

Q2 FY2027

Market Outlook

Asset allocation positioning and investment views

October 2026

every angle.

Portfolio Management

Our investment philosophy and dedicated focus is to assist clients in maximising their wealth by considering an overall investment strategy and recommending a suitable portfolio based on their tolerance to risk and personal objectives. Our preferred portfolio construction approach is to invest in direct holdings that are tradable on listed exchanges. This allows us greater scope to tailor bespoke client portfolios across entities – giving us more flexibility, transparency and fee efficiency when compared to a traditional managed funds approach.

Our investment process



Our research process



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Every VCM model portfolio outperformed its benchmark over the September quarter

Equity model portfolios

Portfolio	1M	3M	6M	1Y	3Y	5Y	10Y	Incep.
VCM AU Income	-0.68%	2.52%	6.81%	10.91%	13.27%	10.80%	10.61%	12.42%
<i>vs benchmark</i>	+1.74%	+1.18%	+1.38%	+8.23%	+1.87%	+3.12%	+1.57%	+4.12%
VCM AU Balanced	-2.31%	4.91%	8.05%	6.60%	14.60%	9.06%	11.02%	10.16%
<i>vs benchmark</i>	+0.11%	+3.58%	+2.62%	+3.92%	+3.20%	+1.37%	+1.98%	+1.86%
VCM AU Growth	-3.09%	5.94%	6.69%	6.32%	13.51%	8.18%	11.49%	12.34%
<i>vs benchmark</i>	-0.68%	+4.61%	+1.25%	+3.63%	+2.11%	+0.50%	+2.45%	+4.05%
S&P/ASX 200 Accumulation	-2.42%	1.33%	5.43%	2.68%	11.40%	7.68%	9.04%	8.30%
VCM International	0.13%	5.21%	13.86%	—	—	—	—	13.86%
<i>vs benchmark</i>	-1.72%	+3.76%	-0.39%	—	—	—	—	-0.39%
MSCI World ex Aus NR AUD	1.85%	1.45%	14.25%	9.87%	18.54%	12.82%	13.99%	14.25%

Multi-asset model portfolios

Portfolio	1M	3M	6M	1Y	Incep.
Defensive	-0.42%	0.57%	3.67%	4.90%	6.15%
<i>vs Morningstar Conservative</i>	+0.23%	+1.23%	+1.91%	+3.65%	—
Conservative	-0.50%	1.00%	6.79%	7.18%	8.99%
<i>vs Morningstar Moderate</i>	+0.29%	+1.87%	+3.24%	+4.63%	—
Balanced	-1.12%	1.61%	9.74%	9.99%	12.98%
<i>vs Morningstar Balanced</i>	-0.36%	+2.19%	+4.27%	+5.79%	—
Assertive	-1.23%	2.27%	12.23%	12.32%	16.12%
<i>vs Morningstar Growth</i>	-0.48%	+2.53%	+4.88%	+6.74%	—
Aggressive	-1.55%	3.34%	16.18%	15.03%	20.13%
<i>vs Morningstar Aggressive</i>	-0.95%	+3.01%	+6.50%	+7.30%	—

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model portfolios ahead of benchmark over the September quarter

3 of 3

Australian equity models ahead of the ASX 200 over every period from 3 months to inception

5 of 5

multi-asset profiles ahead of their Morningstar peers over 1 year, by +3.65% to +7.30%

Watch

Higher-growth models lagged in September; International trails by 0.39% since its April inception

Returns to 30 September 2026; periods over one year are annualised. Inception:

Australian equity models 1 March 2010, multi-asset models 1 July 2025, International 1 April 2026 (since-inception return not annualised).

Excess returns are relative to each portfolio's stated benchmark. Past performance is not a reliable indicator of future performance.

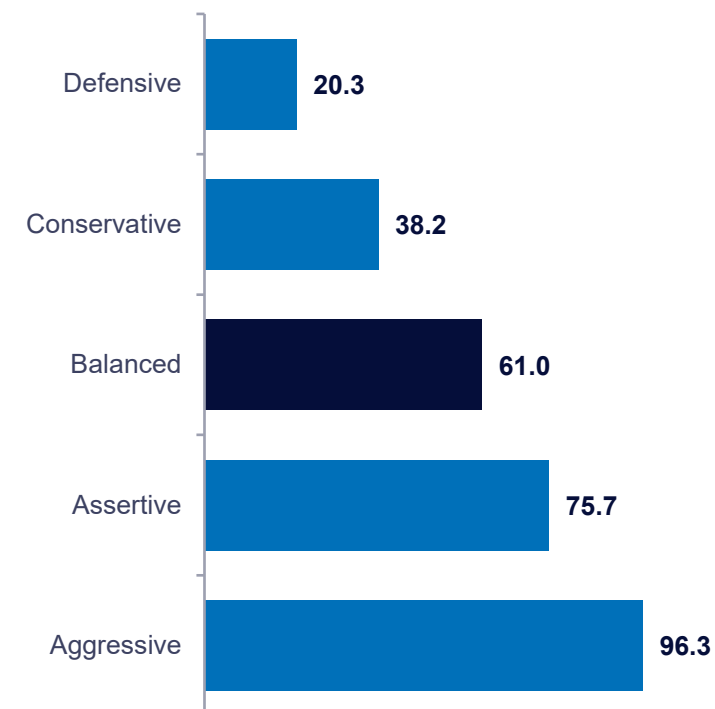
Q2 FY27 tactical asset allocation across risk profiles

Tactical allocation by risk profile

Asset class	Defensive	Conservative	Balanced	Assertive	Aggressive
Cash	26.1%	13.2%	7.0%	4.5%	3.7%
Australian fixed interest	45.1%	43.6%	30.0%	19.5%	0.0%
Global fixed interest	8.5%	4.9%	2.0%	0.3%	0.0%
Total defensive	79.7%	61.8%	39.0%	24.3%	3.7%
Australian equities	7.0%	15.6%	24.0%	28.2%	33.9%
Global equities	7.7%	17.3%	27.5%	36.2%	51.6%
Australian listed property	0.0%	0.0%	0.0%	0.0%	0.0%
Global listed property	0.8%	1.5%	1.5%	1.3%	0.0%
Infrastructure & alternatives	4.9%	3.9%	8.0%	10.0%	10.8%
Total growth	20.3%	38.2%	61.0%	75.7%	96.3%

Balanced is the anchor profile; tilts are scaled across the other profiles based on historical volatility.
Figures may not sum due to rounding.

Growth assets by risk profile (%)



Growth trimmed to a modest underweight, with conviction expressed through the mix

Balanced risk profile: Q2 FY27 tactical vs benchmark

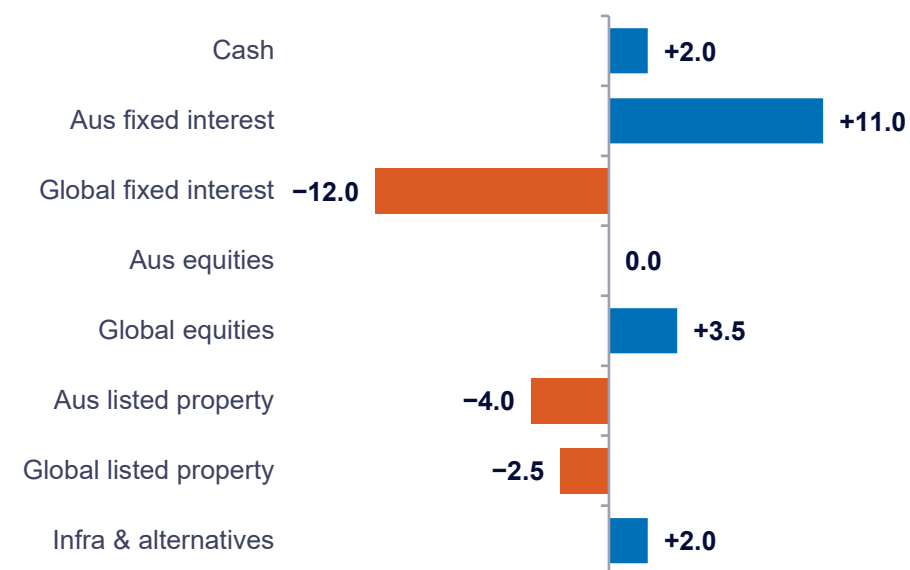
Asset class	Benchmark	Tactical	Variance	Relative
Cash	5.0%	7.0%	+2.0	+40.0%
Australian fixed interest	19.0%	30.0%	+11.0	+57.9%
Global fixed interest	14.0%	2.0%	-12.0	-85.7%
Total defensive	38.0%	39.0%	+1.0	+2.6%
Australian equities	24.0%	24.0%	0.0	0.0%
Global equities	24.0%	27.5%	+3.5	+14.6%
Australian listed property	4.0%	0.0%	-4.0	-100.0%
Global listed property	4.0%	1.5%	-2.5	-62.5%
Infrastructure & alternatives	6.0%	8.0%	+2.0	+33.3%
Total growth	62.0%	61.0%	-1.0	-1.6%

Benchmark: Morningstar Target Allocation.

Variance: tactical less benchmark, in percentage points (pp).

Relative: variance as a share of the benchmark weight.

Active position vs benchmark (pp)



Growth assets

61.0%

-1.0pp vs 62.0% benchmark

Defensive assets

39.0%

+1.0pp vs 38.0% benchmark

Favouring cash, local duration, global equities and real assets; avoiding credit and property

Cash

▲ OVERWEIGHT

7.0% vs 5.0% benchmark
+2.0pp · +40.0% relative

Paid ~4.9% at call to hold liquidity we can deploy opportunistically.

Fixed interest

▲ ▼ MIXED

Australian 30.0% vs 19.0% **+11.0pp**
Global 2.0% vs 14.0% **-12.0pp**

Local bias kept; staging into US Treasuries and duration while avoiding credit.

Property

▼ UNDERWEIGHT

Australian 0.0% vs 4.0% **-4.0pp**
Global 1.5% vs 4.0% **-2.5pp**

Rising unemployment and post-Budget tax complexity weigh; the cut partly offsets added duration.

Australian equities

● NEUTRAL

24.0% vs 24.0% benchmark
0.0pp · 0.0% relative

An uninspiring market makes active management essential; trimmed marginally.

Global equities

▲ OVERWEIGHT

27.5% vs 24.0% benchmark
+3.5pp · +14.6% relative

Mega and large-cap growth, continuing to shift from AI builders to adopters, plus selective ex-US.

Infrastructure & alternatives

▲ OVERWEIGHT

8.0% vs 6.0% benchmark
+2.0pp · +33.3% relative

Gold and quality gold producers, alongside actively managed listed infrastructure.

Holding our cash overweight: getting paid ~4.9% while we keep capital ready to deploy

BALANCED POSITIONING

Cash

7.0%

Tactical weight

Benchmark	Variance	Relative
5.0%	+2.0pp	+40.0%



▲ OVERWEIGHT

~4.9%

Yield on at-call cash accounts

An attractive risk-adjusted return for holding liquidity



Paid for the carry

With at-call cash accounts now yielding around 4.9%, we are still paid for the carry while we wait.



An uncorrelated return stream

Cash returns are uncorrelated with our risk assets, making cash an attractive risk-adjusted allocation in its own right.



Flexibility to deploy

The liquidity gives us the flexibility to deploy capital opportunistically as opportunities emerge.

Keeping our local bias while staging into US Treasuries and longer duration

BALANCED POSITIONING

Australian fixed interest

30.0% Benchmark **19.0%**

+11.0pp · +57.9% relative



Global fixed interest

2.0% Benchmark **14.0%**

-12.0pp · -85.7% relative



Total fixed interest: 32.0% vs 33.0% benchmark (-1.0pp)



Local bias, now adding US Treasuries

We maintain our local bias but have begun staging into US Treasuries, with currency-adjusted yields now offering an attractive return.

USTB

Global X US Treasury Bond (Currency Hedged) ETF



Extending duration

We continue to stage into duration. Term premium is now more adequately priced, and with markets pricing a hiking bias, we see a dovish shift as the key risk to that pricing.



Avoiding credit

We continue to remain structurally underweight corporate credit risk. In our view, spreads still underprice the risk of deteriorating credit quality and rising defaults and the APRA regulated capital provisions of our banking institutions provide a regulated line of defense.

Nil domestic property and an underweight global allocation, partly offsetting our added duration

BALANCED POSITIONING

Australian listed property

0.0% Benchmark **4.0%**

-4.0pp · -100.0% relative



Global listed property

1.5% Benchmark **4.0%**

-2.5pp · -62.5% relative



Total listed property: 1.5% vs 8.0% benchmark (-6.5pp)



Offsetting our duration

Reducing property partly offsets the interest-rate sensitivity we are adding through duration in fixed interest.



Demand headwinds building

Australian property continues to look weak, and we expect rising unemployment to create growing demand headwinds.



No direct domestic exposure

We hold no Australian listed property; our property exposure now comes through select property-exposed equities.



Added tax complexity

Tax complexity added following the 2026 Federal Budget makes the sector less compelling in aggregate.

Neutral on Australian equities, with active management essential in an uninspiring market

BALANCED POSITIONING

Australian equities

24.0%

Tactical weight

Benchmark	Variance	Relative
24.0%	0.0pp	0.0%

UW N OW

• NEUTRAL

1

An uninspiring aggregate market

We continue to see the broad market as unlikely to deliver trend returns in the medium term, which makes active management essential to justify the allocation.

2

Neutral, provided it is actively managed

On the basis that the allocation is actively managed, we remain comfortable holding a neutral weight relative to the benchmark.

3

Trimmed over the quarter

We reduced the allocation marginally, reflecting a souring economic backdrop and a smaller equity opportunity set.

Implemented through our actively managed VCM Australian equity model portfolios

MODEL PORTFOLIO

VCM AU Growth

Model code 9900022

MODEL PORTFOLIO

VCM AU Balanced

Model code 9900023

MODEL PORTFOLIO

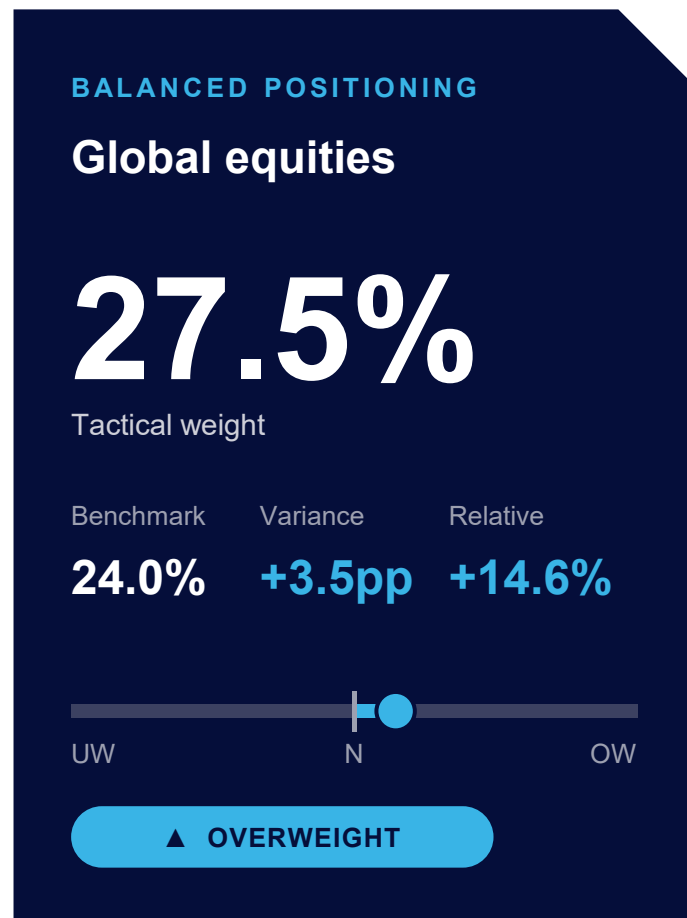
VCM AU Income

Model code 9900021

Underweight banks, with selective conviction in resources, industrials and healthcare

SECTOR	OUR STANCE	OUR VIEW	KEY EXPOSURES
Banks	▼ UNDERWEIGHT	Credit growth, and more importantly credit quality, is our focus. The turbulent housing market will keep driving sentiment and earnings.	—
Materials	▲ OVERWEIGHT	Structural copper themes are unlikely to abate near term, though the thesis relies on the continued build-out of data centres, a core risk.	BHP RIO CSC BHP · Rio Tinto · Capstone Copper
Energy	▲ OVERWEIGHT	The major producers look attractively priced against expected earnings, given current energy prices and how long they have stayed elevated.	WDS Woodside Energy
Industrials	▲ OVERWEIGHT	A counter-cyclical, contrarian view: we are accumulating segment leaders as they take share from smaller operators with weaker balance sheets.	SGH SGM GMG SGH Ltd · Sims · Goodman Group
Healthcare	▲ OVERWEIGHT	Our overweight has been rewarded and valuations remain attractive, but with growth moderating at select operators, we are reviewing quality.	COH RMD CSL Cochlear · ResMed · CSL

Overweight global equities, with our AI exposure shifting from builders to adopters



Mega and large cap. We continue to favour mega and large caps, with ample growth still available across the cohort.



AI BUILDERS

Top of the supply chain

Best-in-class operators we are comfortable holding for the protection their balance sheets provide and the implicit pricing power they hold.

NVDA NVIDIA

TSM TSMC

ASML ASML



AI ADOPTERS

Where the mix is migrating

Info tech remains our largest sector allocation, but its composition is migrating to companies successfully rolling out and distributing value-accretive AI applications.

MSFT Microsoft

CRM Salesforce

PLTR Palantir

UBER Uber

SPOT Spotify

CRWD CrowdStrike

US-led, but finding value beyond: European industrials, global consumer and a long/short ballast

US-focused, with value beyond. We remain US-focused given the strength and breadth of earnings growth across the region, but we also see value in the rest of the world.



EUROPE

European industrials

Well priced, with fiscal policy in the region likely to provide earnings-accretive tailwinds over the medium term.

RHM

Rheinmetall

SIE

Siemens



GLOBAL CONSUMER

Quality consumer and luxury

Stickier client bases should offer some protection in adverse conditions. We see value in broadening across consumer regions with different policy and economic backdrops.

RACE

Ferrari

MELI

MercadoLibre

ONON

On Holding

0700

Tencent

RL

Ralph Lauren

GRMN

Garmin

BABA

Alibaba



LONG/SHORT

Long/short as ballast

We continue to see value in a long/short exposure as portfolio ballast, best held through a high-quality active manager.

PGA1

Plato Global Alpha Fund (Complex ETF)

Overweight real assets: gold, quality gold producers and listed infrastructure

BALANCED POSITIONING

Infrastructure & alternatives

8.0%

Tactical weight

Benchmark	Variance	Relative
6.0%	+2.0pp	+33.3%



▲ OVERWEIGHT



GOLD

A compelling allocation in this environment

Geopolitical uncertainty and bond volatility are driving investors to alternative safe havens. Large producers with tier-one assets and the capacity to manage higher input costs, notably diesel and energy, are compelling complements to bullion.

GHLD	Global X Gold Bullion (Currency Hedged)
GDX	VanEck Gold Miners ETF
NEM	Newmont
NST	Northern Star Resources



LISTED INFRASTRUCTURE

Inflation-linked real assets

Select infrastructure assets offer inflation-linked revenues and a surging demand profile. We prefer listed exposure for its liquidity, through an experienced specialist able to capture latent value in high-quality assets.

RIIF	Resolution Capital Global Listed Infrastructure Fund
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