DRUMMOND
CAPITAL PARTNERS

Dynamic Plus Fund

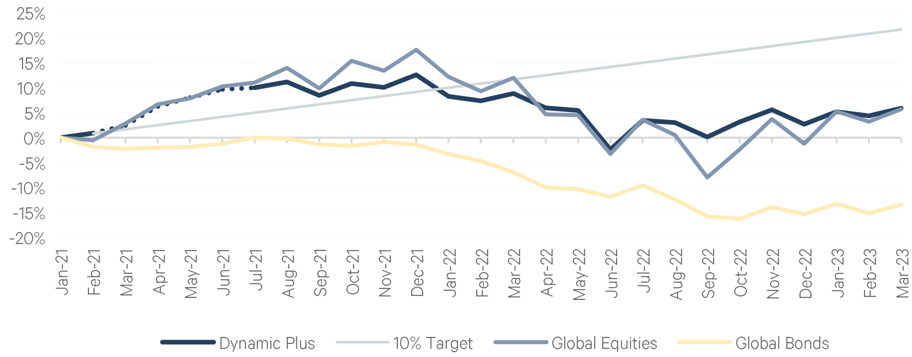
March 2023

FUND PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-	0.9%	1.5%	3.7%	1.7%	1.5%	0.3%	1.1%	-2.5%	2.2%	-0.7%	2.3%	12.6%*
2022	-3.8%	-0.8%	1.4%	-2.6%	-0.5%	-7.4%	6.0%	-0.4%	-2.8%	3.0%	2.4%	-2.7%	-8.8%
2023	2.4%	-0.8%	1.5%										3.1%

Source: Drummond Capital Partners, Interactive Brokers. *Performance from 1/2/21 to 31/7/21 is based upon a separate account managed under the same strategy and similar fee structure. The Drummond Dynamic Plus Fund (ABN 69109453831) commenced 1 August 2021 and performance from this date on is based upon fund returns not the separate account.
Past performance is not indicative of future performance. Performance reported is net of fees.

PERFORMANCE GROWTH



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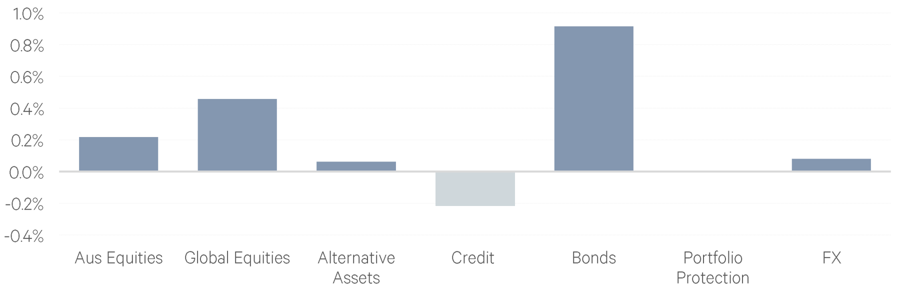
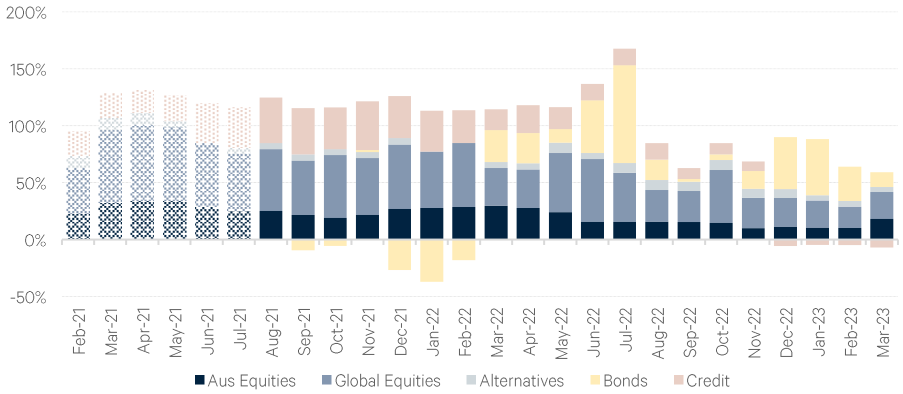
ASSET CLASS CONTRIBUTION – March 2023



Source: Drummond Capital Partners, Interactive Brokers.

HISTORICAL PORTFOLIO EXPOSURE



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FUND DESCRIPTION

The Dynamic Plus Fund is a dynamically managed, global multi-asset fund. The fund seeks to provide investors with an attractive return in a low return world by combining leverage across growth and defensive asset classes with tactical asset allocation processes and risk management across liquid global markets. The fund is suitable for wholesale investors and should be considered over a 5-year horizon.

FUND POSITIONING (Mar-2023)

Australian Equities	18.4%
International Equities	23.1%
Alternative Assets	4.7%
Bonds	12.9%
Credit	-7.1%
Gross Exposure	76.4%
FX Hedging	1.6%

KEY FACTS

Strategy FUM	$52.0m
APIR Code	DCP4812AU
Inception Date	Aug-21
Strategy	Multi-Strat
Target	10.0% p.a.
Hurdle	5.0% p.a.
Manager Fees	0.7% p.a.
Performance Fee	15.0%
High Water Mark	Yes
Liquidity	Monthly
Fund Admin	Apex
Fund Trustee	Evolution
Fund Auditor	Ernst & Young

RISK STATISTICS

Std. Dev. (p.a.)	9.6%
Max. Drawdown (3yr)	-13.3%
Sharpe Ratio (p.a.)	-0.1
Positive Months	55.6%

COMMENTARY

The biggest influence on markets in March was the emergence of a mini global banking crisis, which saw the second and third largest bank failures in US history (Silicon Valley Bank and Signature Bank) and the arranged takeover of Credit Suisse by UBS from the European regulator. Surprisingly, global equity markets ended the month slightly higher (the MSCI ACWI Index rose 2.5%) because the crisis saw markets price rate cuts in the US and elsewhere (from rate hikes previously). In line with this, growth (long duration) equity markets performed the best, with the Nasdaq up 6.8% and Australian equities down -0.2%. Fixed interest (credit and government bonds) performed well as long-term interest rates fell. Consistent with the general mood of the market, Bitcoin rose 23.0%.

In our experience, a banking crisis is generally a bad thing for equity markets, despite lower discount rates. Even absent any more banking failures (and the US regulators and Federal Reserve were quick to step in to provide liquidity and support in March, likely backstopping systemic risk), we expect the general provision of credit in the economy to slow as banks shore up their balance sheets. All else equal this will reduce economic growth and corporate earnings. If there are no more problems and it turns out the Silicon Valley and Signature were poorly managed blips, the Fed is in the same place it was at the end of February – having to raise rates further to combat increasingly entrenched inflation.

We became more active as volatility rose during the month. We added to Australian equities that had been heavily sold from the February peak and added some Asia ex-Japan equity exposure with a view that the region should outperform developed markets in the event of a developed market recession and the ongoing post reopening recovery in China. We also reduced portfolio exposure to short dated US treasuries and Australian government bonds after they rallied significantly during the banking crisis. Although risks in the US banking sector seem to have subsided, we are keeping a keen eye on weekly deposit flows data to assess the risk of wider scale bank runs. Should the banking sector remain stable, we expect the Fed will continue to tighten rates in the months ahead before US economic growth slows as excess household savings runs out and corporates batten down the hatches. In line with this, the portfolio holds excess cash while we wait for a more opportune time to deploy capital.

D R U M M O N D

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