

The Strategic Series combines the four pillars of Drummond's investment process - strategic asset allocation, tactical asset allocation, investment manager research and portfolio construction. This portfolio is a diversified, unconstrained high growth strategy and includes exposure to leveraged strategies. As such it is only suitable for those investors with a very long time horizon who are willing to accept significant volatility. The portfolio is comprised predominantly of Australian and International shares and hedge funds.

Market Overview

Equity markets climbed higher in the first quarter despite diminished expectations for Federal Reserve rate cuts in 2024

Global equities delivered impressive returns in the first quarter of 2024 as resilient economic data offset the threat of interest rates staying higher for longer. The MSCI ACWI Index climbed 9.6%, thanks in large part to the performance of technology stocks, especially the companies seen as the greatest beneficiaries of artificial intelligence. The best performing market of the quarter was Japan where the TOPIX rose 18.1%, despite the Bank of Japan announcing an end to its negative interest rate policy in March. Emerging market equities underperformed developed market peers, with the MSCI EM Index returning 2.4% as investors remained sceptical about China's economic growth in the absence of a bold fiscal package and large-scale reforms. Australian equities were strong, rallying 5.3% over the quarter.

It was a more challenging period for fixed income markets with performance constrained by the prospect of the US Federal Reserve pushing back rate cuts until later in the year due to inflation data coming in above expectations in both January and February. US Government bonds being the most exposed to changes in these interest rate expectations posted a loss of -0.9% as yields rose. Meanwhile, corporate bond markets continued to experience a tightening in credit spreads over the quarter, thanks to resilient economic data.

Commodities rallied sharply over the quarter with the broader commodities index (S&P GSCI Commodity Index) up 10.4%, driven by strength in the oil price (+16.8%) on the back of ongoing supply cuts and geopolitical tensions. Gold also surged since early March (+7.2%) to an all-time high of \$2,330 (despite a rising US dollar) in part due to central banks and Chinese investors buying record amounts of the precious metal. The AUD fell -4.5% vs the USD over the quarter as the US Federal Reserve's interest rate cuts were pushed back.

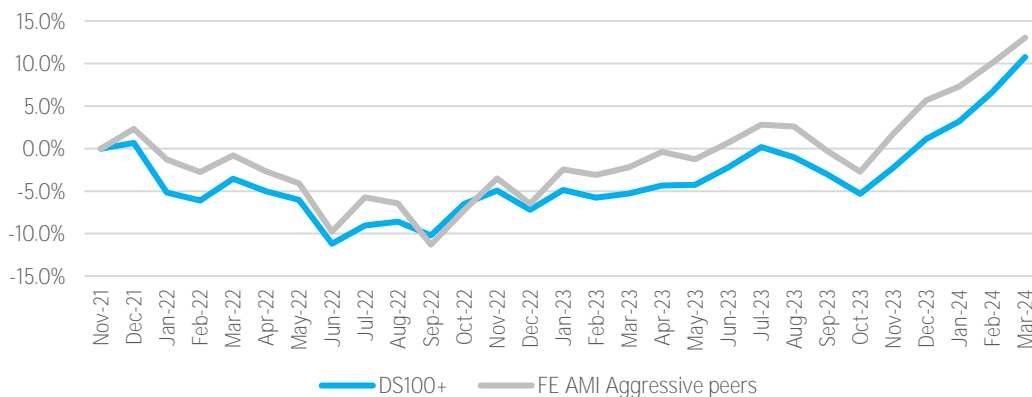
Portfolio Performance & Review

Over the first quarter, the DS100 Plus Portfolio returned 9.6%*. This was ahead of the FE AMI Mixed-Asset Aggressive peer index that returned 7.0% over the period.

The portfolio performed ahead of peers over the first quarter

The portfolio performed ahead of peers over the first quarter. At the manager level, strong relative returns were generated by the international equity managers more exposed to the technology sector than peers. The core nature of the Australian equity managers meant returns here were broadly in line with the benchmark. We continue to maintain an overall core, style neutral tilt in the portfolios though have built broader market segment exposure as recession probabilities diminish.

DS100 PLUS PORTFOLIO RETURN vs PEERS**



Source: Drummond Capital Partners, Refinitiv, BT. **FE AMI Mixed Asset - Aggressive Sector

With growth remaining resilient and prospects for rate cuts falling, the main changes over the quarter related to reducing global alpha exposure in favour of global equities and adding global small caps as earnings prospects improve. These changes brought growth exposure to 98% (neutral vs. the SAA) vs. 97.8% at the beginning of the quarter. The portfolio continues to be well diversified by asset class and manager.

PORTFOLIO PERFORMANCE & RISK (Since Inception – Dec. 21)

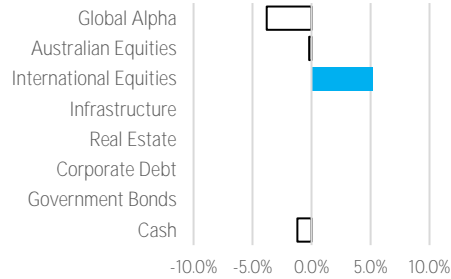
PERFORMANCE*	3M%	6M%	1YR%	3YR%	S.I. p.a.	Vol %	Sharpe	Max Drawdown
DS100 Plus	9.6	14.2	17.0	-	4.5	7.6	1.2	-11.8%
FE AMI AG PEERS	7.0	13.4	15.6	-	5.4	10.2	0.1	-13.3%

Source: Drummond Capital Partners, BT, Refinitiv. **FE AMI Mixed Asset – Aggressive Sector. Inception Date is December 2021.

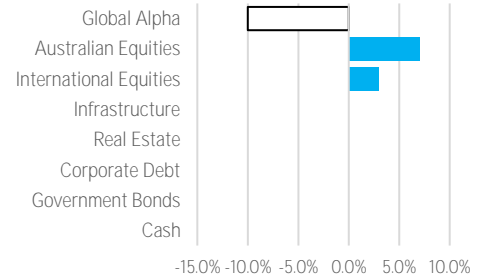
TOP 5 ACTIVE HOLDINGS & PORTFOLIO CHARACTERISTICS

MANAGER	ASSET CLASS	WEIGHT	CHARACTERISTICS	
Quest Long Short Equities Fund	Australian Equities	8.5%	No. Holdings	14
L1 Capital Long Short Fund	Australian Equities	8.0%	Active / Passive	61.5%
Alphinity Global Equity Fund	Global Equities	8.0%	Manager MER	0.71%
Arrowstreet Global Equity Fund	Global Equities	7.0%	Duration (yrs)	0.0
CC Sage Capital Equity Plus Fund	Australian Equities	6.5%		

PORTFOLIO CHANGES Q1 2024



ASSET ALLOCATION vs. SAA

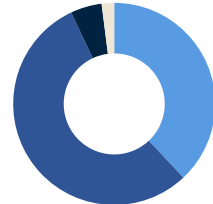


Allocations to global equities were increased in the quarter

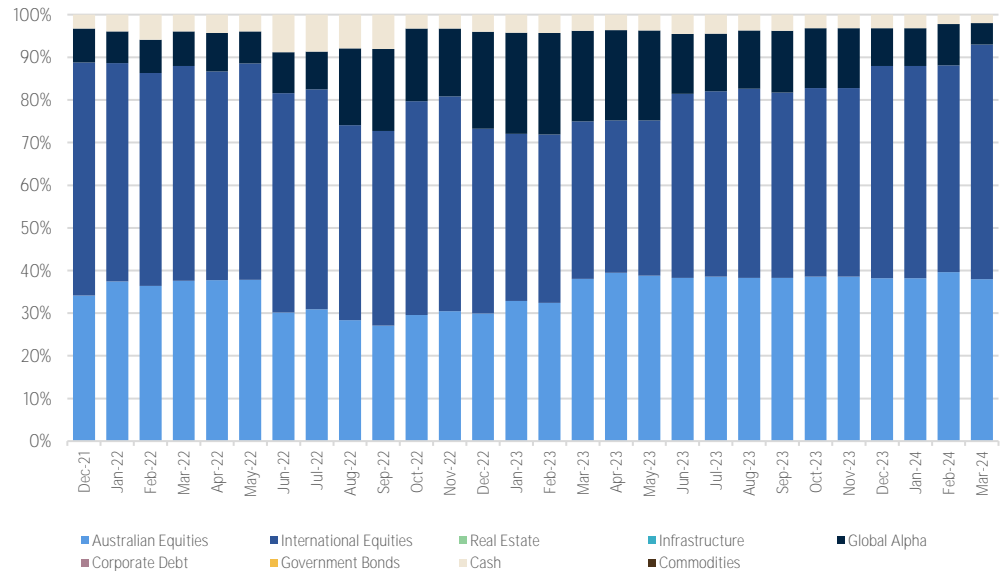
PORTFOLIO ASSET ALLOCATION

Global and Australian equities are the biggest asset class exposures

- Australian Equities 38.0%
- International Equities 55.0%
- Real Estate 0.0%
- Infrastructure 0.0%
- Global Alpha 5.0%
- Corporate Debt 0.0%
- Government Bonds 0.0%
- Cash 2.0%



HISTORICAL PORTFOLIO ASSET ALLOCATION

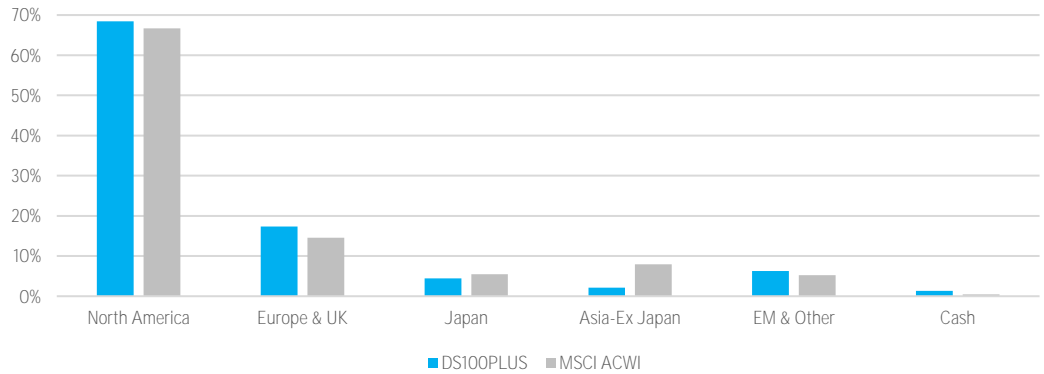


Asset Class Review

International Equities

PORTFOLIO LOOK THROUGH COUNTRY EXPOSURE vs. BENCHMARK

International equities pushed higher in Q1 despite the threat posed by interest rates staying higher for longer



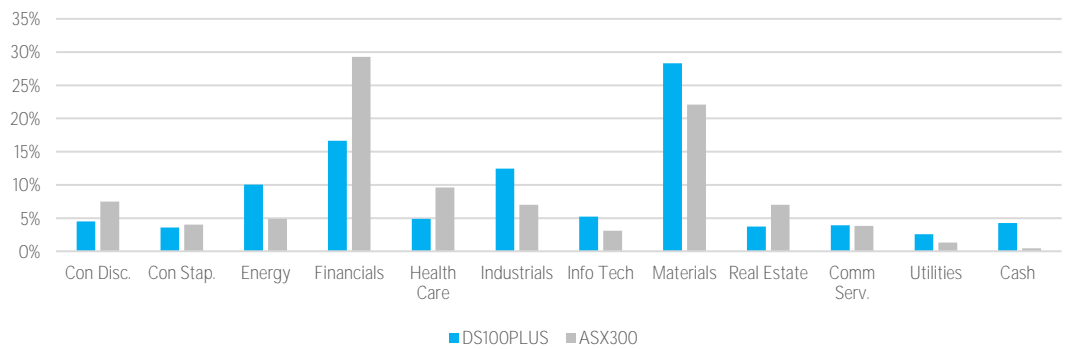
Source: Drummond Capital Partners, Manager Reports

International equities (MSCI ACWI) rallied over the March quarter (+9.6%) despite diminished expectations for US interest rate cuts. Volatility also remained low over the period. Growth stocks continued to stage impressive returns, led by technology companies. This was most notable in the US, where the S&P 500 rose 10.6%, largely due to the strong performance of a handful of mega-cap technology stocks. However, the best performing market of the quarter was once again Japan with the TOPIX index gaining 18.1%. While some European equity indexes, such as the French CAC 40, reached new all-time highs, European equities overall continued to lag the US and Japan. Emerging market equities underperformed their developed market peers, with the MSCI EM Index returning 2.4% as investors remained sceptical about China's economic growth in the absence of a bold fiscal package and large-scale reforms.

Australian Equities

DRUMMOND EQUITIES SECTOR EXPOSURE vs. BENCHMARK

Australian equities performed well but lagged global equities due to a lower weighting to technology stocks



Source: Drummond Capital Partners, Manager Reports

Australian equities also rallied during the first quarter, with the ASX 300 up 5.3%, however lagged global peers. In terms of market composition, the standout sector was information technology (+24.4%), followed by listed property (REITs +15.3%). The only sector in the red was materials (-6.2%). Valuations continue to rise as earnings expectations have not experienced material downward revisions. During the quarter, we slightly increased our exposure to Australian shares taking our exposure to a moderate overweight position.

Global Alpha

Global alpha managers delivered mixed results in the first quarter. Exposure to the asset class has been progressively reduced over the last 12 months in favour of equities.

Outlook

Global equity markets have been strong in 2024. AI driven technology earnings growth has played their part. So too has the downward trajectory of inflation allowing the Federal Reserve to continue to forecast rate cuts in 2024. Whether it's 2 or 4 cuts, a pivot to policy easing lowers the risk of a recession by supporting growth and has driven easier financial conditions.

Underlying these developments, the US economy continues to remain solid as evidenced by the strength in the US PMI alongside low jobless claims. The Conference Board's February leading index rose for the first time in two years and home builder conditions improved in March as did housing starts and existing home sales. A similar story can be found when looking at other surveys such as company CEO confidence levels, South Korean exports, and bank lending conditions which are on track towards easing again supporting credit growth in the economy. China has been less bad than expected and Australia has managed to see green shoots despite a larger drag from the higher interest rate regime as record immigration levels support the economy.

At the same time, the US fiscal deficit has been rising due to a combination of lower tax receipts and increased spending. Normally in an environment of strong economic growth, it would be narrowing, dragging on growth. However, unusually, the net effect of current policy has been the opposite. With an election this year, both major political parties in the US are unlikely to take any steps to rectify this problem.

It's therefore not surprising to see equity (and credit) markets going in one direction. Developments around AI and the impact on large technology company profits had dominated headlines for some time. Yet the current set of conditions should bring better earnings prospects for the broader market in 2024. Surprisingly, the energy sector has outpaced technology so far this year. Goldilocks indeed.

As we noted last quarter, the downside to a soft economic landing may just be renewed strength in inflation, which will pivot the pivot and compress valuations once more. If the economy is indeed improving, how much can inflation lift before investors, especially bond markets, fret over already sticky core inflation mixed with rising headline numbers? We can't help but maintain a hint of scepticism towards the market's full embrace of the Federal Reserve's miracle soft landing...

Regards,

The Drummond Capital Partners team

The US economy and surveys of future conditions are supportive of earnings growth

*Inception date is 1/12/2021. 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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