

Dynamic Plus Fund

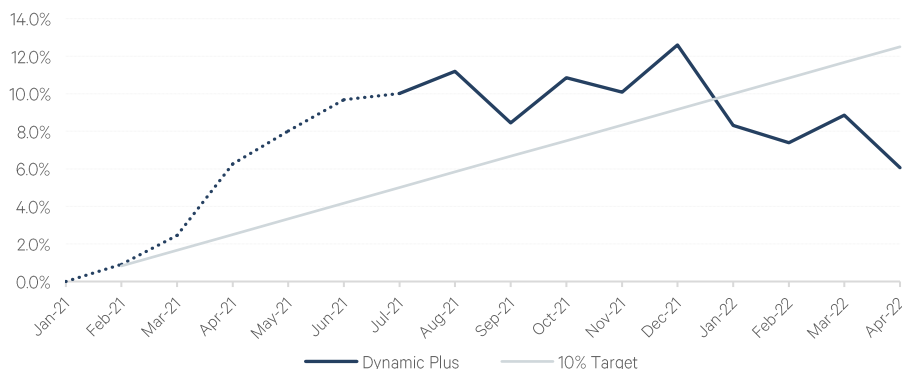
April 2022

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%									-5.9%

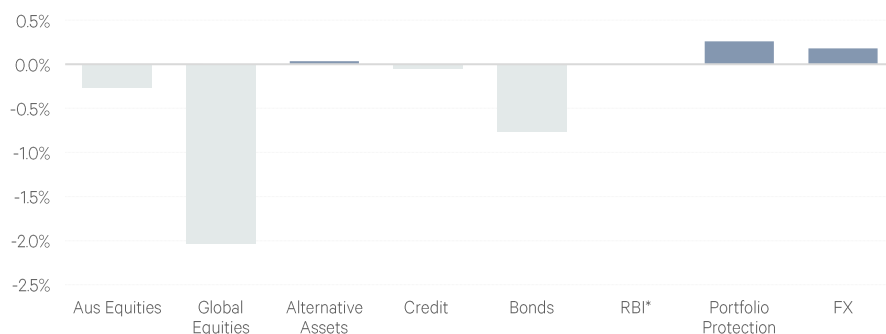
Source: Drummond Capital Partners, Interactive Brokers. *Performance from 1/2/21 to 31/7/21 is based upon a separate account managed under the same strategy and similar fee structure. The Drummond Dynamic Plus Fund (ABN 69109453831) commenced 1 August 2021 and performance from this date on is based upon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

PERFORMANCE GROWTH



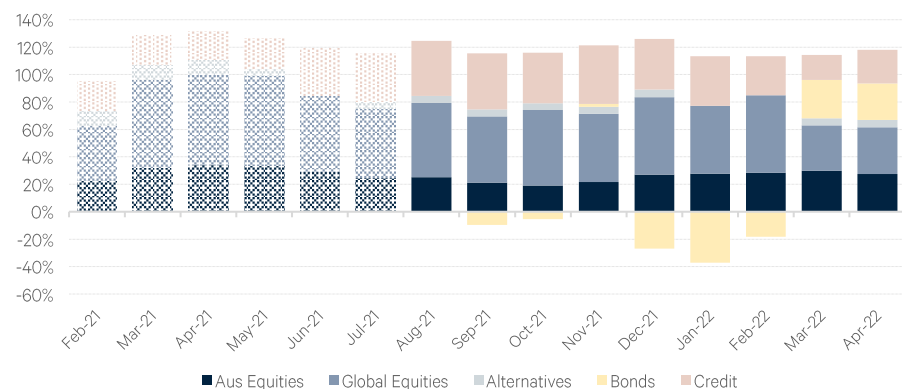
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ASSET CLASS CONTRIBUTION – April 2022



Source: Drummond Capital Partners, Interactive Brokers. * Research Best Ideas

HISTORICAL PORTFOLIO EXPOSURE



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.

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 (Apr-2022)

Australian Equities	27.6%
International Equities	34.0%
Alternative Assets	5.4%
Bonds	26.6%
Credit	24.5%
Gross Exposure	133.0%
FX Hedging	13.0%

KEY FACTS

APIR Code	DCP4812AU
Inception Date	Aug-21
Strategy	Multi-Strat
Target	10.0% p.a.
Hurdle	5.0% p.a.
Manager Fees	1.0% 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.)	7.2%
Max. Drawdown (3yr)	-5.8%
Sharpe Ratio (p.a.)	0.3
Positive Months	66.7%

COMMENTARY

April was a tough month for all asset classes except commodities. Global equities (MSCI ACWI) fell 6.5%, Australian equities fell 0.9%, EM equity fell 5.5%. 10 Year Australian bonds fell 3.5%, high yield credit fell 3.5% and investment grade credit fell 6.7%. In March, we questioned the rally in equities, wondering whether investors thought rate hikes would have limited impact on company earnings and valuations or that the pain was sufficiently far away that it didn't need to be reflected in current pricing. Evidently, the narrative changed in April and central bank risks again came to the forefront of market concerns. In a nutshell, markets need to price some risk of central banks having to cause a recession or at least a significant slowdown in growth to get inflation back under control. It is not a fait accompli, but the probability of a soft landing is currently less than 50% in our estimation.

Given this and anticipating that the months ahead will continue to be tough for markets, the portfolio is underweight equities and thus is much less exposed than normal to market risk. We have added bonds to the portfolio, after they had their largest sell off in decades. Despite fears about current inflation, we still think the world is in a structurally lower interest rate environment because of poor demographics, low productivity growth and high debt levels. As a result, we think the asset class now presents value with yields close to the highs of the past decade.

Timing is important in this environment. During the Financial Crisis, the S&P 500 sell-off (not to imply we expect anything of that magnitude, we certainly don't) lasted nearly a year and a half and featured three bear market rallies of greater than 10%. This bear (we think) market had its first rally in March, and we do not expect that to be the last. Most central banks have only made moves off zero interest rates in recent months and there is a long time before policy actually becomes restrictive and begins to impact the overall economy. In line with this, we will try and fade rallies and buy dips during this repricing – though likely remaining underweight equities overall through the journey.

It is important to note that this bearish investment outlook is a strong opinion which is loosely held. Even without interest rate increases from central banks, economic growth was due to slow considerably this year reflecting the drag on household incomes from inflation and waning fiscal stimulus. The impact of Covid specific inflation spikes will also fall out of the CPI calculation in the year ahead. Energy prices are unlikely to spike again unless Russia decides to invade another country. These things combined suggest that early this year was the peak for inflation, and it will ease over the quarters ahead. Perhaps this easing will be sufficient to give central banks the soft landing they so desperately desire. If that turns out to be the case, the outlook for equity markets is much more positive and we will deploy capital accordingly.

DISCLAIMER

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