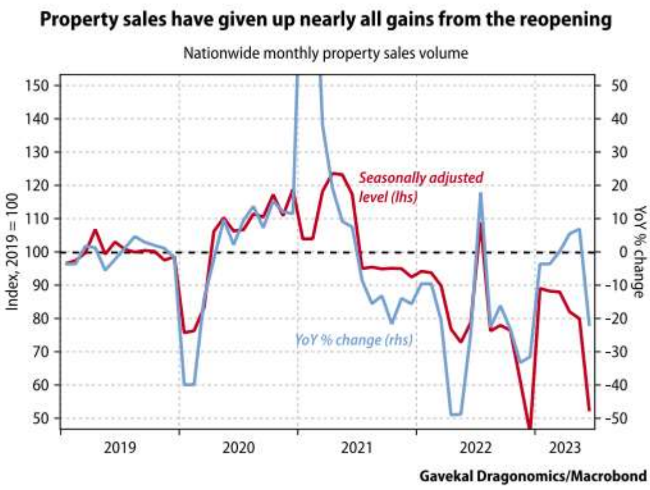
Portfolio Update

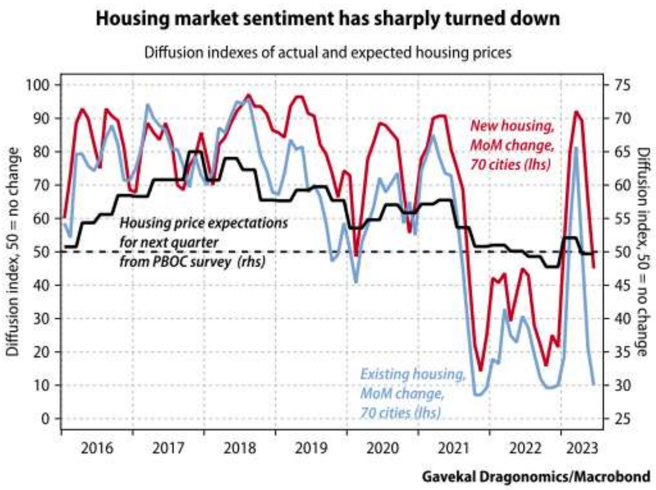
15 AUGUST 2023

PORTFOLIO CHANGE AND RATIONALE

International Equities

The rebound in China following the Covid reopening in January has well and truly stalled with recent data on consumer sales, exports and the all-important housing sector showing a rapidly slowing economy. The charts below show housing market sentiment is negative and property sales are back to the lows which bodes poorly for future activity.



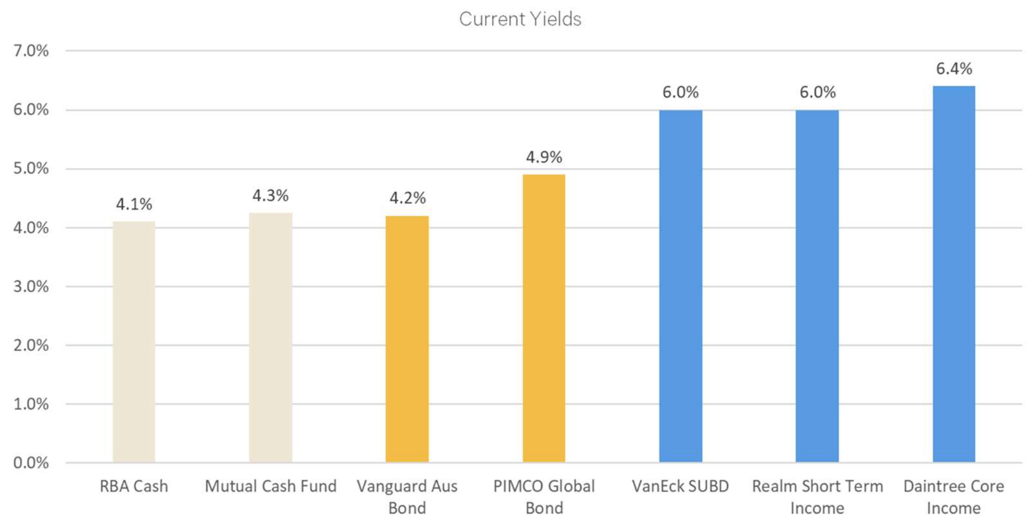


Whilst the news headlines are discussing stimulus, it is mostly rhetoric and a softening of language from the Chinese Government as opposed to any meaningful spending. With the government's desire to rebalance the economy away from housing and fixed asset investment we also expect any further measures to be muted. Iron ore prices and the Australian dollar's weakness this week confirm a similar view.

Fidelity Asia was held on the view that China re-opening and potential stimulus would lead to better growth and equity returns than developed markets and as data and policy continues to disappoint we are now removing this fund from all portfolios. This exposure will be re-allocated across our existing developed market equity funds as shown in the portfolio changes table below.

Corporate Debt

We are switching from Vanguard Australian Corporate Fixed Interest Fund (VACF) to the active Realm Short Term Income Fund with the balance going to VanEck Australian Subordinated Debt ETF (SUBD). The SUBD ETF provides exposure to investment grade subordinated bonds which rank above ordinary shares and hybrids but below senior debt, deposits, and other unsecured debt obligations. You would expect the yield on subordinated debt to be lower than bank hybrids because hybrids sit lower on the capital structure however, the credit spread differential has been compressing since March 2018. This provides an opportunity for bond investors to earn a similar yield for subordinated bonds as bank hybrids, despite the improved credit risk with a current yield to maturity of 6%. For reference the following chart shows the current yield across the defensive assets in our portfolios.



PORTFOLIO CHANGES

The table below shows the specific portfolio changes.

Fund	Change	Dynamic	DS30	DS50	DS70	DS90	DS100	DS100+
DNR Capital Australian Equities High Conviction Fund	▲				1.0%	1.0%	2.0%	
Fidelity Asia Fund	▼	-2.0%	-1.0%	-2.0%	-3.0%	-4.0%	-4.0%	-6.9%
Arrowstreet Global Equity Fund	▲	2.0%		1.0%	1.0%	1.5%	2.0%	6.9%
Barrow Hanley Global Share Fund	▲		1.0%	1.0%	1.0%	1.5%		
Vanguard Australian Corporate Fixed Interest	▼	-4.0%	-9.0%	-7.0%				
Van Eck Subordinated Debt Fund	▲	4.0%	5.0%	3.0%				
Realm Short Term Income Fund	▲		4.0%	4.0%				

ASSET CLASS POSITIONING

There is no change to overall asset class positioning post the changes.

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

DISCLAIMER

The information in this document has been provided by Drummond Capital Partners (ABN: 15 622 660 182) AFSL 534213. All the information in this document is general in nature and should not be considered personal advice. This document is not intended for public or third-party use.

To the maximum extent permitted by law, neither Drummond nor any of their associates, related parties, directors, officers, employees, advisers (including financial, accounting and legal advisers) or representatives make any recommendation in relation to the investments, or make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information contained in this document.

This document is intended to provide potential Investors with general information only and does not constitute a product disclosure statement or any other disclosure document under the Corporations Act 2001 (Cth) (Act). This document has not been lodged with the Australian Securities and Investments Commission (ASIC) or any other government body or regulator.

This information is intended only for persons who qualify as wholesale clients (as defined in section 761G(7) of the Act) or sophisticated investors (as defined in section 761GA of the Act), (collectively, Qualifying Investors).

Past performance is not indicative of future performance. Please seek financial advice.