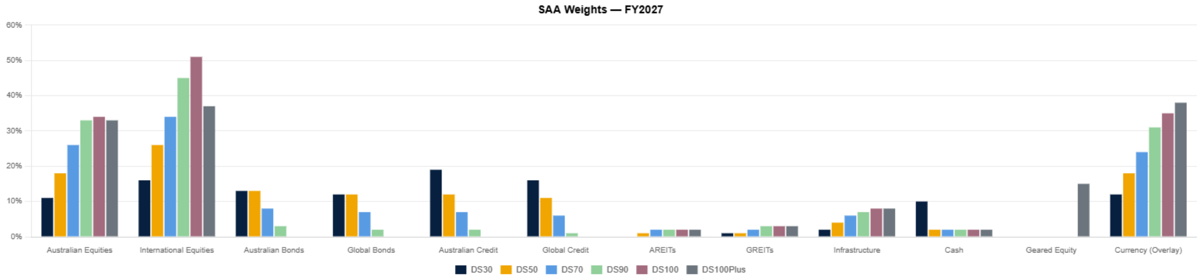
OPTIMISATION AND PORTFOLIO CONSTRUCTION

Using these returns and assumptions for correlations (a measure of the movement between asset classes) and volatility, we then determine the optimal portfolios for each scenario. We optimise the portfolios to maximise their Sharpe ratio, a measure of return per unit of risk. The higher the Sharpe ratio, the higher the return per unit of risk taken. To ensure sensible and investible outcomes, we place some constraints on the optimisation process. After these constraints are set, we create optimal portfolios under each return scenario.

We then ask the Investment Committee to provide their probability of each scenario occurring. We calculate the average of these probabilities and apply this average to each scenario's SAA per risk profile. This gives a scenario blended, optimised SAA. For reference, the Investment Committee probability weights are shown below.

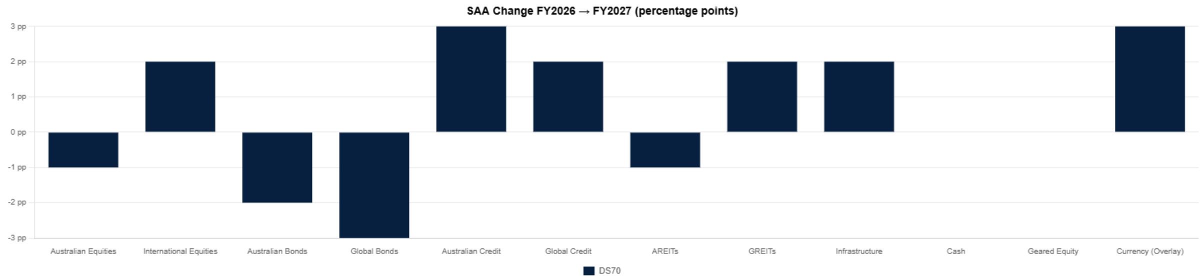
Scenario	Probability
Sticky Inflation	27%
Deglobalisation	14%
Benign Normal	36%
AI Economy	23%

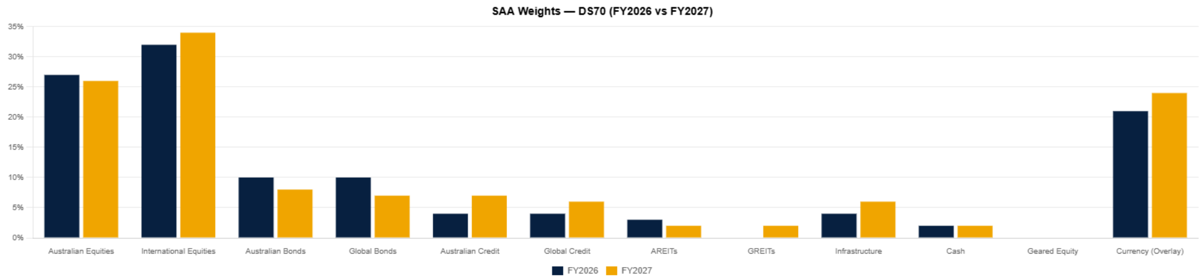
The investment team and Investment Committee then incorporate their experiential overlay into SAA design at this stage of the process in order to ensure that the portfolios produced from this output will perform well across a variety of return environments, balancing expected returns and risk. The figure below shows the SAAs by asset class following this process.



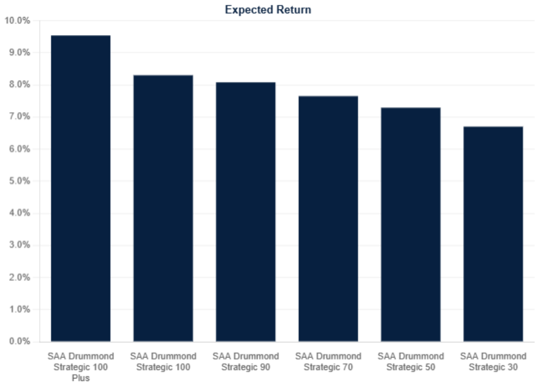
Source: Drummond Capital Partners

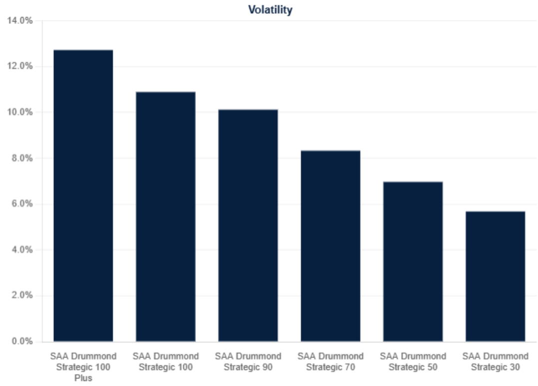
The figure below shows the changes to the relative SAAs by asset class for the DS70.

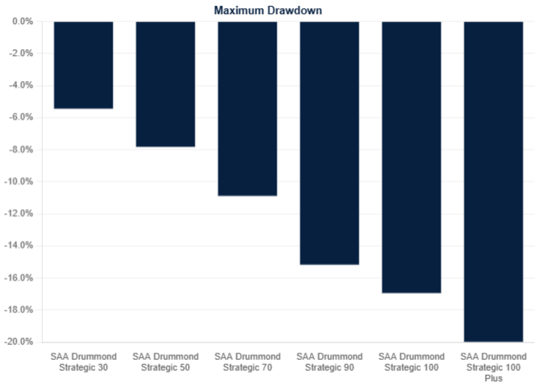


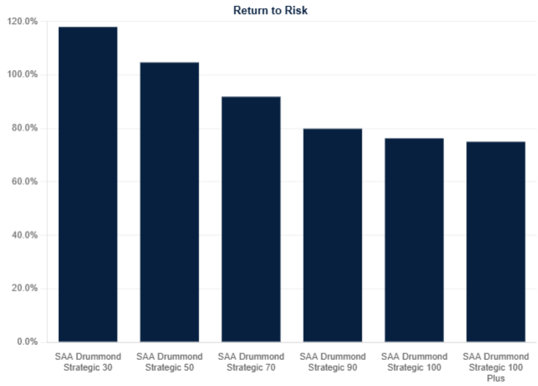


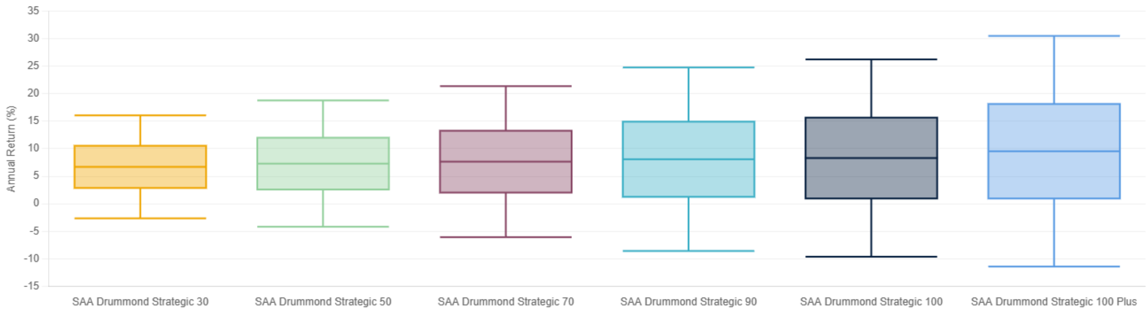
Here are the expected returns and other capital market metrics associated with the blended portfolios.

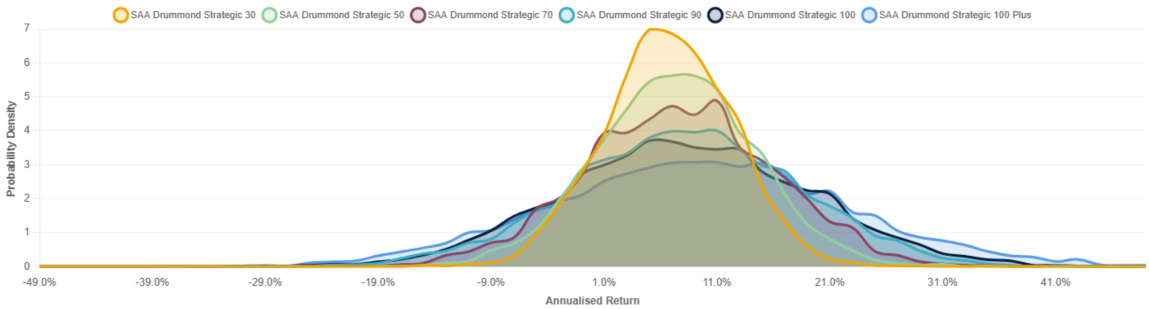












The final stage of the SAA process tests these proposed portfolios using our simulation model and stress testing tools. This helps us generate an understanding of the distribution of potential outcomes and the impact of return sequences on final portfolio balances. The historical stress testing shows us how the SAA would have performed in past equity market corrections. We break down the contribution to return by asset class in each event. Note that the below is the expected performance of the SAA. Good manager selection and tactical asset allocation (TAA) should reduce the magnitude of the expected loss as was the case in the 2020 Covid drawdown when the Drummond Strategic 70 (DS70) Portfolio lost 13% versus the stress test below of over 18%.

Metric	SAA Drummond Strategic 30	SAA Drummond Strategic 50	SAA Drummond Strategic 70	SAA Drummond Strategic 90	SAA Drummond Strategic 100	SAA Drummond Strategic 100 Plus
Expected Return	6.65%	7.21%	7.61%	8.06%	8.29%	9.15%
Volatility	5.52%	6.82%	8.28%	10.02%	10.74%	12.62%
Growth Exposure	30.0%	50.0%	70.0%	90.0%	98.0%	98.0%
Income Yield	4.29%	4.09%	3.77%	3.41%	3.22%	3.29%
Objective	CPI+2.50%	CPI+2.75%	CPI+3.00%	CPI+3.25%	CPI+3.25%	CPI+3.50%
Objective Rate	5.00%	5.25%	5.50%	5.75%	5.75%	6.00%
Exp. vs Objective	+1.65%	+1.96%	+2.11%	+2.31%	+2.54%	+3.15%
P(Meet Objective)	69%	73%	73%	72%	72%	72%
Return/Risk Ratio	1.205	1.058	0.919	0.805	0.772	0.726
Sortino Ratio	1.665	1.487	1.272	1.103	1.067	1.050
Calmar Ratio	1.307	0.952	0.703	0.543	0.504	0.448
VaR 95%	-2.63%	-4.09%	-6.16%	-8.55%	-9.78%	-11.79%
CVaR 95%	-4.83%	-6.77%	-9.32%	-12.07%	-13.33%	-16.61%
Avg Max Drawdown	-5.09%	-7.57%	-10.81%	-14.86%	-16.47%	-20.42%
Worst Max Drawdown	-21.89%	-36.67%	-43.74%	-57.05%	-60.49%	-63.81%
Worst 1-Year Return	-17.98%	-20.61%	-26.46%	-32.67%	-35.30%	-40.18%
Win Rate	88.1%	84.6%	81.0%	77.4%	76.3%	74.6%
Expected Neg. Years (20yr)	2.4	3.1	3.8	4.5	4.7	5.1
SRM Risk Band	4 — Medium	5 — Medium to High	5 — Medium to High	6 — High	6 — High	6 — High

Stress Test Results

Stress Event	Period	SAA Drummond Strategic 30	SAA Drummond Strategic 50	SAA Drummond Strategic 70	SAA Drummond Strategic 90	SAA Drummond Strategic 100	SAA Drummond Strategic
1973-74 Oil Crisis	1973-01-11 to 1974-10-03	-7.20%	-16.38%	-26.69%	-37.35%	-42.09%	-46.85%
Volcker Shock	1980-02-13 to 1980-03-27	-4.78%	-6.88%	-8.76%	-10.79%	-11.62%	-12.93%
1981-82 Recession	1981-11-28 to 1982-08-12	1.84%	1.32%	0.43%	-0.39%	-0.77%	-0.84%
Black Monday	1987-08-25 to 1987-12-04	-4.69%	-8.41%	-12.19%	-15.85%	-17.42%	-19.33%
LTCM / Asian Crisis	1997-10-07 to 1998-10-08	5.48%	4.82%	2.84%	0.72%	0.10%	-3.51%
Dot-Com Crash	2000-03-24 to 2002-10-09	2.64%	-4.60%	-12.09%	-20.71%	-25.50%	-28.86%
GFC	2007-10-09 to 2009-03-09	-6.60%	-17.08%	-29.32%	-41.29%	-46.26%	-51.21%
Euro Crisis	2011-07-07 to 2011-10-03	-0.05%	-3.18%	-7.25%	-11.46%	-13.14%	-16.72%
December 2018	2018-09-20 to 2018-12-24	-2.28%	-4.54%	-7.01%	-9.73%	-10.88%	-13.26%
2020 Corona	2020-02-19 to 2020-03-23	-10.60%	-16.03%	-22.14%	-27.91%	-30.18%	-34.82%
2022 Bear Market	2022-01-03 to 2022-10-12	-13.06%	-14.16%	-13.59%	-13.06%	-12.97%	-11.71%

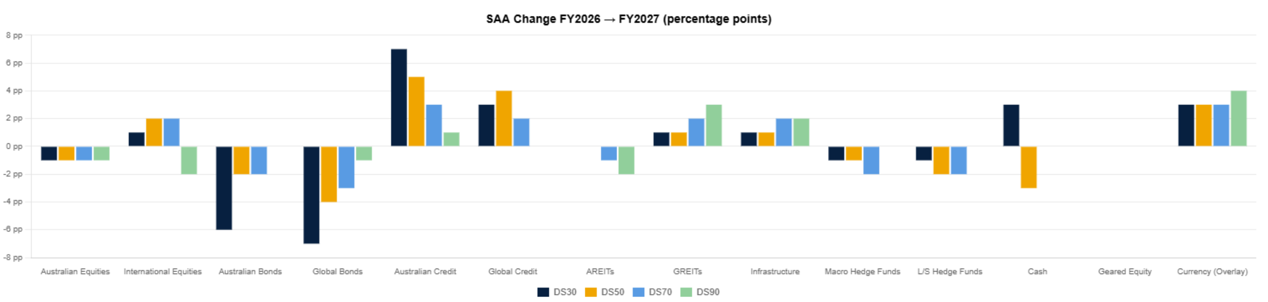
Source: LSEG, Drummond Capital Partners.

THE FINAL SAAs

The table below shows the final outcome of the review, as well as relevant risk and performance metrics for each SAA. Note the below expected returns are gross of investment costs, but do not include the expected alpha generation from manager selection and TAA. We expect these activities to add around 100bps per annum to performance, offsetting the look through fees of around 50bps for each investment option.

Asset Allocation Profiles	Drummond Strategic 30	Drummond Strategic 50	Drummond Strategic 70	Drummond Strategic 90	Drummond Strategic 100	Drummond Strategic 100 Plus
						
Asset Allocation						
Australian Equities	11%	18%	26%	33%	34%	33%
International Equities	16%	26%	34%	45%	51%	52%
Real Estate	1%	2%	4%	5%	5%	5%
Infrastructure	2%	4%	6%	7%	8%	8%
Cash	10%	2%	2%	2%	2%	2%
Government Bonds	25%	25%	15%	5%	0%	0%
Corporate Debt	35%	23%	13%	3%	0%	0%
Growth Metrics						
Growth Total	30%	50%	70%	90%	98%	98%
Defense Total	70%	50%	30%	10%	2%	2%
Growth Range	20-40%	40-60%	60-80%	80-100%	90-100%	90-100%
Defense Range	60-80%	40-60%	20-40%	0-20%	0-10%	0-10%
Neutral Growth Exposure	30%	50%	70%	90%	98%	98%
Risk Metrics						
Time Horizon	3+	5+	7+	9+	9+	9+
Expected Return**	6.6%	7.2%	7.6%	8.1%	8.3%	9.2%
Expected Volatility**	5.6%	6.9%	8.4%	10.3%	11.1%	12.6%
2025 Expected Return**	5.4%	6.0%	6.3%	6.7%	6.8%	7.4%
Expected ICR	0.59%	0.61%	0.64%	0.68%	0.88%	1.44%
Estimated # of negative years over 20yr period	2.4	3.2	3.9	4.5	4.9	5.2

** Expected return and volatility are derived from Drummond's capital market assumptions for the **2026 Benign Normal** scenario applied to the FY2027 SAA; the 2025 expected return row uses the **2025 Benign Normal** scenario against the same SAA. They are estimates, not guarantees of future performance.



Source: Drummond Capital Partners

The key changes are as follows:

- Exposure to global alpha has fallen as it has been removed from the SAA. The residual has flowed to REITs, infrastructure and international equities.
- Government bonds have fallen in favour of corporate debt. This reflects a relatively high weight to the sticky inflation and deglobalisation scenarios, neither of which want to hold many bonds.
- Currency (overlay) exposure has risen, reflecting the re-assertion of uncovered interest rate parity in the assumption set (currency returns no longer expected to be negative across scenarios).

The ETF suite portfolios SAAs and CMAs are below for reference:

Asset Allocation Profiles	Drummond ETF 50	Drummond ETF 70	Drummond ETF 90	Drummond ETF 100	Drummond ETF Dynamic
Asset Allocation					
Australian Equities	18%	26%	33%	34%	18%
International Equities	26%	34%	45%	51%	26%
Real Estate	2%	4%	5%	5%	2%
Infrastructure	4%	6%	7%	8%	4%
Cash	2%	2%	2%	2%	2%
Government Bonds	25%	15%	5%	0%	25%
Corporate Debt	23%	13%	3%	0%	23%
Growth Metrics					
Growth Total	50%	70%	90%	98%	50%
Defense Total	50%	30%	10%	2%	50%
Growth Range	40-60%	60-80%	80-100%	90-100%	20-80%
Defense Range	40-60%	20-40%	0-20%	0-10%	20-80%
Neutral Growth Exposure	50%	70%	90%	98%	50%
Risk Metrics					
Time Horizon	5+	7+	9+	9+	5+
Expected Return**	7.2%	7.6%	8.1%	8.3%	7.2%
Expected Volatility**	6.9%	8.4%	10.3%	11.1%	6.9%
2025 Expected Return**	6.0%	6.3%	6.7%	6.8%	6.0%
Expected ICR	0.44%	0.42%	0.41%	0.40%	0.44%
Estimated # of negative years over 20yr period	3.1	3.9	4.8	4.8	3.1

** Expected return and volatility are derived from Drummond's capital market assumptions for the **2026 Benign Normal** scenario applied to the FY2027 SAA; the 2025 expected return row uses the **2025 Benign Normal** scenario against the same SAA. They are estimates, not guarantees of future performance.

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CONCLUSION

We hope the above gives insight into the 2026 SAA review process. Our intention in providing the detail above is to demonstrate that the process by which we develop our SAAs is scientific, robust and repeatable. Being transparent about our investment processes with our investors is part of our commitment to service delivery. We welcome discussion on the inputs to the process and can deep dive into any aspect for those that wish to understand in more detail.

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