DRUMMOND

CAPITAL PARTNERS



INVESTMENT PERSPECTIVES

September 2026

Month In Review

Global Equities -0.7%	Aus Equities -2.4%	Global REITs -4.9%	Infrastructure -2.9%
Aus Bonds -0.8%	IG Credit -3.4%	Commodities 4.8%	AUD/USD -2.6%

Global equities eased slightly in September, with the MSCI All Country World Index (ACWI) finishing lower by 0.7%, while other markets were more volatile. The Middle East stalemate drove energy prices sharply higher, while global government bond yields surged amidst investor concerns around fiscal sustainability.

US markets delivered mixed performance, breadth narrowed with US technology mega-caps excelling and driving overall index performance. Overall, the S&P 500 Index fell modestly by 0.3%, though the majority of index constituents finished lower and most sectors underperformed technology. Small-cap stocks sank with the Russell 2000 Index falling 5.3%, which was its largest single-month drop since March 2025. Value stocks underperformed growth stocks as higher bond yields hit rate-sensitive names. With earnings expectations remaining strong, the Nasdaq Composite rose 1.9%, as investors sought refuge in mega-cap technology names.

The S&P/ASX 200 Index experienced one of its largest monthly drops of the previous 12 months, dipping 2.4%. All sectors finished negatively, with information technology and materials tumbling 10.6% and 6.0%, respectively. Domestic weakness was driven by higher inflation and interest rate expectations which negatively affected growth, consumer-facing and cyclical stocks. Emerging markets closely matched global performance, easing 0.5%.

The US Federal Reserve delivered its first interest rate increase since July 2023. Global bond markets sold off and volatility spiked as investors weighed global fiscal debt sustainability, higher core inflation and increased interest rate expectations. Investment grade and high-yield credit markets sold off as investors questioned the feasibility of record hyperscaler corporate issuance and the balance sheets of lower-quality issuers in a rising base rate environment.

Gold traded near two-month lows as a sharp rise in global bond yields and broad US dollar strength against major currencies, including the Australian dollar, weighed on prices.

Things That Matter

1.	Bond markets are pricing in short-term interest rate increases as central banks become increasingly hawkish in tone
2.	Deglobalisation and geopolitical tensions are fragmenting global supply chains
3.	AI adoption is still early stage, yet its effects are reshaping competitive dynamics and economies
4.	Big tech's record AI capex issuance is creating balance sheet leverage, corporate debt supply and increased interest rate sensitivity
5.	Government spending and fiscal debt burdens are pushing bond yields to multi-year highs across markets

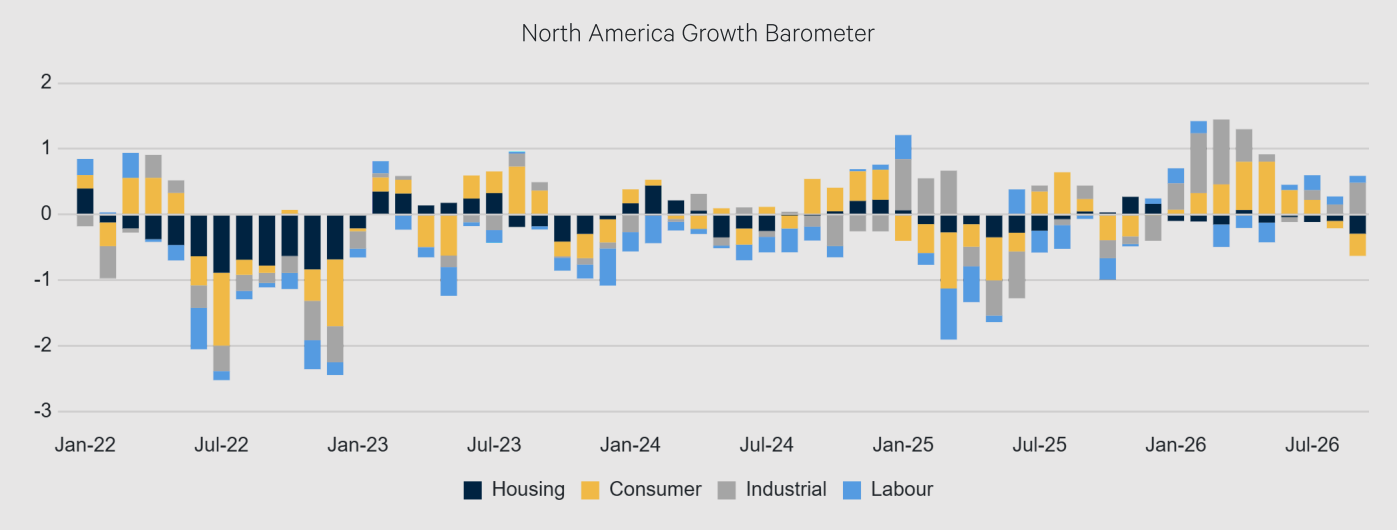
Asset Class Positioning

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

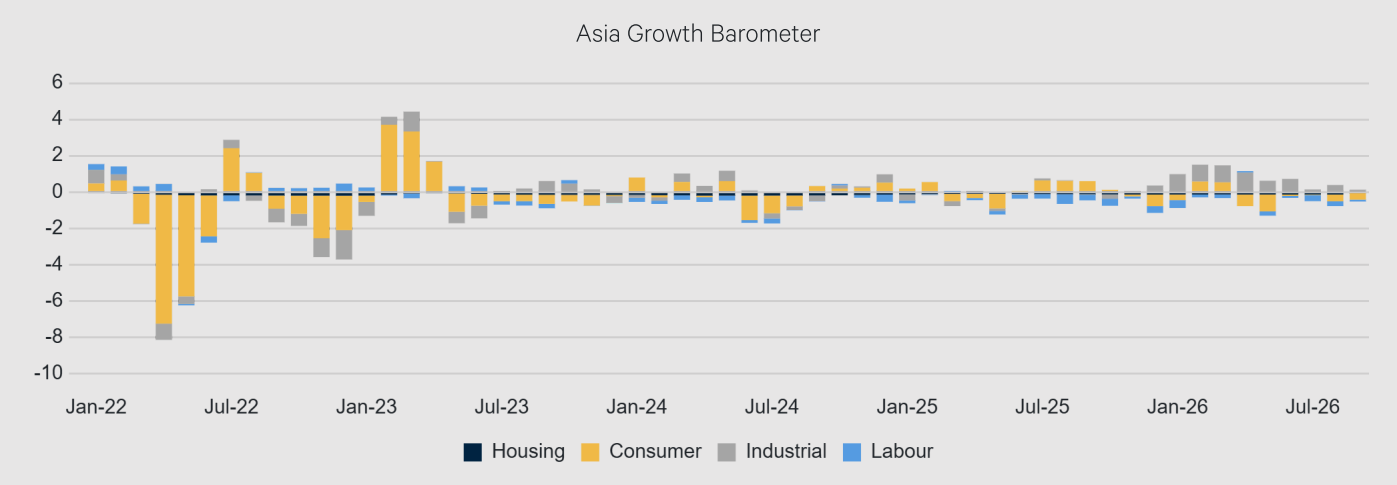
North America

The US Federal Reserve meeting in September saw the Federal Funds Target Rate increased to 3.75-4.00%. The bond market sold off, with the market having little faith in the Trump Administration's ability to manage long-end yields, with such an unsustainable fiscal path. Although the Fed's preferred measure of US core inflation in August was better than expected, it followed a string of results that have been above the Fed's target. Overall, the US economy remains healthy with strong GDP growth and manufacturing output fuelled by AI-related capex. Although there has been softening in the labour market and consumer confidence is low, actual consumer spending remains solid.



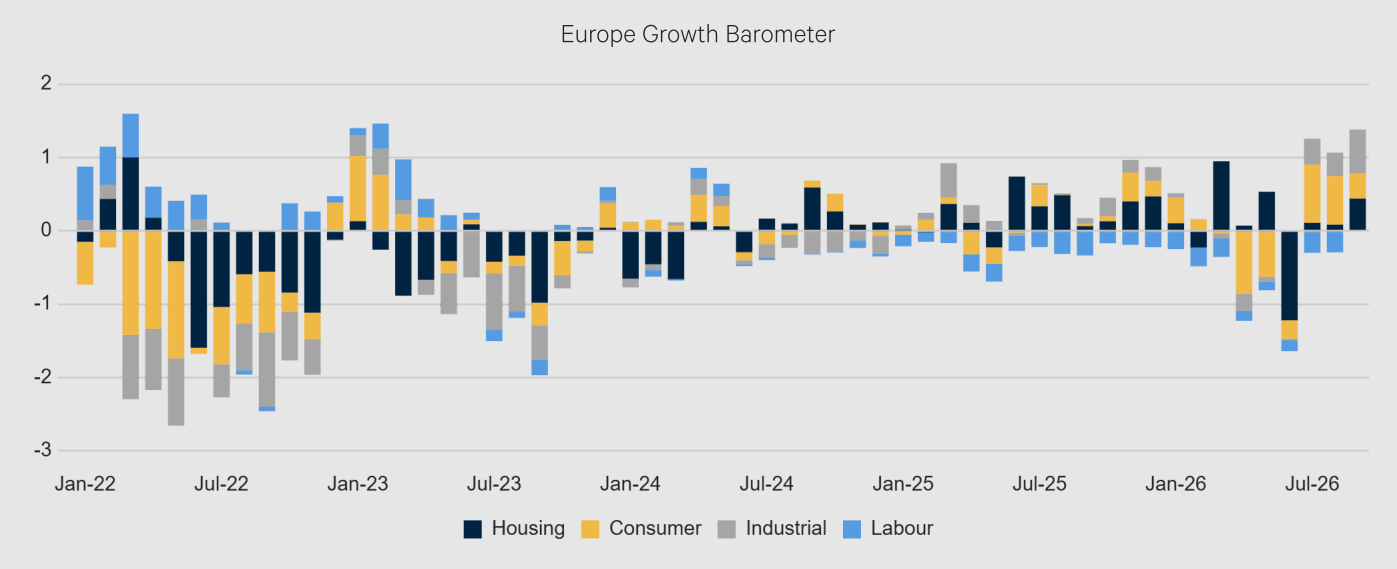
Asia

China's economy has flashed deteriorating growth signals in recent months spurred by weak GDP growth and inflation data underscored by poor employment and consumer demand data. This has prompted Chinese domestic mini-stimulus measures to revive frail demand and to help achieve its growth targets. Broadly speaking, AI capex continues to underpin strong export and manufacturing data in South Korea and Taiwan, with China also seeing a modest lift. In Japan, the BoJ raised interest rates to a three-decade high of 1.25% to counter upward pressure on import and wholesale prices from higher energy costs and yen weakness. The Japanese Yen continues to trade near multi-decade lows, although it has rebounded in recent months on the back of co-ordinated US-Japan currency market intervention and expectations of further BoJ tightening.



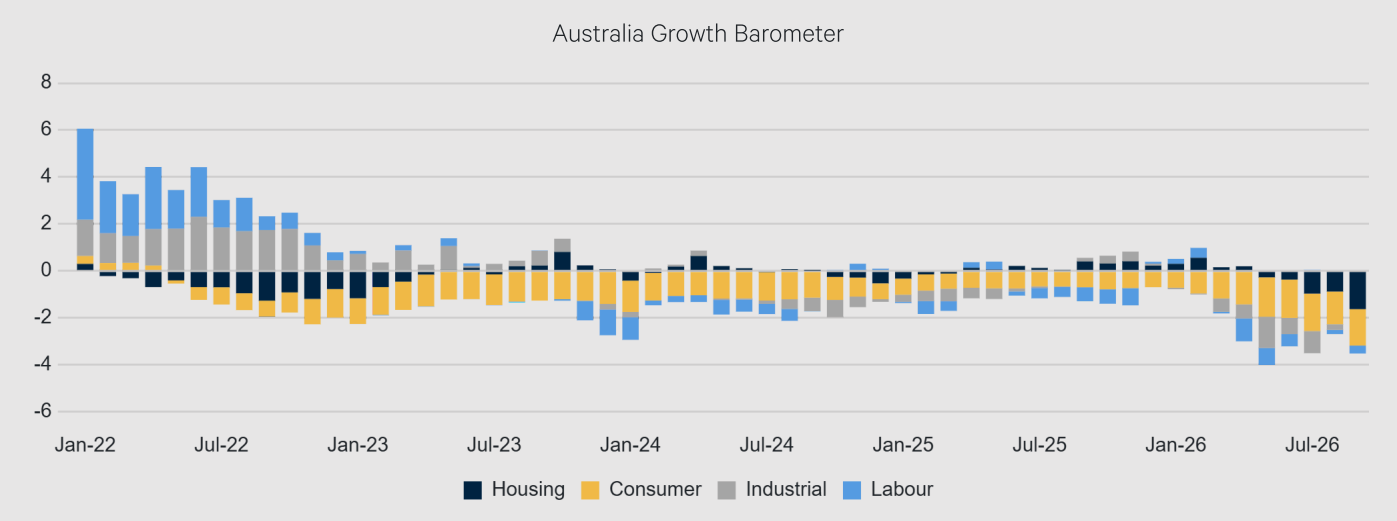
Europe

The ECB raised the deposit facility rate to 2.50% in September with further interest rate rises expected in future quarters. The primary driver was higher inflation prints catalysed by higher energy prices stemming from the Middle East conflict. Major European economies have exhibited modest GDP growth with robust manufacturing data given AI and defence-related spending. However, the Euro area continues to balance softening labour markets with mixed consumer data that has rebounded in recent months. Similarly, the UK economy has delivered mild GDP growth, with waning employment data and robust inflation forcing restrictive BoE monetary policy conditions. Structurally, Europe's labour force demographics and productivity are hinderances to longer-term growth, while component shortages and elevated energy costs remain headwinds across several countries and industries.



Australia

The RBA increased the cash rate to 4.60% in September, with further short-term interest rates increases expected. Inflation has persistently remained above-target, given ongoing domestic capacity and energy cost pressures from the Middle East conflict. The unemployment rate remains near multi-year highs with falling real wage growth. The Cotality Home Value Index has fallen in recent months, as domestic house prices have been affected by higher interest rates and regulatory shifts. Consumer and business sentiment remains subdued relative to historical levels, amidst cautious spending conditions. The RBA has flagged lacklustre productivity growth, with economic growth driven almost solely by population growth. This provides structural headwinds with little prospect of short-term improvement without materially increasing inflation.



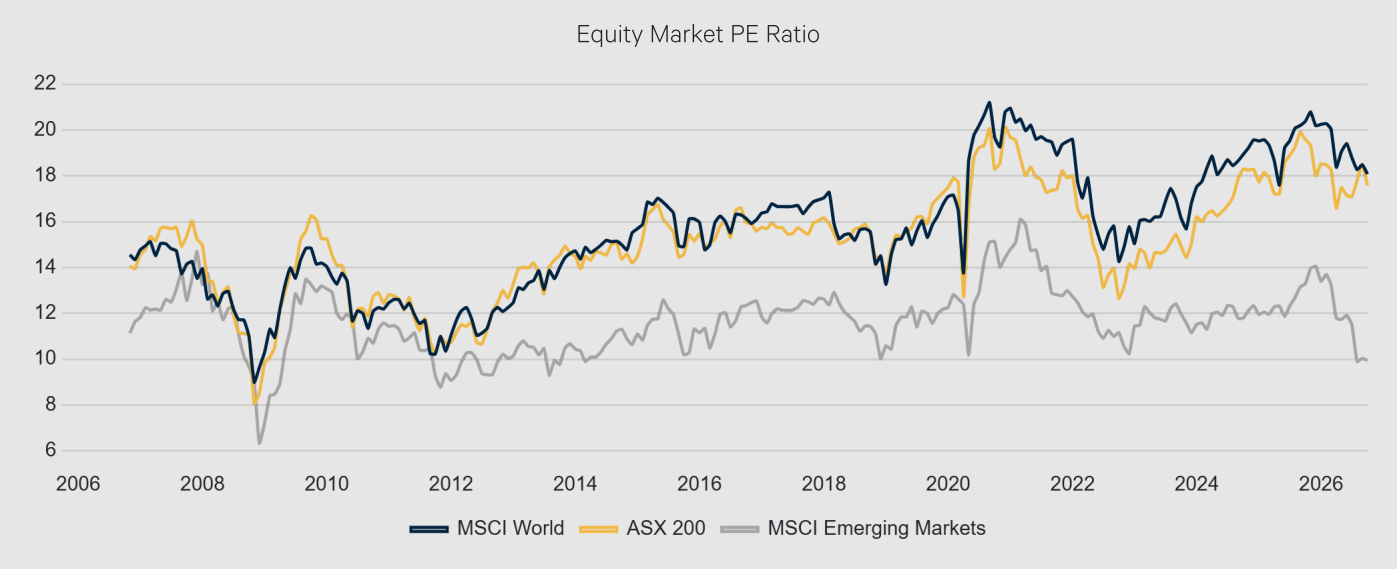
Asset Class Overview

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



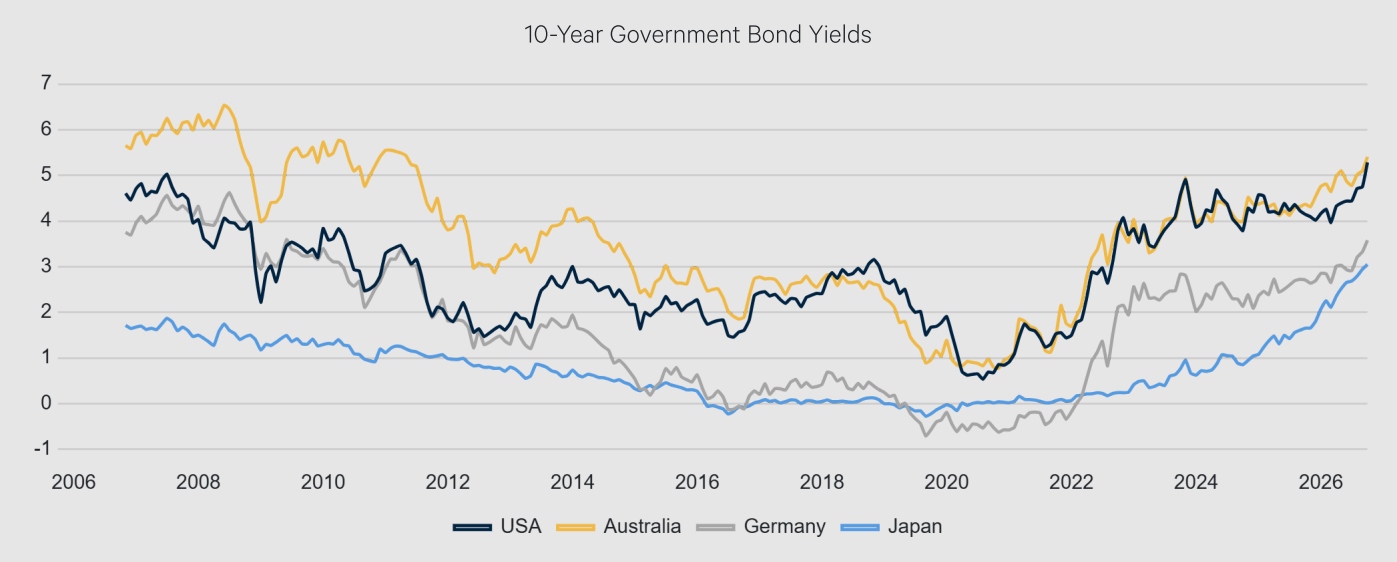
Equities

Global equities broadly finished lower in September, as market breadth narrowed with US technology mega-caps leading index returns. Despite recent volatility in bonds and commodities, major global indices such as the MSCI ACWI, S&P 500 Index and the Nasdaq Composite remain near all-time highs. This has been triggered by strong AI-adjacent demand and robust US growth, which has supported record forward-looking earnings and positive earnings revisions across stocks. Renewed market leadership from technology names saw the S&P 500 Equal-Weight Index underperform in the month, though it remains near all-time highs. The S&P/ASX 200 Index sold off in September, with relatively flat year-to-date performance given benign domestic growth coupled with low productivity and restrictive monetary policy. Emerging markets remain one of the strongest year-to-date performers despite easing slightly in September. The strength in emerging markets has predominantly been concentrated in South Korean and Taiwanese AI-related momentum stocks.



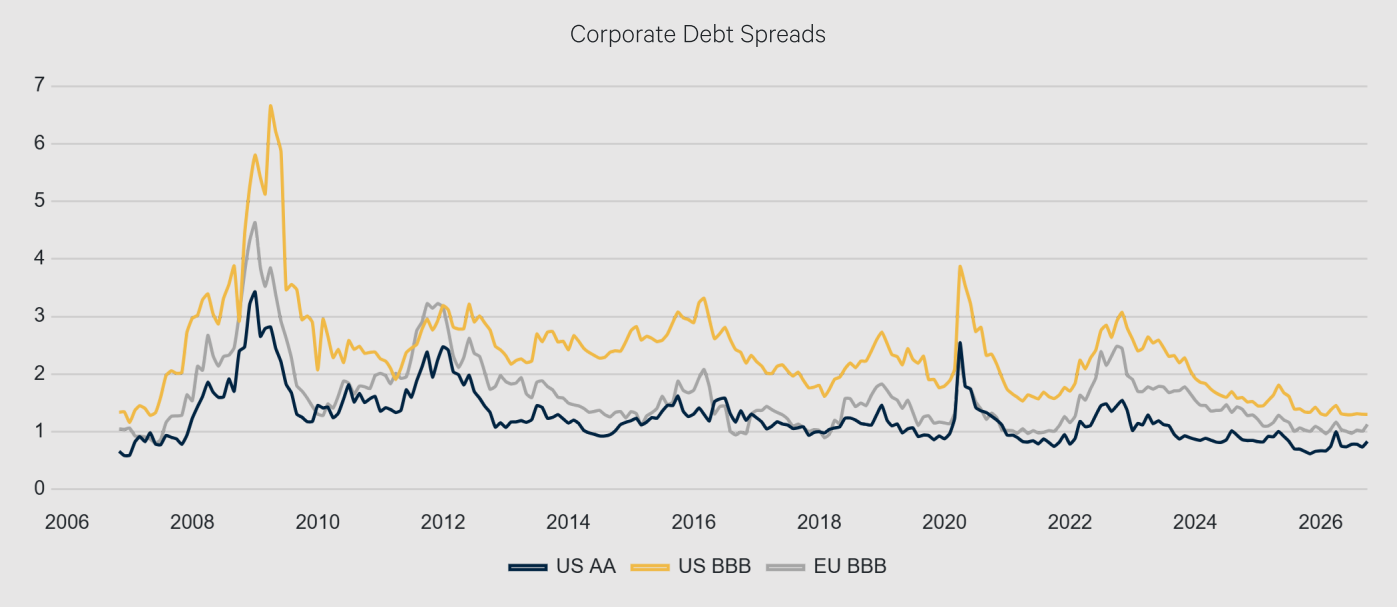
Bonds

Global bonds have experienced persistent volatility in recent months, as yields have repriced higher given the elevated uncertainty across financial markets. Major central banks continue to grapple with robust inflation data driven by surging energy prices. Central bank policy paths in major economies continue to price in near-term interest rate rises given sticky inflation. The 10-year and 30-year yields in major economies continue to grind higher whilst resetting multi-year highs, as monetary, fiscal and geopolitical concerns have driven persistent bond sell offs in 2026.



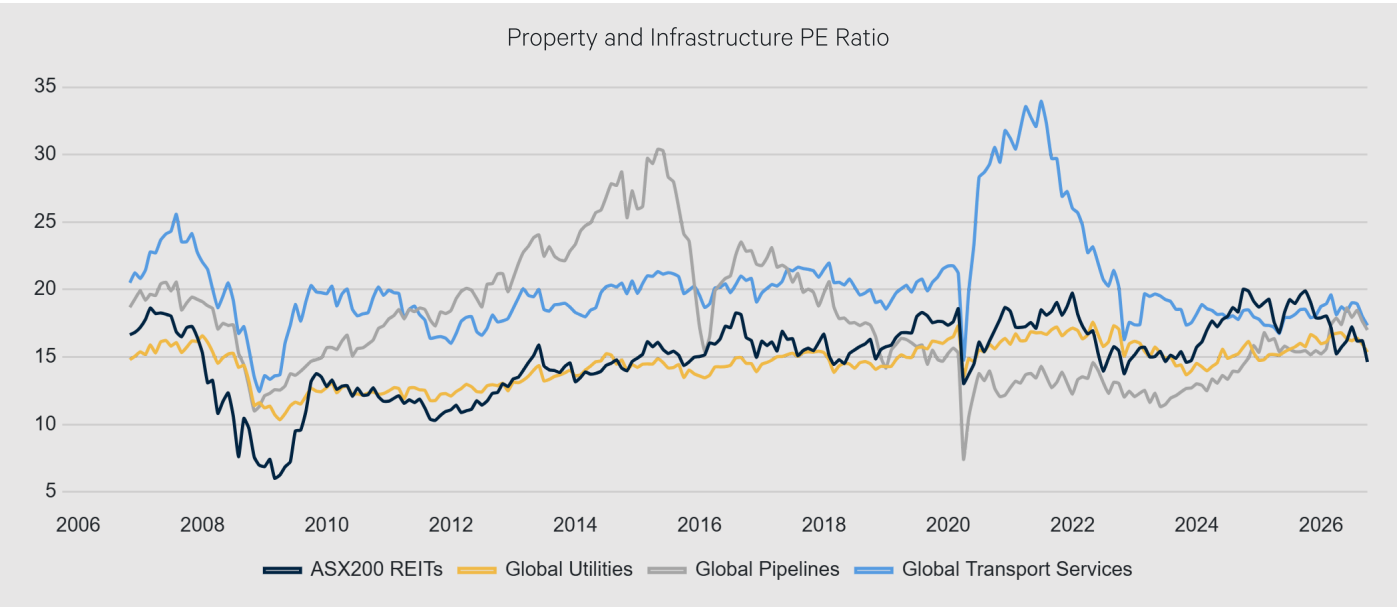
Corporate Debt

Global investment grade and high-yield corporate spreads widened in September in response to broader market uncertainty, though remain tight by historical standards. 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 domestic credit exposures possess stable and cash rate-aligned coupons. As such, they have been relatively protected from recent sector dispersion stemming from higher domestic interest rates and weakening consumption.



Property / Infrastructure

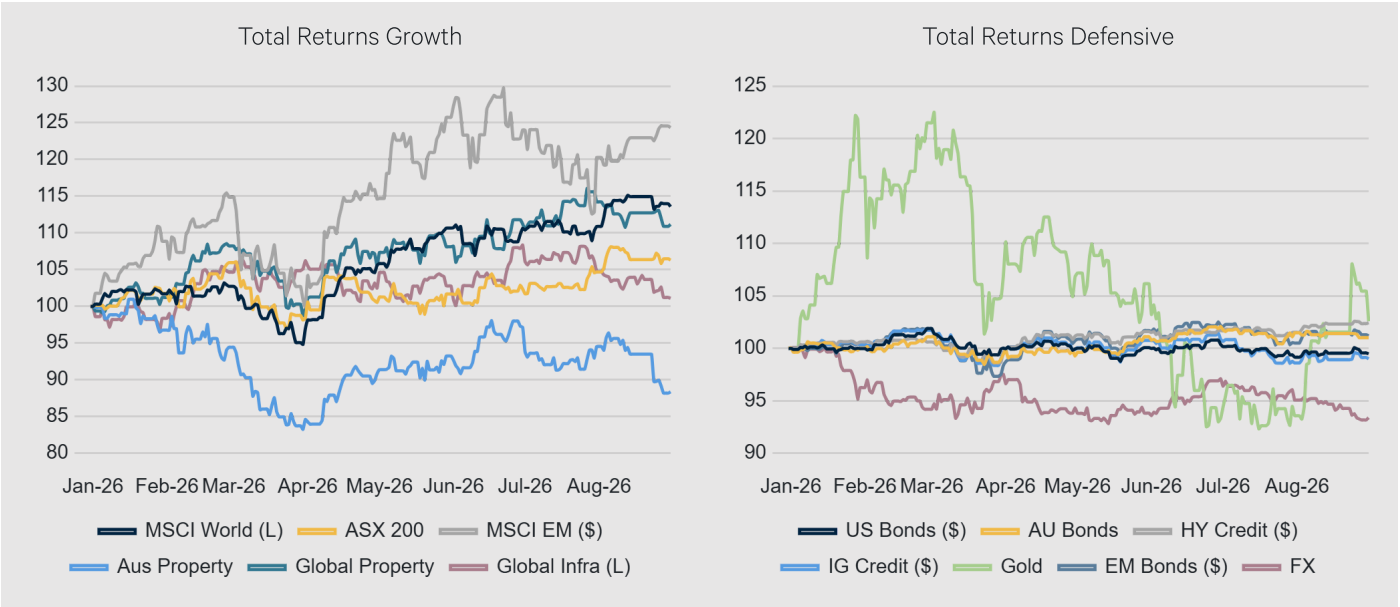
These asset classes typically have robust inflation hedging characteristics over the long term. REIT income typically grows annually through fixed or inflation-linked mechanisms, providing multi-year structural growth tailwinds. Infrastructure delivers essential services with earnings visibility spanning long periods through contracts and regulatory frameworks. Near-term performance amongst listed real assets continues to be hampered by higher cap-rate expectations. However, current valuations are compelling relative to global equities as ongoing infrastructure expansion drives power and digital connectivity demand.



Asset Class Returns

As at 30 September 2026	Latest Value	Monthly	Quarterly	Half Year	Yearly
MSCI World All Countries	3,270	-0.7%	1.3%	16.8%	18.1%
S&P/ASX 200	122,137	-2.4%	1.3%	5.4%	2.7%
MSCI Emerging Markets	4,743	-0.5%	-0.2%	23.9%	29.6%
S&P 500	17,160	-0.3%	2.3%	17.9%	15.7%
Nasdaq Composite	33,180	1.9%	2.6%	24.8%	19.2%
Euro Stoxx	385	-2.1%	-1.4%	13.6%	16.7%
Topix	7,397	-0.3%	3.8%	18.7%	33.9%
Australian Property	339	-1.8%	-10.7%	2.6%	-14.1%
International Property	111	-4.9%	-5.0%	5.9%	6.3%
Global Infrastructure	170	-2.9%	-9.1%	-6.6%	-0.4%
Australian Bonds	1,059	-0.8%	-1.9%	0.7%	-1.5%
US Bonds	595	-2.4%	-3.3%	-2.9%	-2.1%
Emerging Market Bonds	152	-3.8%	-4.7%	-1.0%	-0.0%
High Yield Credit	249	-2.7%	-2.0%	0.0%	0.9%
Investment Grade Credit	271	-3.4%	-5.2%	-4.0%	-4.0%
US $ / Australian $	0.7000	-2.6%	1.6%	1.9%	5.7%
Australian $ / UK Pound	1.9000	0.4%	-1.4%	-1.5%	-6.7%
S&P GSCI Commodity TR	6,079	4.8%	25.1%	10.9%	56.7%
Crude Oil-WTI	97	11.7%	37.7%	-5.5%	53.8%
Gold Bullion	4,164	-6.2%	3.2%	-9.9%	8.6%

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



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