DRUMMOND
CAPITAL PARTNERS

Portfolio Update

18 DECEMBER 2023

PORTFOLIO CHANGE AND RATIONALE

Since the middle of the year, we have been gradually increasing the equities exposure across the portfolios, reflecting ongoing economic resilience and declining likelihood of a recession. The US Federal Reserve chairman Jerome Powell had, for most of the year, been at pains to warn the markets against dismissing the inflationary pressures still evident. Even as recently as late September, these forces were, in the market's mind, strong enough to warrant fears of the need to raise rates further given still solid growth and strong labour markets.

Much has changed in the last two months. Inflation began to surprise on the downside, as too oil prices, and employment markets and economic growth broadly remained solid. Fears also waned over the health of the bond market supply/demand imbalances that had led to US 10-year bond yields touching 5%. Importantly, at the last Federal Reserve meeting for the year, Jerome Powell has stepped away from worrying about inflation and telegraphing a higher for longer stance on interest rates. Surprisingly, he has now confirmed that rate hikes have ended and that one more rate cut is expected in 2024 than previously estimated. With still no signs of recessionary conditions, this is good news for investors and will continue to support risk assets barring consistent labour market weakness.

As such, we are today reducing the underweight to global equities further, adding to iShares Global Equities (hedged). Additionally, given the risk of rate hikes and higher inflation have dissipated, we are adding exposure to our existing property manager, Quay Global Real Estate, which is one of the asset classes most negatively affected by these trends since the rate hiking cycle began in 2022.

In our latest *Market Insight*, we highlighted the significant uncertainty regarding the outlook for 2024. In line with this, the portfolios remain modestly underweight equity exposure, which we think most appropriately balances the risk of recession in the US and a soft landing with current market pricing.

PORTFOLIO CHANGES

Fund	Change	Dynamic	DS30	DS50	DS70	DS90	DS100	DS100+
Mutual Cash and Term Deposits	▼	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%		
Quay Global Real Estate Fund	▲	1.0%	1.0%	1.0%	1.0%	1.0%		
iShares Hedged International Equity Index Fund	▲	2.0%	2.0%	2.0%	2.0%	2.0%		6.0%
Totus Alpha Long Short Fund	▼							-3.0%
PIMCO TRENDS Managed Futures Strategy Fund	▼							-3.0%

ASSET CLASS POSITIONING

Following the changes, the portfolios are now overweight Property.

	Strong Underweight	Underweight	Neutral	Overweight	Strong Overweight
Australian Equities	○	○	●	○	○
Global Equities	○	●	○	○	○
Property	○	○	○	●	○
Infrastructure	○	○	○	●	○
Global Alpha	○	●	○	○	○
Government Bonds	○	●	○	○	○
Corporate Debt	○	○	○	●	○
Cash	○	○	○	●	○

Total Growth vs Defensive	○	●	○	○	○

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