

The Strategic Series Portfolios combine the four pillars of Drummond’s investment process - strategic asset allocation, tactical asset allocation, investment manager research and portfolio construction. This portfolio has a neutral exposure to growth assets of 90% and is only suitable for those investors willing to accept significant volatility. The portfolio is comprised predominantly of growth assets.

Market Overview

The March quarter saw heightened volatility with markets struggling to digest the impact of US tariff plans and concerns about peak earnings growth in the technology sector. Global equities fell by a modest -2.0% in aggregate, but this masked wide divergence across countries and sectors. US equities were hit the hardest, down -4.3%, led by large technology companies as the Nasdaq fell -10.3%. Australian equities fell -2.8%, with our technology sector also falling sharply, down -21.4%. A rotation away from the US combined with hope for fiscal stimulus following a relaxation of debt limits in Germany saw European equities rise 7.8%. Positivity around China’s technology sector (following the release of high-performance AI models) supported emerging market equities which gained 3.0%.

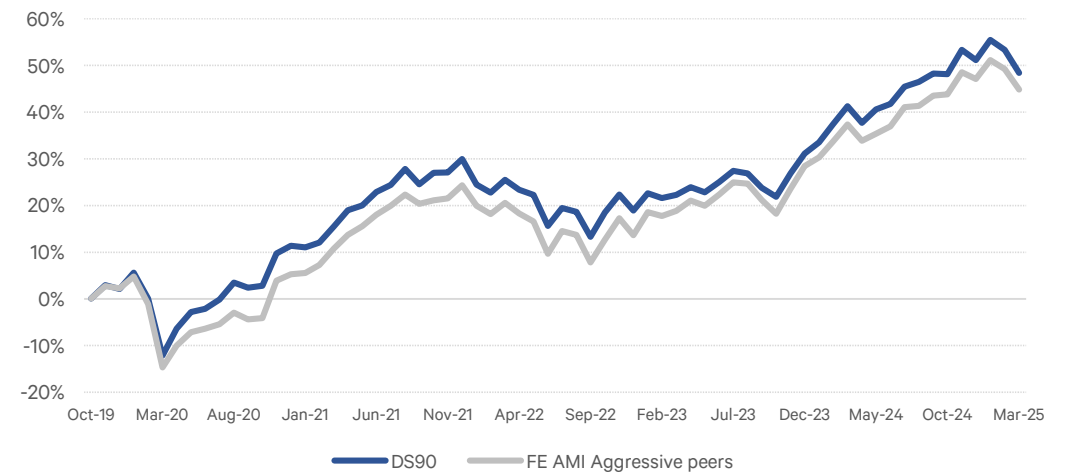
Fixed income markets rose modestly as tariff plans reduced the outlook for economic growth and interest rates fell. Australian Government bonds rose 1.4% and US Government bonds rose 3.0%. Commodity prices rose strongly over the quarter (up 4.9%, with a 19.0% rise in the gold price contributing strongly). The AUD rose a little over the quarter (up 1.0%) reflecting general weak sentiment towards the US dollar.

Portfolio Performance & Review

Over the first quarter, the DS90 Portfolio returned -1.8%\*. This was slightly below the FE AMI Aggressive peer index that returned -1.6% 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.

At the manager level, our REIT and infrastructure managers generated positive absolute returns and outperformed the benchmarks. Many of our Australian and global equity large-cap managers performed in line with or outperformed their benchmarks despite largely producing negative absolute returns, while those with stronger growth-style exposures were more challenged. Global small caps fared worse than large caps, while our Asia exposure was the most resilient, generating positive absolute returns. We continue to maintain an overall core, relatively style neutral tilt in the portfolios, having reduced value exposure within global equities during the quarter.

DS90 PORTFOLIO RETURN vs PEERS\*\*



Source: Drummond Capital Partners, BT, Refinitiv. \*\*FE AMI Mixed Asset – Aggressive sector

During the quarter, activity consisted of a decrease in global equity exposure and a move back towards neutral growth assets from overweight. Elevated policy uncertainty due to back-and-forth tariff announcements from the Trump administration was inconsistent with near record high market pricing at the time of the change in our view. As part of the portfolio changes, we reduced global equity exposure whilst adding to global alpha, infrastructure and global bonds. These changes brought growth exposure to 90% vs. 92% at the beginning of the quarter. The portfolio continues to be well diversified by asset class and manager.

#### PORTFOLIO PERFORMANCE & RISK (Since Inception – Nov. 19)

PERFORMANCE*	3M%	6M%	1YR%	3YR%	5YR%	S.I. p.a.	Vol %	Sharpe	Max DD
DS90	-1.8	0.1	5.0	5.7	11.1	7.6	10.6	0.5	-16.8%
FE AMI AG PEERS	-1.6	0.9	5.4	6.3	11.2	7.1	11.2	0.4	-18.6%

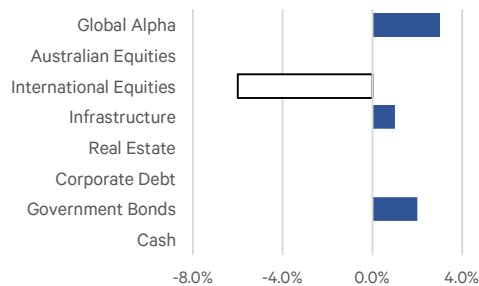
Source: Drummond Capital Partners, BT, Refinitiv. \*FE AMI Mixed Asset – Aggressive Sector. Inception Date is November 2019.

#### TOP 5 ACTIVE HOLDINGS & PORTFOLIO CHARACTERISTICS

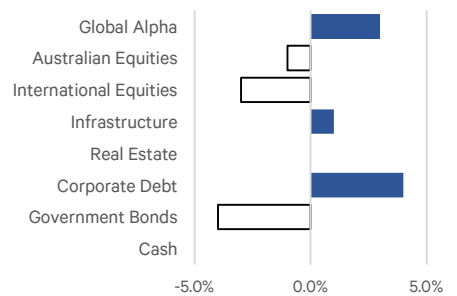
MANAGER	ASSET CLASS	WEIGHT	CHARACTERISTICS	
Arrowstreet Global Equity Fund	International Equities	10.5%	No. Holdings	16
Solaris Core Australian Equity Fund	Australian Equities	10%	Active / Passive	69.5%
GQG Partners Global Equity Fund	International Equities	8%	Manager MER	0.46%
Alphinity Global Equity Fund	International Equities	7.5%	Duration (yrs.)	0.16
DNR Capital Australian Equities Fund	Australian Equities	7.5%		

#### PORTFOLIO CHANGES Q1 2025

*Allocations to international equities was decreased, while global bonds, global alpha and infrastructure increased in the quarter*

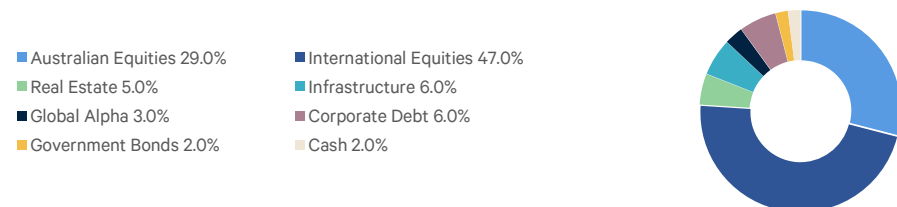


#### ASSET ALLOCATION vs. SAA



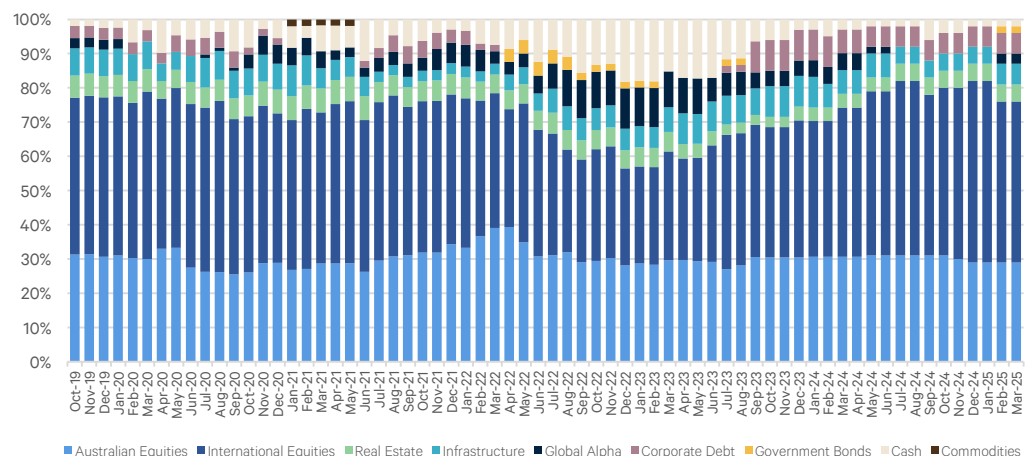
#### PORTFOLIO ASSET ALLOCATION

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



#### HISTORICAL PORTFOLIO ASSET ALLOCATION

*International and Australian equities are the biggest asset class exposures*



### Corporate Debt

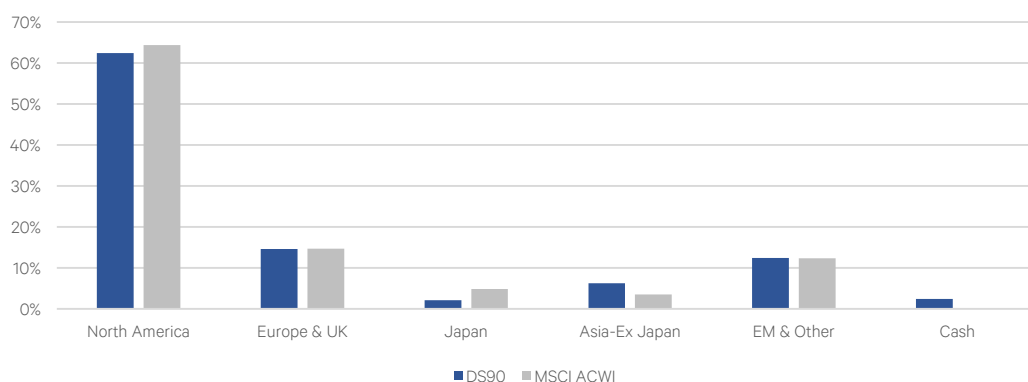
Global corporate debt markets rose over the quarter in line with strong fundamentals. We continue to view floating rate Australian investment-grade credit as attractive with the managers in the portfolio delivering between 1.5% and 2.0% in total returns during the quarter. As such, we maintained our overweight position given the healthy yields on offer for comparatively low risk.

### Government Bonds

Government bonds strengthened over the March quarter as concerns about US economic growth alongside declining consumer and business confidence led to lower bond yields. Against this backdrop, US bonds were up 3.0% for the quarter, whilst Australian bonds were up 1.4% with the RBA beginning its easing cycle in February. 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

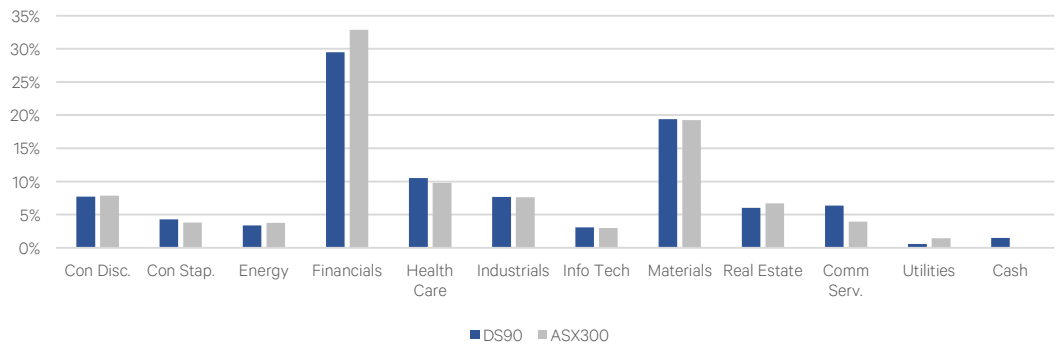
International equities (MSCI ACWI) fell -2.0% during the March quarter, though there was a high dispersion across geographies and styles. Technology was the biggest detractor in the quarter, falling -11.1%. The consumer discretionary sector also performed poorly, largely due to the technology adjacent names it holds (Amazon for example). Other global sectors had positive returns, as did the value (cheaper companies) style. Put simply, the March quarter was very tough for winners of recent years.

Across different geographies, the US was the hardest hit. The US is the epicentre of the global technology sector and front and centre of the policy disaster that is Trump's tariff agenda. The US market is also clearly the most expensive overall across major regions. On the other side of the coin, positivity around policy supported European and emerging markets. In Europe, the relaxation of Germany's debt brake and a commitment to defence spending more broadly drove the market higher, up 7.8%. Emerging market equities rose on positivity around China's technology sector (Chinese companies have begun releasing AI models comparable to those out of the US) and hopes for more fiscal and monetary stimulus.

We reduced global equity exposure in February, with concern about the sustainability of technology company earnings and Trump's tariff plans being the key drivers of the decision.

## Australian Equities

### DRUMMOND EQUITIES SECTOR EXPOSURE vs. BENCHMARK



Source: Drummond Capital Partners, Manager Reports

Australian equities followed the negative lead from the US with the S&P/ASX 200 incurring a -2.8% loss for the quarter. The market was buoyed to some extent by large financials and materials exposure, with these sectors outperforming the market in aggregate. The technology sector, which is relatively small, got hammered in the quarter alongside their global peers, down -21.4%. The portfolios have been underweight Australian equities since December 2024.

## Real Assets (Infrastructure & Real Estate)

Australian REITs fell sharply in the quarter (down -7.5%), driven by a more than -20% fall in Goodman Group. Global REITs (to which our portfolios are exposed) performed much better, rising 1.2%. Infrastructure also performed well in the quarter, up 4.6%. With the risk of a trade war induced period of higher global inflation, real assets should provide important portfolio diversification.

## Global Alpha

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

## Outlook

In the current environment of extreme policy uncertainty, constructing an outlook for investment markets is difficult. Under the current proposed policy settings of very high tariffs in the US versus the rest of the world, a global economic recession is likely. In a recession, equity markets generally perform poorly as earnings estimates are cut and investors demand better valuations to accept the risk of holding equities. Normally, bonds do quite well as interest rates are cut in response to the recession, though this is less certain for the US given fiscal excess and the inflation impact of the tariffs.

With the above in mind, markets have gone some way in pricing a typical recessionary environment, with the S&P 500 falling around -20% immediately following “Liberation Day” announcements (though has gained some ground back) versus a typical recession sell off of around -30%. Things can get worse though, the market fell around -50% in the Financial Crisis. Taking the Trump administration at their word, it seems that they are set on attempting to eliminate goods trade deficits with every country in the world (n.b. they run a services trade surplus with many countries which seems to go unnoticed by them but may not for long). The proposed tariffs would probably go a long way to addressing this objective, though at great cost to everyone. Reshaping a seven-decade long world order doesn’t happen easily.

We think the next trigger for markets to move up or down would be the outcome of the current negotiations between the US and other countries around what they can do to “fix” their trade deficits with the US. Problematically, offers by smaller countries such as Vietnam to remove all tariffs against US imports have not been seen as sufficient. The Trump administration appears to be extorting other countries for direct cash payments or a complete reorientation of their own domestic economies. We still think most investors believe the tariffs as currently proposed won’t be in effect for very long due to some kind of “deal” being reached. It may not be that easy and no deal is a real risk.

Australian equities followed the US market lower

Listed real assets rose over the quarter, providing portfolio ballast

Our base case for the rest of the year is more uncertainty

Otherwise, tax cuts, funded by tariff revenues, are a wildcard, though are unlikely to be sufficient to buoy markets if there is a recession. Still, if they are extremely large, the market will look upon that favourably, especially if economic growth is holding up. Finally, there is also a chance if things get sufficiently bad, that Congress will act, stripping Trump of his power to implement tariffs. The national emergency rationale is pretty flimsy and constitutionally, Congress has the power over the budget in the US, not the President. However, this would require a two-thirds majority to overrule Presidential veto so is more likely following the 2026 midterms unless things get really bad.

The portfolios are currently underweight growth exposure and we will continue to manage the portfolios in response to the evolving outlook for the year ahead.

Regards,

The Drummond Capital Partners team

\*Inception date is 1/11/2019. 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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