DRUMMOND

CAPITAL PARTNERS

INVESTMENT PERSPECTIVES

July 2026

Month In Review

Global Equities
-0.3%

Aus Equities
2.3%

Aus REITs
-2.7%

AUD/USD
2.3%

US Bonds
-1.2%

Commodities
12.6%

Global equities saw heightened volatility in July despite the MSCI All Country World Index finishing marginally lower by 0.3%. The volatility stemmed from various forces including swings between de-escalation and re-escalation in the US-Iran conflict, weakness in technology-heavy US and Asian benchmarks ahead of a late-month surge, and an evolving landscape of central bank expectations. The US-Iran conflict remained a key swing factor for risk sentiment and oil markets through the month, with Brent crude topping US$100 a barrel for the first time in two months.

Despite these forces in play, the S&P 500 Index finished the month flat (-0.1%) as the fundamental backdrop for stocks remained supportive with Q2 earnings delivering solid YoY growth across most sectors and regions. The Nasdaq fell 3.2% on worries that heavy investments in AI infrastructure may be taking too long to pay off. The index was helped by a late surge from Amazon.com up ~15%, posting its largest quarterly revenue growth in over four years, alleviating investor concerns about potential overspending on AI data centres.

The ASX 200 gained 2.3%, led by the energy and financial sectors, which rose 9.7% and 5.8% respectively, amid expectations of positive earnings growth. Australian REITs declined as higher bond yields weighed on interest-rate-sensitive assets. Emerging markets fell 3.0%, with heightened regional dispersion as volatility in the AI trade and higher oil prices offset strength elsewhere. European equities eased 0.2%, although improving business activity and moderating inflation signalled a gradual recovery.

Bonds declined as yields rose on higher oil prices, ongoing fiscal concerns and shifting central bank expectations, with US and Australian bonds falling 1.2% and 0.6% respectively. Credit markets followed suit, with investment-grade and high-yield credit down 2.2% and 0.2% respectively. Oil fell 22.6% in June before recovering by a similar margin in July as the US-Iran conflict reignited, while gold rose 0.3%. The Australian dollar gained 2.3%, as late-month US-Japan intervention to support the yen weakened the US dollar.

Things That Matter

1. Central banks hawkish in tone and largely holding rates, tolerating supply driven inflation for the time being
2. Geoeconomic fragmentation is driving structural reallocation of global supply chains toward regional and allied country blocs
3. AI adoption cycle relatively nascent, yet its productivity and displacement effects are reshaping competitive dynamics
4. Big tech's AI buildout transitioning from balance sheet strength to leverage, adding debt market supply and rate sensitivity
5. From liquidity tailwind to funding cost concern; government debt burdens push bond yields to multi-year highs

Asset Class Positioning

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

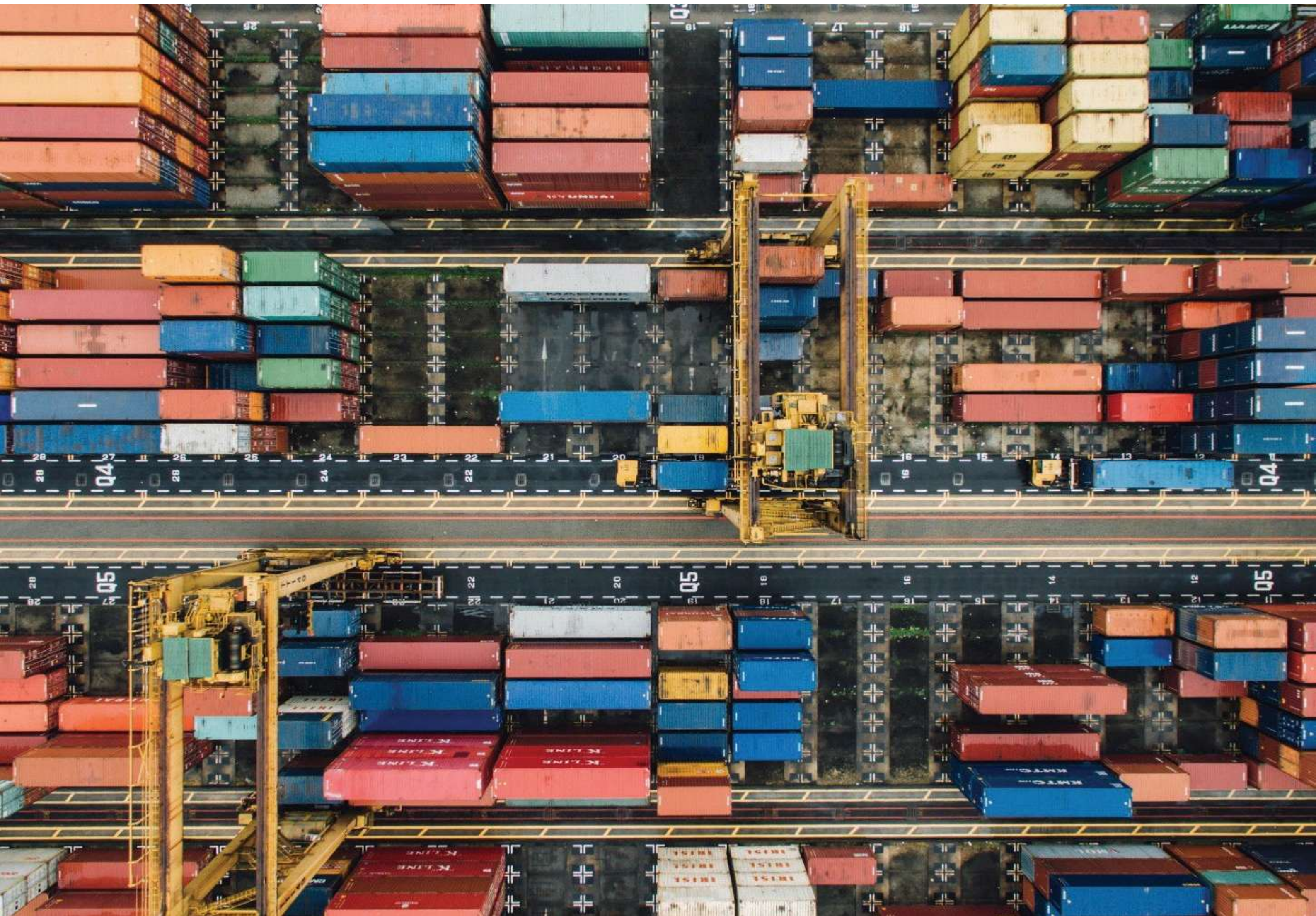
Macroeconomic Overview

North America

Asia

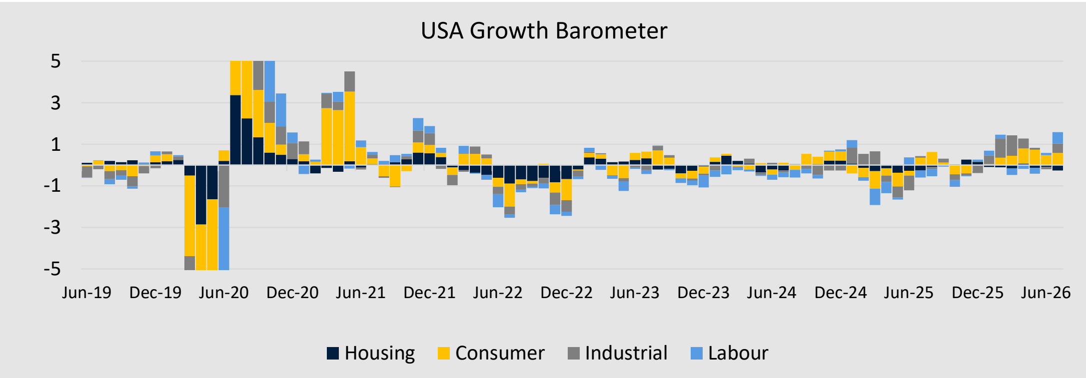
Europe

Australia



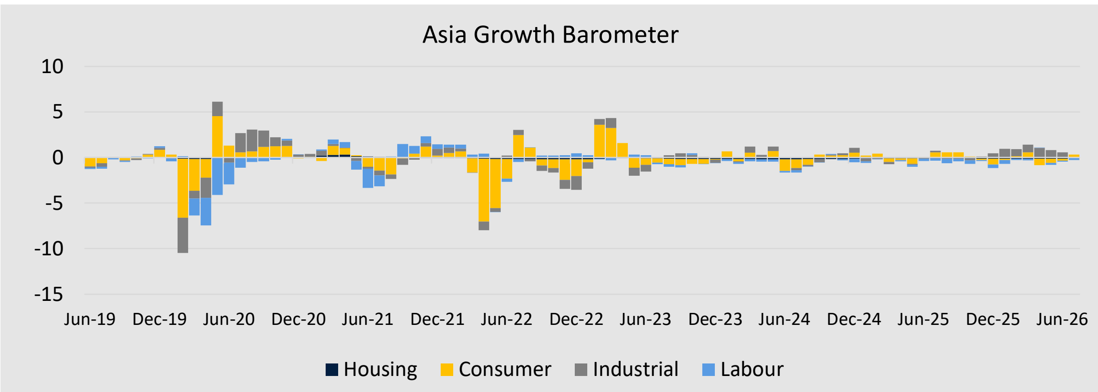
North America

The Federal Reserve held rates steady at 3.5-3.75% in July, but a divided 9-3 vote and Chair Kevin Warsh's refusal to articulate a clear path back to target inflation, as his predecessor had, unsettled markets, lifted 30-year Treasury yields to 5.3%, their highest since 2007, and placed the possibility of a September rate hike back on the table. Growth moderated, with Q2 GDP slowing to 1.5% from 2.1%, though consumer spending and private investment held up. Inflation cooled more than expected, with core CPI easing to 2.6%, giving the Fed room to argue patience despite three dissenters favouring an immediate hike. Manufacturing activity accelerated sharply, with the PMI rising to 55.6 and factory employment growing for the first time in 33 months, though input costs stayed elevated as Middle East conflict disrupted supply chains. The labour market showed early signs of cooling with payrolls slowing to +57k, even as unemployment edged down to 4.2%.



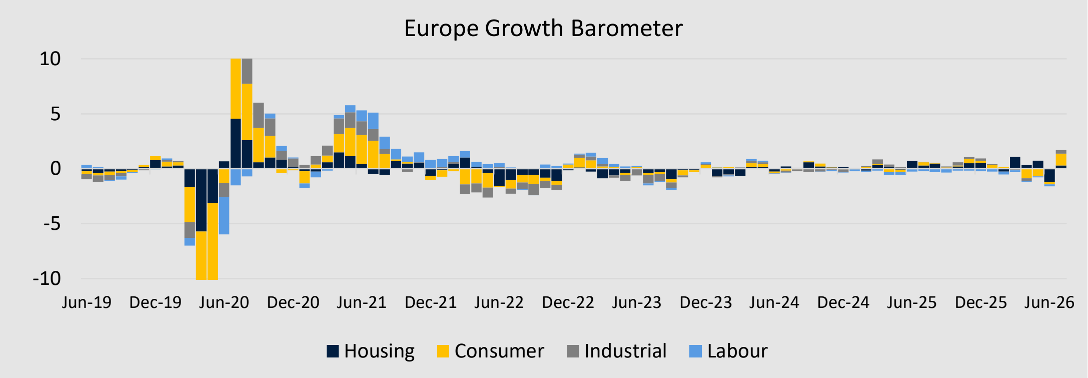
Asia

China's Q2 GDP slowed to 4.3% YoY, with retail sales and fixed asset investment both weak, falling below the government's 4.5-5.0% growth target and setting up the Politburo for incremental stimulus, likely directed toward infrastructure via accelerated bond issuance and further PBoC rate cuts. However, rising household savings and a negative real income shock from surging import prices suggest support may fall short, with a return to deflation a possibility in 2027. In Japan, the BoJ held rates at 1.0% following June's hike, with markets still pricing a further rise this year. The yen slumped to a forty-year low before rebounding on confirmed US-Japan intervention, the first joint action since 1998. Producer prices accelerated to 7.1% YoY, while core CPI rose to 1.6%, and the composite PMI climbed to 53.1, its highest since February, suggesting broadening strength across manufacturing.



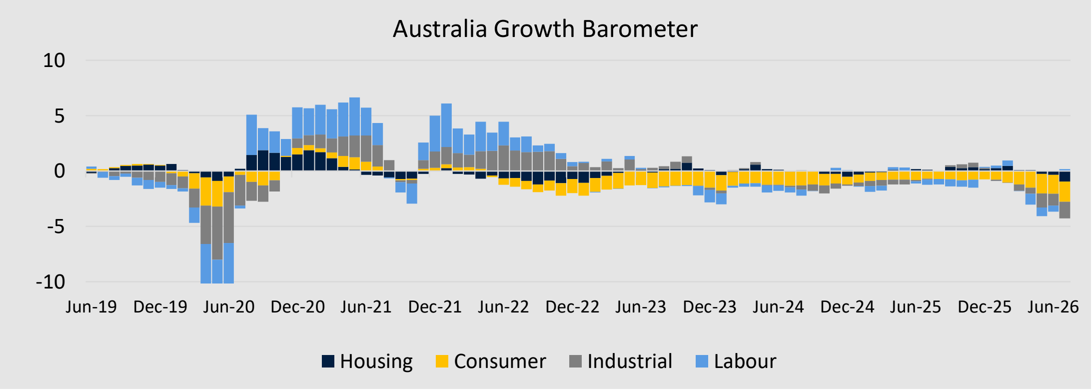
Europe

The ECB held rates at 2.25% in July following June's hike, with inflation risks still elevated as preliminary July CPI ticked up to 2.9% on higher energy prices tied to renewed US-Iran hostilities, keeping a September hike firmly in play. The composite PMI rose to 51.0, its first expansion in four months, while Q2 GDP grew 0.4%, beating expectations. German industrial sentiment improved for a third straight month, with the Ifo index climbing to 86.6, though the recovery remains narrow, concentrated in defence-linked orders and a cushion from eurozone vehicle demand rather than a broader upturn. Structurally, persistent delays to the region's energy transition continue to weigh on longer-term growth, while component shortages and elevated energy costs remain headwinds for industry.



Australia

The RBA left the cash rate on hold at 4.35% in July, with Governor Bullock noting inflation remains above target following the oil price shock, though argued the economy is better shielded than in the 1970s given lower oil intensity, credible inflation targeting frameworks anchoring expectations, and more adaptable supply chains limiting the risk of entrenched inflation. Housing eased by more than expected, with the Cotality home value index falling 1.2% in July, following a 0.4% fall in June, the sharpest decline since the 2022 correction, as weakness broadened to five of the eight capital cities and turnover fell sharply in Sydney and Melbourne. Business investment data provided a bright spot, driven by data centre and AI-related spending, even as the labour market eased modestly and consumer sentiment remained weak. The RBA continued to flag anaemic productivity growth as a key structural impediment, with little near-term prospect of improvement.



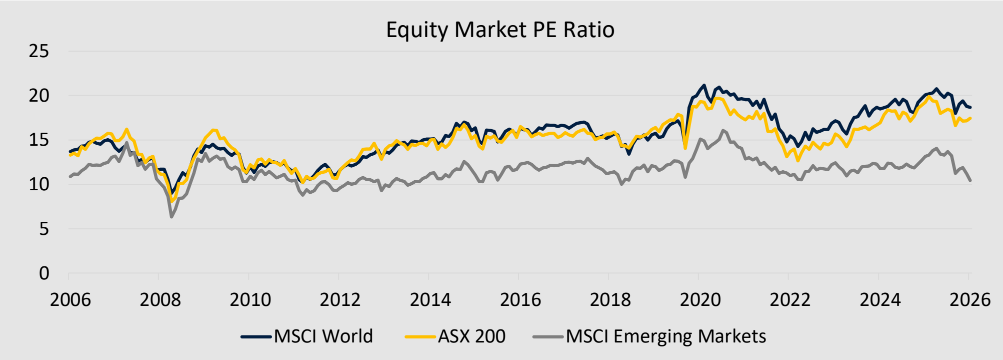
Asset Class Overview

Equities	Neutral
Bonds	Underweight
Credit	Overweight
Infrastructure	Overweight
Property	Neutral

Equities

Neutral

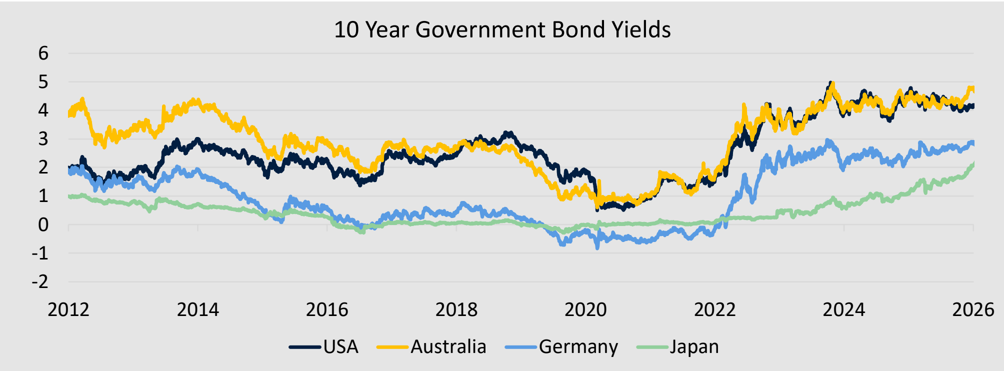
Global equities delivered mixed returns in July, with the MSCI All Country World Index declining 0.3% as broad market resilience masked significant dispersion beneath the surface. US equities were little changed, with the S&P 500 falling 0.1%, as a sharp pullback in semiconductor and AI-related stocks drove increased volatility. However, market leadership continued to broaden, with equal-weight benchmarks outperforming their market-cap-weighted counterparts and value stocks outperforming growth as investors rotated into cyclical and defensive sectors. Despite softer earnings revisions, S&P 500 forward earnings growth expectations remain robust at 21.4%, while the 12-month forward PE multiple eased to 19.9x. The ASX 200 outperformed most developed markets, supported by strength in financials and resources. Emerging markets declined 3.0% as weakness across South Korea and Taiwan's technology sectors outweighed gains in China and Latin America. Portfolios remain neutral growth.



Bonds

Underweight

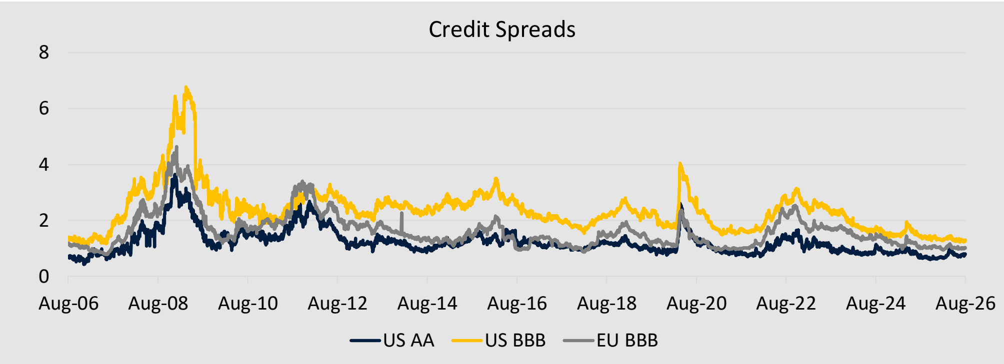
Global bonds declined in July as yields rose sharply across developed markets, with the Bloomberg Global Treasury Index falling 0.9%. Central banks broadly adopted a wait-and-see approach to supply driven inflation, with the Fed, ECB, BoE and BoJ all holding rates while striking a hawkish tone, leaving rising yields to do the tightening in their place. The US Treasury curve steepened, with long-term yields rising faster than short-term yields as the 30-year yield climbed to 5.28%, its highest since 2007, following the Fed's divided 9-3 hold and Chair Warsh's limited forward guidance. UK and German yields rose in tandem, with 10-year gilts and bunds climbing to 5.05% and 3.21% respectively, while the BoJ normalisation path pushed 10-year JGB yields to 2.8%, their highest since 1997. Portfolios remain underweight bonds.



Credit

Overweight

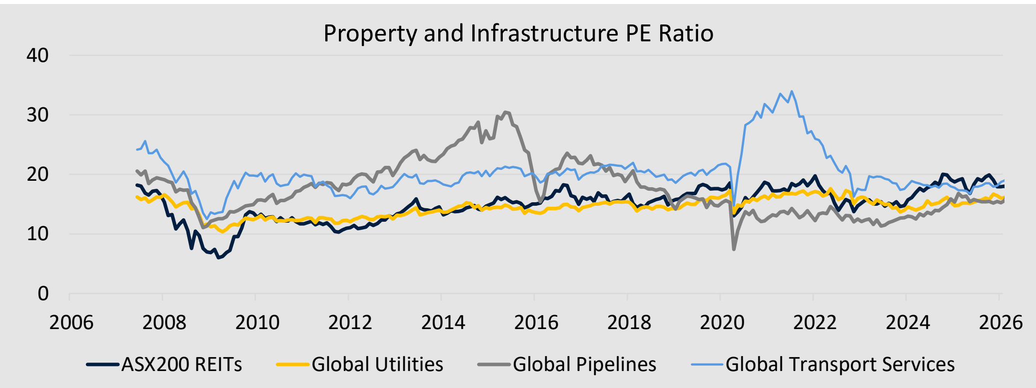
Global corporate spreads saw modest widening in July, with US investment grade spreads out roughly 4bps and high yield 9bps wider, though both remain tight by historical standards. Robust corporate balance sheets continue to support our conviction toward floating rate Australian credit, an asset class that has remained resilient even through recent bouts of global volatility, underpinned by strong demand for income and broadly healthy fundamentals. Relative value domestically remains compelling, offering a yield premium over comparable offshore exposures. Portfolio positioning retains a cautious tilt to higher quality, more liquid exposures better placed to navigate potential dispersion between sectors offering stable, policy-aligned cash flows and those more exposed to rates and consumption pressure.



Property / Infrastructure

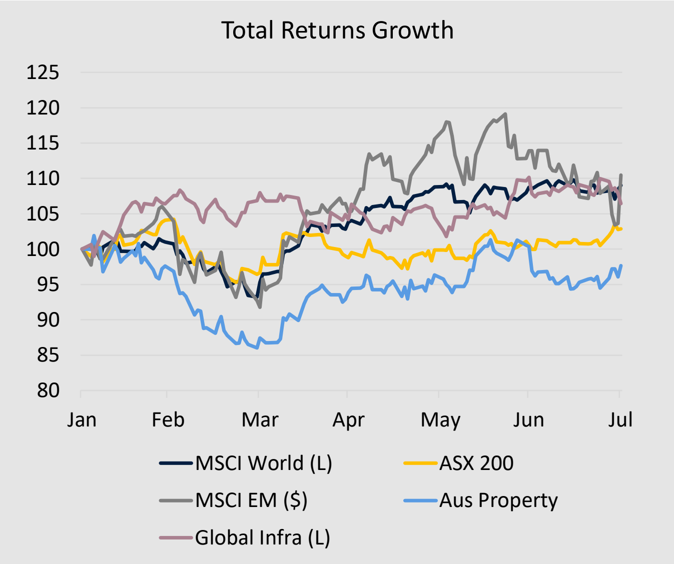
Overweight

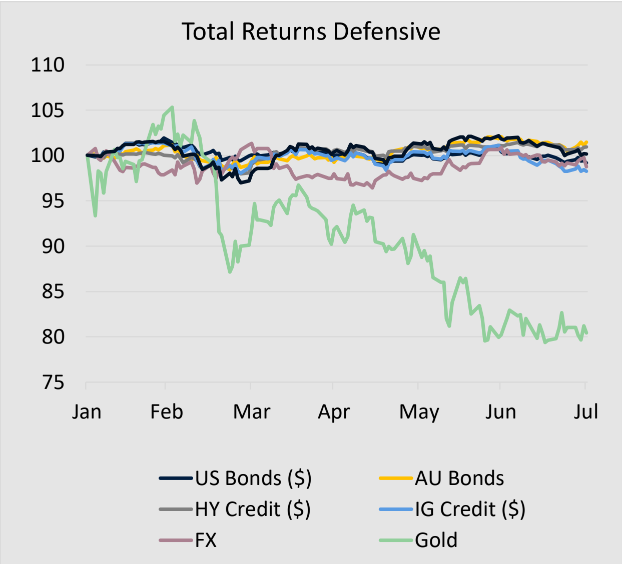
These asset classes typically have robust inflation hedging characteristics over the long term. REIT income typically grows annually through fixed or inflation-linked mechanisms providing multi-year structural growth tailwinds. Infrastructure delivers essential services with earnings visibility spanning long periods through contracts and regulatory frameworks. Current valuations are compelling relative to global equities as ongoing infrastructure expansion drives power and digital connectivity demand. The portfolios are overweight infrastructure and neutral on property.



Asset Class Returns

	Latest Value 31/07/26	Monthly Performance	Quarterly Performance	Half Year Performance	Yearly Performance
MSCI World All Countries	1,346	-0.3%	5.0%	9.3%	22.9%
S&P/ASX 200	8,977	2.3%	4.1%	2.9%	6.0%
MSCI Emerging Markets	1,666	-3.0%	4.9%	10.5%	37.1%
Nasdaq Composite	25,374	-3.2%	2.1%	8.5%	20.9%
Euro Stoxx	670	-0.2%	7.9%	9.0%	21.8%
Topix	4,003	0.2%	7.6%	13.6%	39.2%
Australian Property	93	-2.7%	4.1%	-2.3%	-4.6%
Global Infrastructure	76	-3.2%	2.8%	7.9%	8.0%
Australian Bonds	4.94%	-0.6%	2.2%	1.5%	0.1%
US Bonds	4.71%	-1.2%	-0.8%	-0.8%	1.9%
CN/EM Bonds	1.71%	-1.6%	-0.2%	0.2%	6.5%
High Yield Credit (spread/return)	1.31%	-0.2%	0.4%	0.9%	4.8%
Investment Grade Credit (spread/return)	0.78%	-2.2%	-1.3%	-1.7%	1.9%
US $ / Australian $	0.70	2.3%	-1.2%	0.4%	8.7%
Australian $ / UK Pound	1.91	-0.7%	1.1%	-2.6%	-6.7%
S&P GSCI Commodity TR	5,469	12.6%	-6.3%	27.2%	41.6%
Crude Oil-WTI	86.2	22.1%	-20.7%	33.6%	22.5%
Gold Bullion $/T Oz	4,047	0.3%	-12.4%	-19.6%	22.8%





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