

Drummond Dynamic Portfolio

Quarterly Investment Review – Q3 2025

We believe we are in an era of increased volatility and uncertainty regarding future asset class returns. The Drummond Dynamic Portfolio (DDP) has been created to provide exposure to a diversified set of global investments, with the aim of protecting capital in bad periods and growing wealth in good periods. This is our core, dynamically managed multi-asset investment portfolio.

Market Overview

The September quarter saw risk assets continue their upward trajectory. This growth came with volatility easing, despite signs of a softening US labour market that typically tests market resilience. The sources of market strength varied, including supportive monetary policy settings continuing to underpin consumer and business confidence. In what has become an earnings driven market, corporate results were reasonably strong, providing further support. Additionally, businesses and consumers showed continued adaptability to the evolving tariff regime. The Nasdaq Composite rose 11.4% over the period, while global markets gained 8.1%. Australian equities rose 4.7% but experienced heightened volatility during earnings season, with some companies penalised for merely meeting expectations including CBA falling 6.0%. Emerging markets surged 10.9% on encouraging signs from the consumer sector.

Fixed income markets were muted to slightly positive whilst ongoing central bank rate cuts continue to diminish the appeal of cash-like investments. Australian government bonds were flat, while US government bonds gained 1.6%. Corporate and high yield credit outperformed, rising 2.9% and 2.1% respectively. Commodity prices increased 4.1% over the quarter, although mixed with oil down 4.7% and gold surging 16.7%. The AUD rose 0.8% over the quarter.

Portfolio Performance & Review

Over the third quarter, the Dynamic Portfolio returned 2.7%*. This was ahead of the FE AMI Mixed-Asset Flexible peer index that returned 2.3% over the period. As is shown in the below, the portfolio continues to perform well when compared to the institutional peer group over the longer term.

DRUMMOND DYNAMIC PORTFOLIO PERFORMANCE HISTORY

	3 month	6 month	1 year	3 year p.a.	5 year p.a.	Inception p.a.
Dynamic Portfolio*	2.7	5.4	6.3	8.0	6.0	5.6
Peers**	2.3	5.2	6.9	7.8	5.7	4.7
Outperformance	0.4	0.2	-0.6	0.2	0.3	0.9

PERFORMANCE*	FY20%	FY21%	FY22%	FY23%	FY24%	FY25%	FY26%***
Dynamic Portfolio*	-2.1	16.6	-4.4	4.9	9.0	6.9	2.7
Peers**	-4.1	13.0	-4.9	6.5	6.9	7.0	2.3
Outperformance	2.0	3.6	0.5	-1.5	2.0	-0.1	0.4

Source: Drummond Capital Partners, BT Panorama, Refinitiv; *FE AMI Mixed Asset – Flexible Sector. **FY to date.

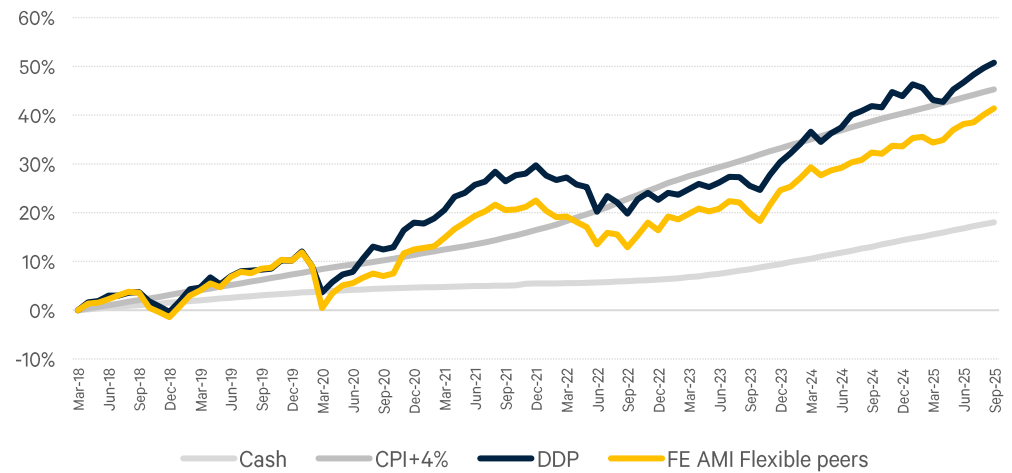
Positive performance for the quarter was driven primarily by allocations to Australian and global equities. Emerging markets (EM) continued their momentum on positive consumer signals attracting domestic and foreign investors given also that the region contains relatively attractive valuations. Most managers in the portfolios delivered solid returns despite continued tariff regime uncertainty on the global stage and a volatile earnings season domestically, where one in four companies saw price moves averaging 13% following earnings announcements. Despite this, two of the three Australian equity managers in the portfolio outperformed their respective benchmarks across small to large cap strategies.

Tactical positioning during the quarter saw growth assets moving marginally above neutral, taking growth exposure to 52.5% from 47%. The increasing allocation was weighted to global equities, with the portfolios currently underweight Australian equities. Most of the additions were made via FX hedged managers, though SAA changes in July increased FX exposure overall. The portfolio is well diversified by asset class and manager, and we believe this is appropriate in an environment of elevated valuations.

Continued strength for risk assets in an earnings driven market

The portfolio delivered positive returns in the third quarter with equity markets being the key contributor

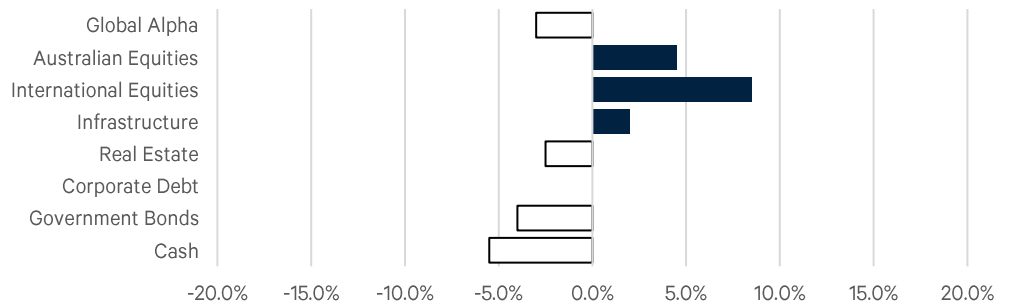
DRUMMOND DYNAMIC PORTFOLIO RETURN vs. PEERS**



Source: Drummond Capital Partners, Refinitiv, BT Panorama, ** FE AMI Mixed Asset – Flexible Sector

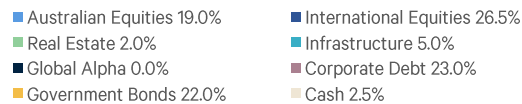
PORTFOLIO ASSET ALLOCATION CHANGES – Q3 2025

Allocations to equities was increased, while rate sensitive assets were decreased and global alpha was removed



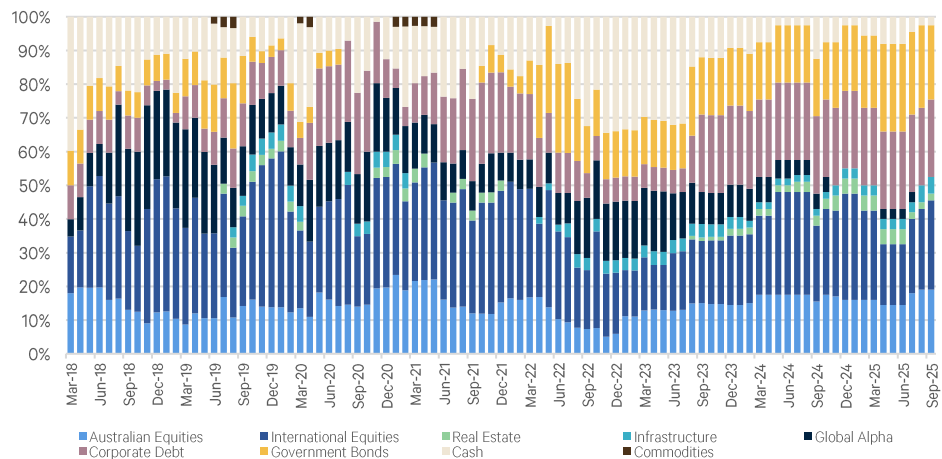
PORTFOLIO ASSET ALLOCATION – Q3 2025

The portfolio is overweight credit and international equities, while underweight Australian equities and government bonds



PORTFOLIO ASSET ALLOCATION HISTORY

International equities and corporate debt are the biggest asset class exposures

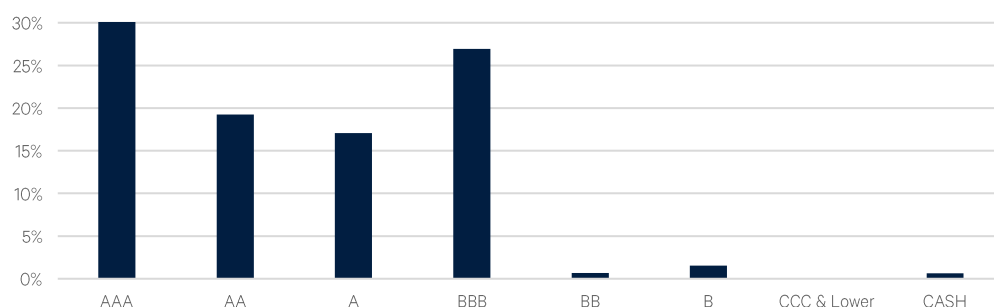


Corporate Debt

The yields available in Australian investment grade corporate debt remain attractive

Global corporate debt markets delivered positive performance over the September quarter, with investment grade credit outperforming high yield, gaining 2.9% and 2.1% respectively. Spreads have tightened amid strong demand for yield, as primary credit market supply accelerated during the quarter and was well absorbed by significantly oversubscribed books. We continue to view floating rate Australian investment-grade credit as attractive and maintain an overweight position, as investors remain adequately compensated for the risk.

PORTFOLIO LOOK THROUGH CREDIT GRADE EXPOSURE (CORPORATE DEBT & GOVERNMENT BONDS)



Source: Drummond Capital Partners, manager reports

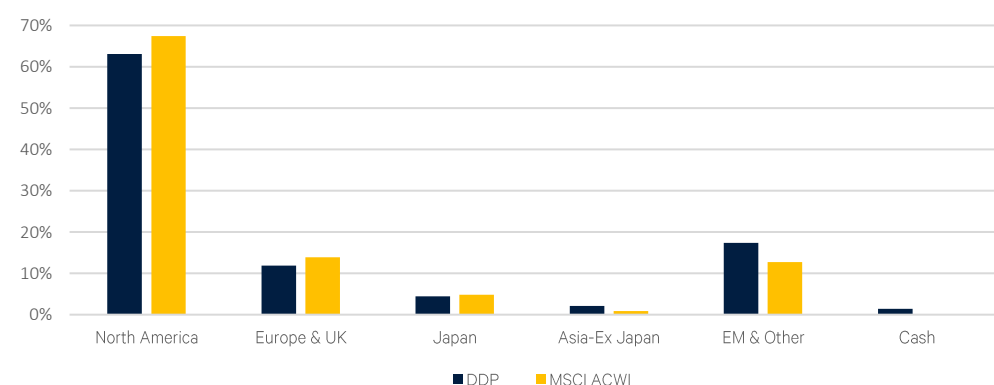
Government Bonds

Government bond market performance mixed but provide portfolio ballast in times of heightened volatility

Government bond performance was mixed over the quarter. Australian bonds were broadly flat, as markets remained cautious amid ongoing uncertainty around the interest rate outlook and the degree of anticipated rate cuts from the Reserve Bank. In contrast, US bonds rose 1.6% after the Federal Reserve adopted a more dovish tone, cutting rates by 25 bps in September. Overall, we continue to prefer Australian government bonds which have less fiscal risk than global bonds but remain underweight the asset class overall.

International Equities

PORTFOLIO LOOK THROUGH COUNTRY EXPOSURE vs. BENCHMARK



Source: Drummond Capital Partners, manager reports

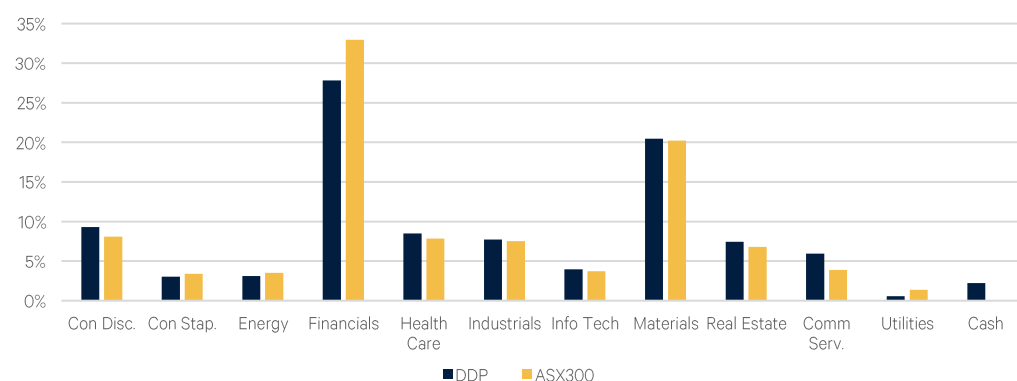
Earnings upgrades are broadening, and markets are responding positively

International equities (MSCI ACWI) delivered strong performance over the quarter, rising 8.1%, despite ongoing trade tensions particularly between the US and China. Markets remained largely unshaken by the US government shutdown, estimated to cost the economy US\$15bn a day, and showed resilience in the face of emerging softness in the US labour market during the quarter. With the backdrop of uncertainty surrounding the independence of the US Federal Reserve, it responded with a 25bps rate cut to hedge against growth risks. Equity gains for the quarter were supported by a backdrop of positive earnings revisions. Equity market performance remains closely linked to the AI narrative, with NVIDIA gaining 18.1% over the quarter. The company's US\$5bn investment in Intel to develop custom datacentres underscored expectations for a sustained AI-led growth trajectory, both for NVIDIA and across AI dependent industries. Market strength is not confined to being AI-driven. Broader earnings upgrades are contributing, with US earnings revisions reaching a four-year high. Momentum is also building in emerging markets and Europe, where markets rose 10.9% and 4.2% respectively over the quarter.

Australian Equities

AUSTRALIAN EQUITIES SECTOR EXPOSURE vs. BENCHMARK

Australian equities rose, but experienced heightened volatility during earnings season



Australian equities delivered a positive return for investors in the September quarter, with the S&P/ASX 200 rising 4.7%. While performance dipped slightly in September, down 0.8%, this followed five consecutive monthly gains. Reporting season brought elevated volatility with share prices moving aggressively with 1 in 4 companies moving by an average of 13% on the day of reporting. CSL recorded its largest one-day decline on record, falling 16.9% after revenue missed expectations and concerns emerged around its outlook, amid plans to slash 3,000 jobs and spin off its vaccine business. In contrast, companies that exceeded analyst expectations were rewarded by markets. Seek rose 8.0% after reporting stronger revenue, despite fewer job ads, driven by price increases and optimism surrounding job ad volumes moving forward. Market forward PE multiples remain at cyclical highs, and with persistently weak productivity growth showing little sign of improvement, our portfolios remain slightly underweight Australian equities.

Real Assets (Infrastructure & Real Estate)

Diversified real asset exposure proving beneficial amid falling rates and elevated equity valuations

Australian REITs delivered strong performance in the September quarter, rising 4.7%. Falling interest costs and relative valuations of AREITs to the general market were key drivers. Our portfolios maintain an allocation to global REITs, which also performed well, posting a gain of 2.1% over the quarter. Within the asset class, data centres continue to dominate the space attracting record levels of capital to fund new builds.

Infrastructure rebounded in the September quarter, rising 2.6%, reversing the previous quarter's underperformance. Our portfolio benefited from strong results across key segments, including US utilities, renewable energy and natural gas pipelines. Real assets are expected to continue providing a stabilising component within portfolios, particularly as equity valuations remain elevated and amid easing monetary policy settings.

Global Alpha

Exposure to the asset class had been minimal given our preference for domestic investment-grade floating-rate credit.

Our base case is growth remains supported, policy easing likely limited and risks manageable in the immediate term

Outlook

As we enter the final quarter of 2025, it is understandable that investors are finding it increasingly difficult to navigate markets. On one hand, the global economic landscape remains persistently complex and uncertain. On the other, risk assets continue their upward trajectory, seemingly oblivious to macroeconomic risks. Notably, volatility in global markets declined compared to the previous quarter, suggesting that investors may be placing less weight on potential headwinds such as the implications of the recent US government shutdown or the risk of a decoupling between the US and China with rising trade tensions.

The US Federal Reserve is walking a fine line in managing competing economic mandates. In September, it was compelled to ease monetary policy to prevent a weakening labour market from gaining momentum and potentially tipping the US into a recession. Core PCE inflation edged up in August by 0.2%, or 2.9% on an annualised basis, with services and housing costs being key contributors. While the Fed targets a 2% inflation rate, this uptick is unlikely to deter it from announcing an additional rate cut before year end. This is also supported by Fed Chair Jerome Powell's observation that tariffs are more likely to deliver a one-time boost to prices rather than act as a sustained driver of underlying inflation. However, the jury is still out on the precise impact of tariffs, given that many companies have relied on a mix of pre-tariff inventory accumulation and cost-absorbing measures to limit their effect. Taken together, our view is that earlier expectations from the market of multiple rate cuts on this side of 2026 may now be a stretched probability aside from an additional cut priced in by markets for October.

Despite this, markets remain forward looking and while current valuations are not particularly cheap, they are not extreme. Markets are forecasting that companies within the S&P 500 will post third-quarter earnings growth averaging 8.0% YoY. At this stage, few obstacles appear likely to derail this outlook in the immediate term, particularly given the ongoing momentum of AI-driven earnings and the increasing spillover into broader industries and geographies poised for productivity gains through continued investment. Notably, Oracle recently announced it has secured hundreds of billions of dollars in infrastructure bookings and is working with OpenAI on a landmark \$500 billion project, which includes the development of five new data centres.

The portfolios are slightly overweight growth exposure, maintaining a modest overweight to equities. Within this, we hold a slight underweight to Australian equities, balanced by a corresponding tilt toward global equities to maintain our growth overweight allocation. In addition, we continue to favour global infrastructure over REITs whilst the portfolio maintains a preference for credit over bonds within our fixed income allocation.

Regards,

The Drummond Capital Partners team

*Inception date is 31/3/2018. Source: BT Panorama. The returns shown are net of fund manager fees and do not incorporate any other fees including Advisory Fees, Admin Fees or Portfolio Manager Fees. They are calculated from the model portfolio within BT Panorama and as such may vary over time and vary by individual client. Performance data greater than 1 year is annualised.

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