DRUMMOND

CAPITAL PARTNERS

INVESTMENT PERSPECTIVES

August 2026

Month In Review

Global Equities **2.4%**	Aus Equities **1.5%**	Global REITs **-2.7%**	Infrastructure **-3.3%**
Aus Bonds **-0.5%**	IG Credit **0.4%**	Commodities **6.1%**	AUD/USD **1.9%**

Global equities had a strong month in August, with the MSCI All Country World Index finishing higher by 2.4%, driven by a robust US corporate earnings season. Solid growth and sticky inflation saw growing expectations that global central banks would need to raise interest rates further, driving weakness in bond markets and yield sensitive sectors.

US headline earnings growth for the quarter was the strongest since the COVID rebound in 2021, and expectations for the full year have almost doubled to over 30% for the S&P 500 Index. The S&P 500 Index added 2.7% and reset highs intramonth given the broadening EPS growth with technology and industrials sector earnings revisions leading the index higher. The Nasdaq Composite rebounded 4.0% and was headlined by Nvidia's compelling earnings beat, which outperformed current and forward revenue guidance expectations. This reaffirmed the strong demand guidance across the AI ecosystem, despite investor concerns around circular financing and AI hyperscaler capex sustainability.

The ASX 200 Index gained 1.5%, led by the materials and health care sectors, given robust earnings reports across several leading names such as BHP and CSL. Consumer discretionary and Australian REITs tumbled 7.9% and 6.5% respectively, as higher bond yields and cautious forward guidance weighed on interest-rate-sensitive assets. Emerging markets rallied 3.4%, with regional dispersion and AI trade momentum in the leading semiconductor and memory names.

Bonds experienced volatility given fiscal concerns around Bessent's long-dated treasury buyback plan, and Warsh's hawkish Jackson Hole comments. Australian bonds fared worse than US counterparts as interest rate increases were priced in. Credit markets were resilient despite the continued focus on AI capex issuance, with investment-grade and high-yield credit up 0.4% and 0.9%, respectively.

Crude Oil finished higher on the back of increased US-Iran tensions whilst gold surged 9.6% given concerns around US dollar currency debasement. The Australian dollar gained 1.9%, driven by the expectations of imminent cash rate rises and a weakening US dollar.

Things That Matter

1.	Central banks hawkish in tone and bond markets pricing in short-term interest rate increases, 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

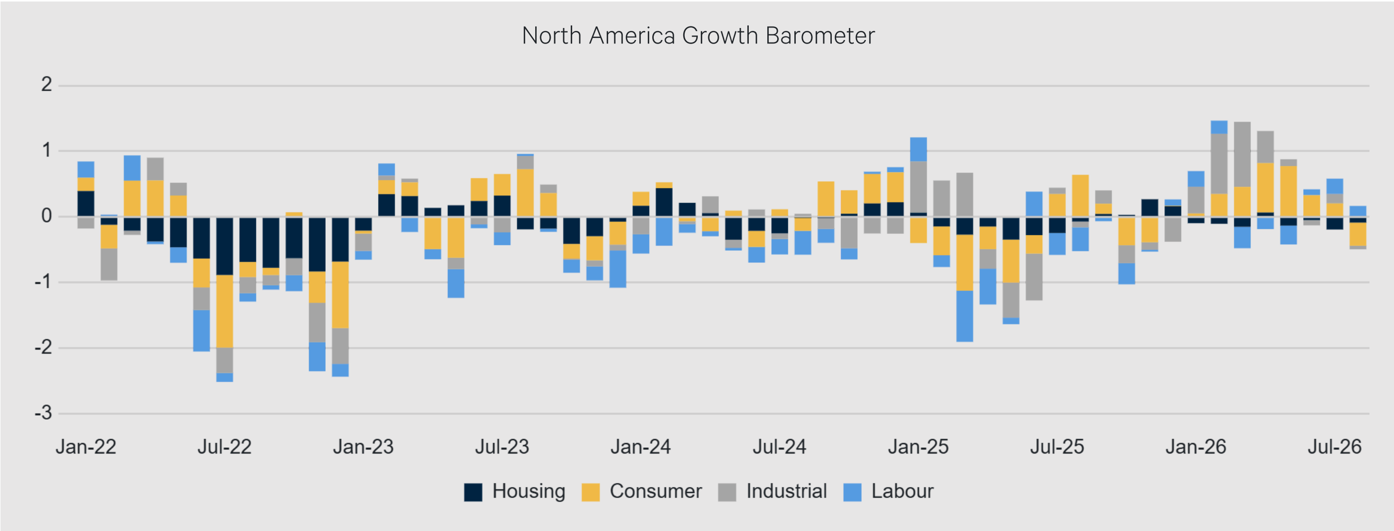
Asset Class Positioning

Asset Class	**Strong Underweight**	**Underweight**	**Neutral**	**Overweight**	**Strong Overweight**
Australian Equities	○	●	○	○	○
Global Equities	○	○	○	●	○
Property	○	○	●	○	○
Infrastructure	○	○	○	●	○
Government Bonds	○	●	○	○	○
Corporate Debt	○	○	○	●	○
Cash	○	○	●	○	○
Total Growth vs Defensive	○	○	●	○	○

Macroeconomic Overview

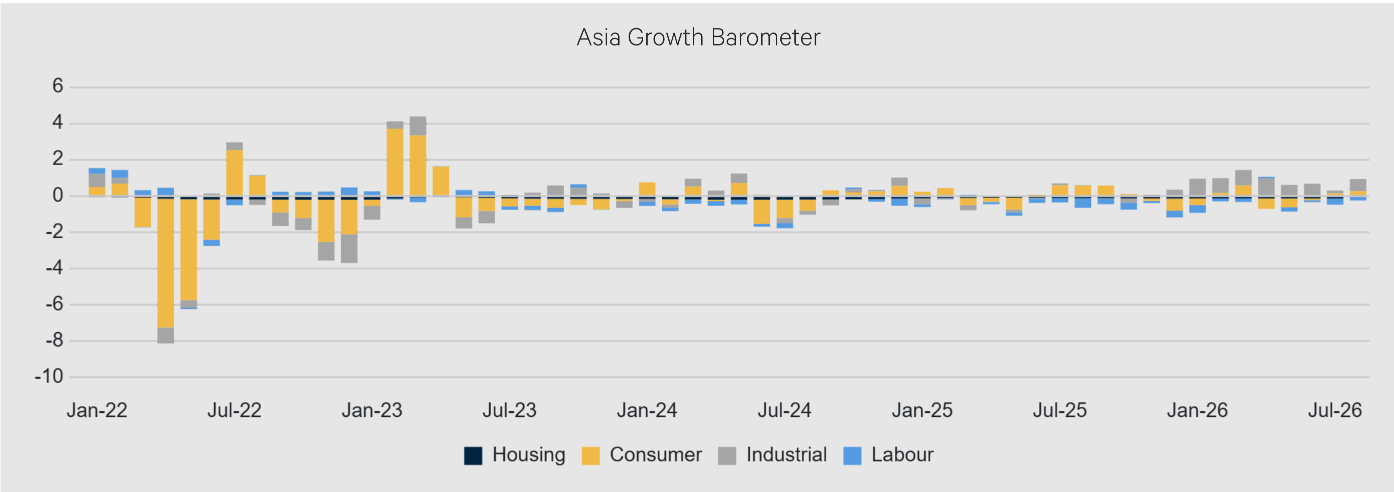
North America

There was no US Federal Reserve FOMC meeting in August, although Warsh's Jackson Hole Symposium debut spurred bond yields higher as he delivered hawkish remarks and reaffirmed the Fed's 2% inflation target commitment. As such, markets priced in a probable September rate hike, with Treasury yields marching higher and remaining near multi-year highs across tenors. Bessent's US$2-4 billion Treasury buyback plan, aimed at managing long-end yields, incited US dollar debasement trades and stoked fiscal concerns. US inflation prints remained above the Fed's target, even as core CPI eased to 2.5%, whilst core PCE rose to 3.3%, adding further pressure. Consumer numbers were lacklustre, as retail sales missed expectations and fell 0.6% MoM, with consumer sentiment falling from July. Manufacturing activity eased slightly, with the PMI falling to 54.6 points, which still represents healthy growth despite higher input costs. Unemployment fell to 4.1%, though largely on lower labour force participation, whilst non-farm payrolls unexpectedly fell by 23k.



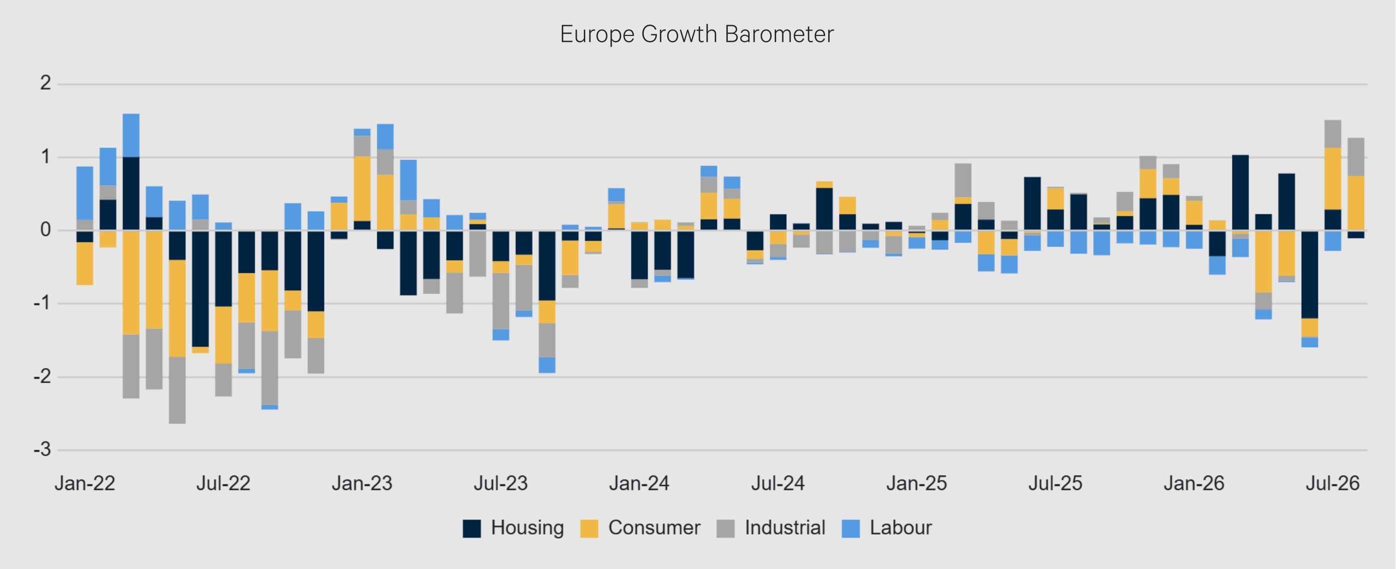
Asia

China's economy continued to flash deflationary signals, delivering weak activity data with retail sales and industrial output missing estimates, contracting manufacturing PMI and fixed asset investment, and the unemployment rate jumping to 5.2%. This is consistent with the CPI print of 0.5%, which missed expectations and declined amidst softening food prices and slowing non-food inflation. Chinese firms experienced divergence as AI-adjacent sectors rode the capex wave whilst domestically focused sector demand remained subdued. South Korea and Taiwan reported strong AI-related export demand, with approximately 69% and 33% YoY growth respectively. In Japan, markets priced in a probable September rate hike, given headline CPI shifting higher to 1.9%, driven by food price increases on the back of elevated energy costs. The yen continued to depreciate against the US dollar, despite the US flagging its readiness to assist the BoJ and intervene if necessary. The composite Output Index pushed higher to 53.4 points, reaffirming the broadening manufacturing strength across sectors.



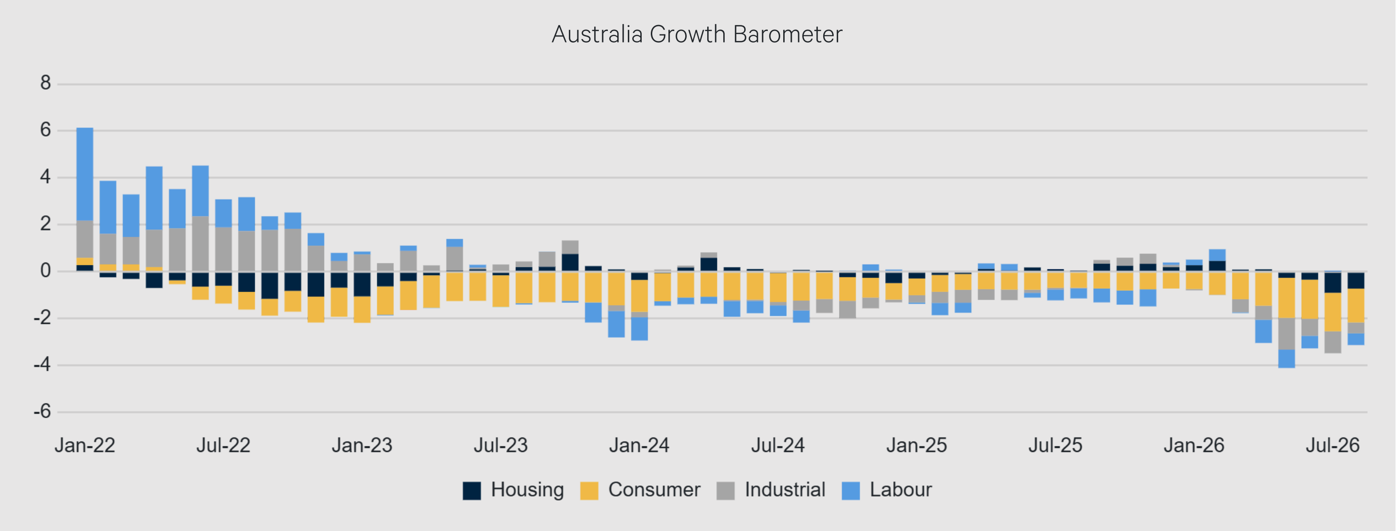
Europe

The ECB did not have a policy meeting in August, after holding the deposit facility rate at 2.25% in July. Preliminary CPI increased to 3.3%, as energy inflation jumped 14.3% given continued hostilities in the Middle East, albeit with softening core and services CPI. As such, the market priced in a near full probability of an interest rate hike at the September meeting. The manufacturing PMI continued to rally to 52.7 points, driven higher by leading constituents in Germany as AI-related tech goods, defence and stockpiling equipment drove the demand surge. The UK CPI print of 2.9% was in line with expectations, primarily driven by energy and utilities. This was coupled with loosening labour market data and a slight increase in Q2 growth, meaning the BoE rate decision path remains unclear. 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 across several countries and industries.



Australia

The RBA held the cash rate at 4.35% in August, as Governor Bullock noted that although policy is restrictive, headline, core and trimmed mean inflation remain above target with inherent upside risks. This has been driven by ongoing domestic capacity and energy cost pressures given the US-Iran conflict. The RBA noted that inflation is not expected to return to target until early 2028, with lower total spending necessary to reach this goal. Meanwhile, the unemployment rate increased again to 4.5%, the equal-highest level since November 2021, alongside falling real wage growth. House prices continued their fall, with the Cotality Home Value Index declining 0.9% in August, marking a fifth consecutive month of decline given weaker demand and lower turnover across most capital cities. Business investment data remains robust, driven by data centre and AI-related spending. Consumer sentiment increased but remains subdued given cautious spending conditions. Once again, the RBA flagged lacklustre productivity growth, with economic growth driven almost solely by population growth and structural headwinds providing little prospect of short-term improvement without materially increasing inflation.

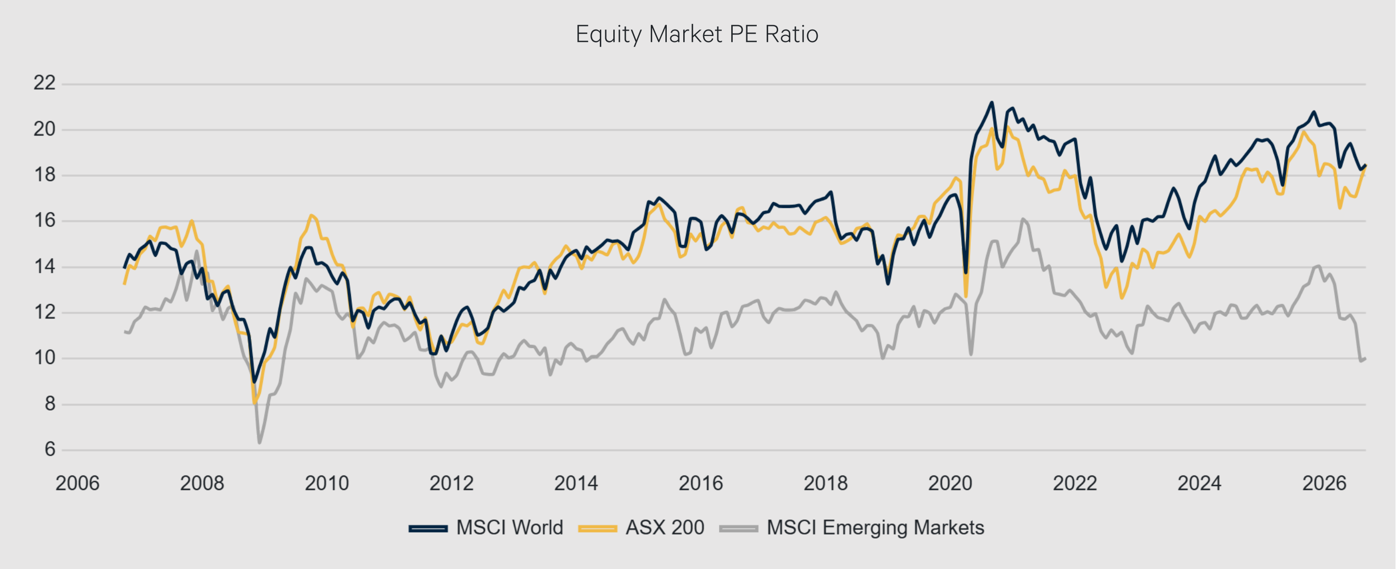


Asset Class Overview

Equities	Underweight
Government Bonds	Underweight
Corporate Debt	Overweight
Infrastructure	Overweight
Property	Neutral

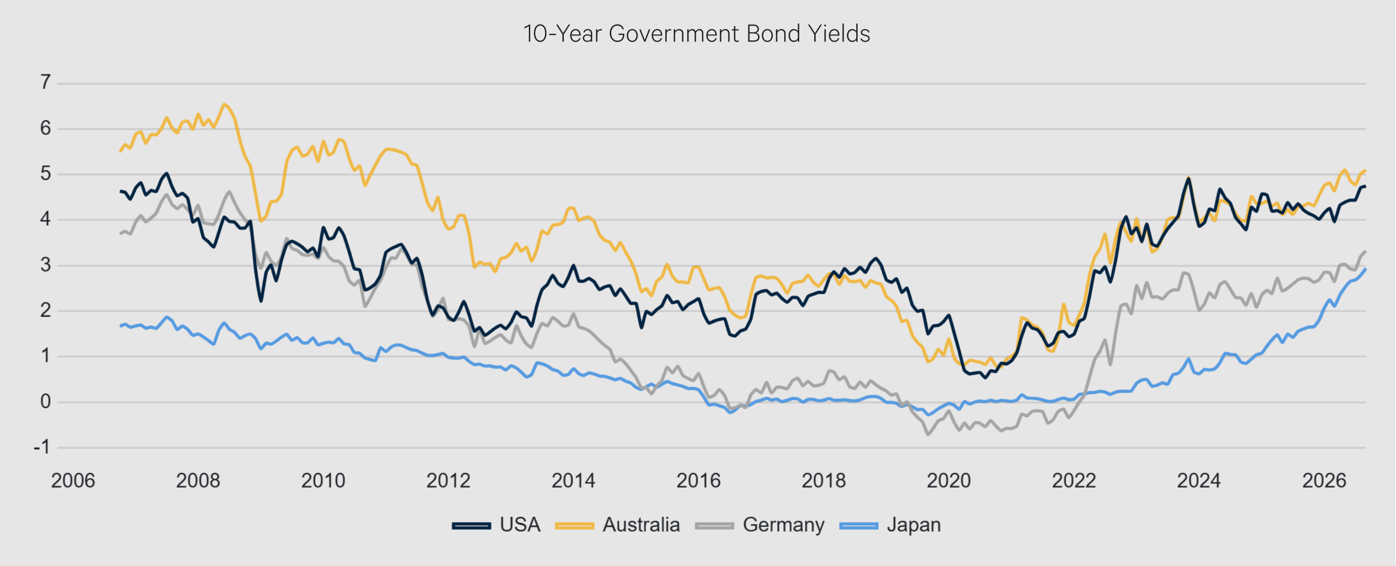
Equities

Global equities delivered strong returns in August, with the MSCI All Country World Index increasing 2.4% as strong earnings reporting overshadowed the unresolved US-Iran conflict, a hawkish near-term rates outlook and broadly higher bond yields. US equities pushed higher, with the S&P 500 Index increasing 2.7%, as a rebound in momentum AI-related and commodity-linked stocks across energy and materials drove returns. Market leadership continued to broaden, with the value factor performing well and equal-weight benchmarks resetting record highs. Strong earnings revisions mean S&P 500 Index forward earnings growth expectations remain robust, while the 12-month forward PE multiple sits at 19.5x. The ASX 200 Index finished 1.5% higher, supported by positive earnings catalysts in resources and a rotation into health care given full-year reporting outperformance for major index names. Emerging markets increased 3.4% as a rebound in South Korean and Taiwanese technology momentum stocks led the index higher.



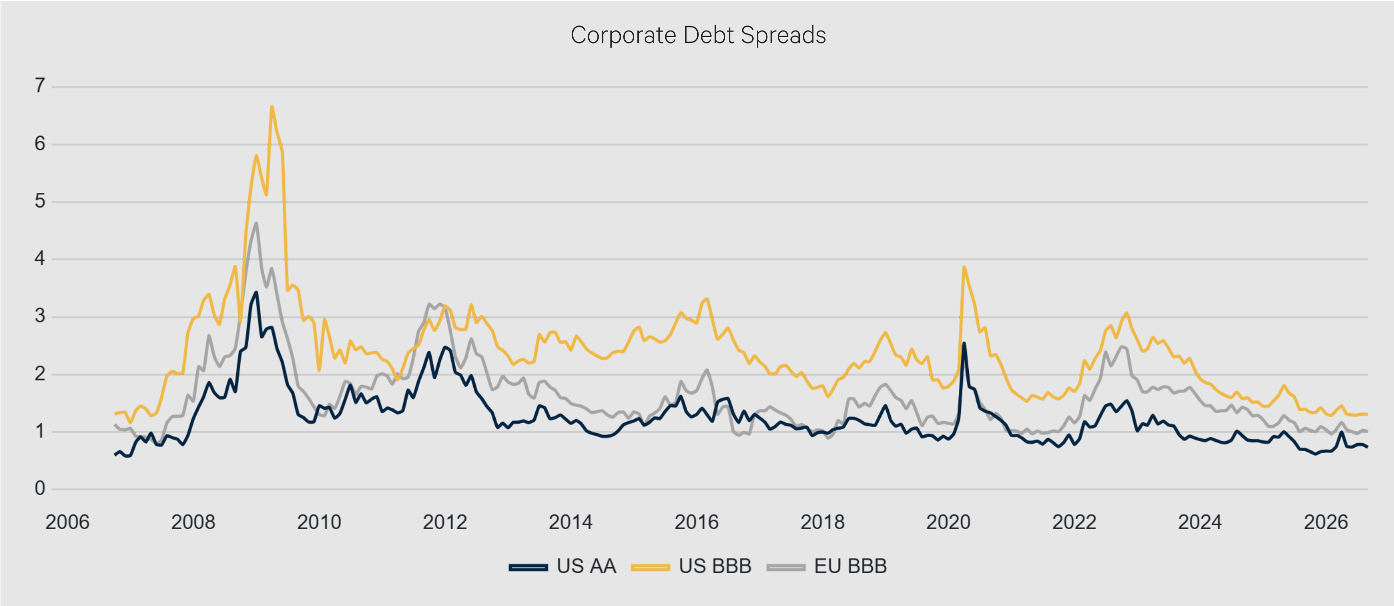
Bonds

Global bonds experienced volatility as yields rose across developed markets, with the Bloomberg Global Treasury Index finishing approximately flat. Major central banks grappled with resolute inflation data driven by surging energy prices stemming from the Middle East conflict. Central banks are broadly expected to increase interest rates at subsequent meetings. The US 30-year/10-year Treasury spread was approximately unchanged, as the 30-year yield eased slightly to 5.2% whilst the 10-year yield finished higher at 4.8%. UK and German yields increased, as 10-year gilts and bunds climbed to 5.1% and 3.3% respectively, while 10-year JGB yields reset new highs at 2.9%.



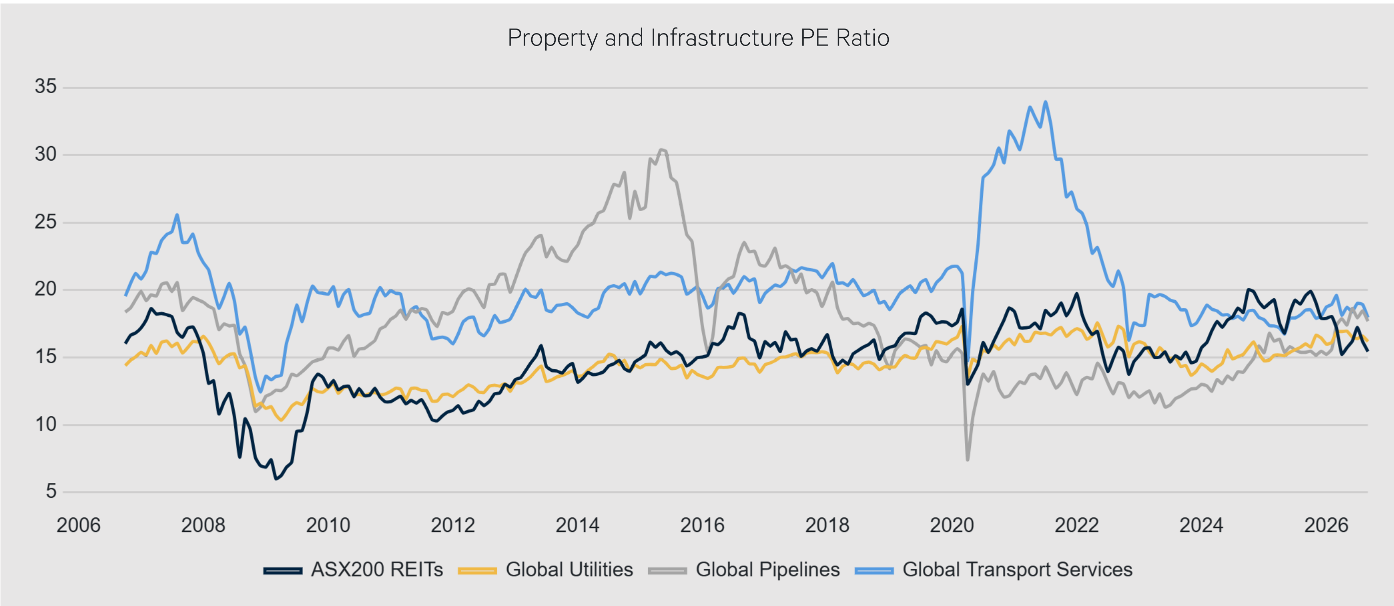
Corporate Debt

Global corporate spreads remained tight, given benign technical conditions, robust corporate earnings and hyperscaler capex issuance. US investment grade spreads were roughly flat, with high yield contracting 15bps, and both remain near historical lows. Robust corporate balance sheets have supported floating rate Australian credit, which has been resilient through recent bouts of global volatility, driven by strong demand for income and broadly healthy fundamentals. Relative value domestically remains compelling, offering a yield premium over comparable offshore exposures. The higher quality and more liquid exposures are well placed to navigate potential sector dispersion, given their stable and policy-aligned cash flows relative to those potentially exposed to higher rates and consumption pressures.



Property / Infrastructure

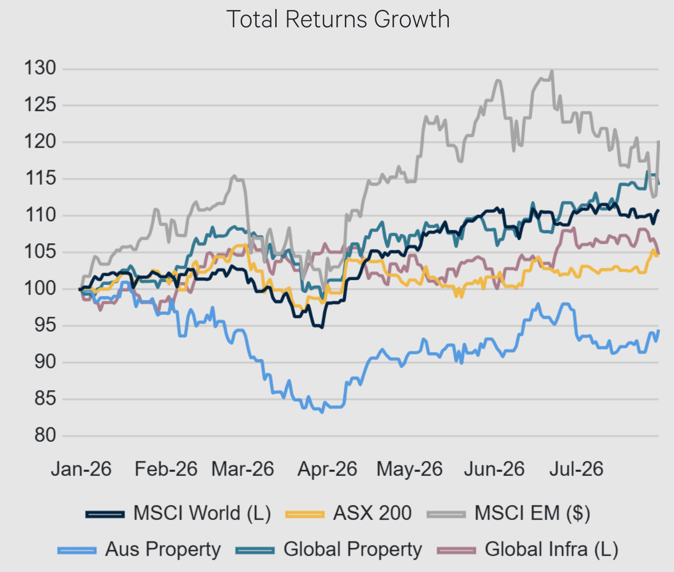
These asset classes typically have robust inflation hedging characteristics over the long term. REIT income typically grows annually through fixed or inflation-linked mechanisms, providing multi-year structural growth tailwinds. Infrastructure delivers essential services with earnings visibility spanning 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.

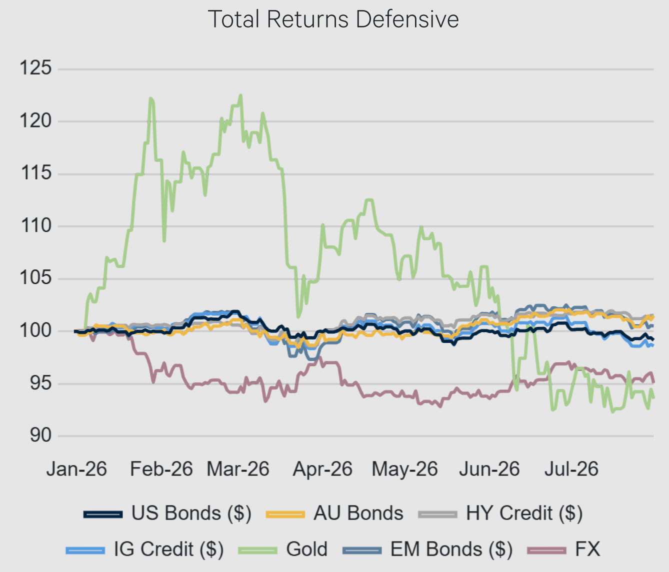


Asset Class Returns

As at 31 August 2026	Latest Value	Monthly	Quarterly	Half Year	Yearly
MSCI World All Countries	3,293	2.4%	2.0%	10.3%	23.3%
S&P/ASX 200	125,160	1.5%	4.5%	0.3%	4.4%
MSCI Emerging Markets	4,767	3.4%	-1.1%	8.3%	39.7%
S&P 500	17,220	2.7%	1.7%	12.4%	20.4%
Nasdaq Composite	32,553	4.0%	-2.1%	16.7%	23.6%
Euro Stoxx	393	0.9%	4.5%	6.3%	22.5%
Topix	7,417	3.9%	5.2%	6.8%	38.3%
Australian Property	345	-6.5%	-5.2%	-6.4%	-14.5%
International Property	117	-2.7%	2.8%	2.7%	12.5%
Global Infrastructure	176	-3.3%	-1.1%	-2.2%	3.8%
Australian Bonds	1,067	-0.5%	-0.1%	-0.1%	-0.6%
US Bonds	610	0.3%	-0.6%	-2.4%	1.2%
Emerging Market Bonds	158	0.7%	-0.5%	-0.7%	5.5%
High Yield Credit	256	0.9%	0.8%	1.8%	4.6%
Investment Grade Credit	281	0.4%	-1.7%	-2.7%	1.2%
US $ / Australian $	0.7200	1.9%	0.0%	0.6%	9.6%
Australian $ / UK Pound	1.8900	-1.2%	0.8%	-0.2%	-8.4%
S&P GSCI Commodity TR	5,802	6.1%	7.6%	31.8%	50.6%
Crude Oil-WTI	87	1.0%	-4.5%	30.0%	35.2%
Gold Bullion	4,437	9.6%	-3.4%	-15.6%	28.9%

Source: LSEG Refinitiv. Past performance is not a reliable indicator of future performance.





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