# Drummond Strategic 90

## Quarterly Review – March 2026

### MARKET OVERVIEW

*Geopolitics and energy shocks drive volatility, overshadowing fundamentals*

The March quarter saw global equity markets decline 2.5% as conflict broke out in the Middle East, reversing gains accumulated over January and February. Geopolitics dominated market sentiment, with the period marked by escalating tensions, including Trump's tariff threats on European countries not aligned with his administration's ambitions to secure control over Greenland, and the U Supreme Court striking down tariffs, placing ~US$175 billion in collected duties at risk of refund, before volatility intensified amid the war in Iran. The conflict has caused major disruption to global energy markets.

Emerging markets and Europe outperformed the US over the quarter, declining 0.1% and 2.4% respectively, although both regions remain more sensitive to elevated energy prices than the US Energy was the leading sector, gaining 23.0%, while consumer discretionary lagged, falling 8.9% amid concerns over the impact of energy prices on inflation and how central banks might be poised to act. A late rally in March saw markets price in a lower probability of a protracted war as both sides signalled a willingness to de-escalate, although markets remained somewhat cautious on a positive outcome in the near term.

Australian equities declined 1.6%, outperforming the US and Europe, but were similarly impacted by uncertainty stemming from the war. During the quarter, domestic equities reached record highs following a strong February earnings season, with notable gains in resources, consumer staples, and financials which still ended the quarter higher than the overall index. The energy sector led in returns, rising 32.2%, as oil prices surged 79.6% over the period, driven by the conflict.

It was a challenging quarter also for Australian and global REITs, falling 15.4% and 2.3% respectively. Sharp increases in energy prices reignited inflation concerns leading to a rise in government bond yields. Rising yields reduce the relative attractiveness of REIT income versus fixed income alternatives, weighing on the sector.

Australian government bonds fell 0.6% as expectations of interest rate hikes firmed further. US Treasuries were flat as policy easing expectations also came under question. High-yield and corporate credit both declined 0.4%, with spreads widening, reflecting the current risk-off environment.

The Australian dollar strengthened against the US dollar over the quarter by 2.3%, however pared back some gains in March as investors turned to the USD as a safe haven.

### MARKET REVIEW

| Asset Class/Index | 3 Months | 6 Months | 1 Year |
|---|---|---|---|
| **Global & Regional Equities** | | | |
| MSCI World All Countries | -2.5% | 1.1% | 19.7% |
| S&P/ASX 200 | -1.6% | -2.6% | 11.7% |
| MSCI Emerging Markets | -0.1% | 4.7% | 30.3% |
| S&P 500 | -4.3% | -1.8% | 17.8% |
| Nasdaq Composite | -7.0% | -4.4% | 25.6% |
| Euro Stoxx | -2.4% | 2.8% | 13.4% |
| Topix | 3.6% | 12.8% | 34.6% |
| **Property and Infrastructure** | | | |
| Australian Property | -15.4% | -16.3% | -1.3% |
| International Property | -0.2% | 0.3% | 5.4% |
| Global Infrastructure | 7.0% | 6.7% | 7.5% |
| **Fixed Income** | | | |
| Australian Bonds | -0.5% | -2.5% | 0.2% |
| US Bonds | -0.1% | 0.9% | 3.8% |
| Emerging Market Bonds | -1.6% | 1.0% | 8.6% |
| High Yield Credit | -0.4% | 0.9% | 6.9% |
| Investment Grade Credit | -0.4% | -0.0% | 4.9% |
| **Foreign Exchange** | | | |
| US $ / Australian $ | 2.3% | 3.7% | 9.0% |
| Australian $ / UK Pound | -4.1% | -5.2% | -6.6% |
| **Commodities** | | | |
| S&P GSCI Commodity TR | 40.0% | 41.4% | 43.0% |

## PORTFOLIO PERFORMANCE AND REVIEW

*Diversification and positioning cushioned the impact of macro volatility and sector weakness*

### PORTFOLIO PERFORMANCE & RISK

| PERFORMANCE* | 3m | 6m | 1yr. | 3yr | 5yr | S.I.(p.a.) | Vol.(p.a.) | Return/Risk | Max DD |
|---|---|---|---|---|---|---|---|---|---|
| **Drummond Strategic 90** | -3.1% | -1.9% | 7.2% | 9.2% | 6.6% | 7.5% | 10.2% | 0.74 | -16.8% |
| **FE AMI Mixed Asset – Aggressive** | -3.2% | -2.4% | 8.2% | 9.6% | 7.2% | 7.2% | 10.7% | 0.68 | -18.6% |
| ***Difference*** | *0.1%* | *0.5%* | *-1.0%* | *-0.4%* | *-0.6%* | *0.3%* | *-0.5%* | *0.06* | *1.8%* |

### PERFORMANCE - FINANCIAL YEAR

| | FY20* | FY21 | FY22 | FY23 | FY24 | FY25 | FY26* |
|---|---|---|---|---|---|---|---|
| **Drummond Strategic 90** | -2.2% | 25.7% | -5.9% | 8.2% | 13.3% | 9.8% | 2.3% |
| **FE AMI Mixed Asset – Aggressive** | -6.4% | 26.1% | -7.1% | 11.5% | 12.0% | 12.1% | 2.1% |
| ***Difference*** | *4.2%* | *-0.4%* | *1.2%* | *-3.3%* | *1.3%* | *-2.3%* | *0.2%* |

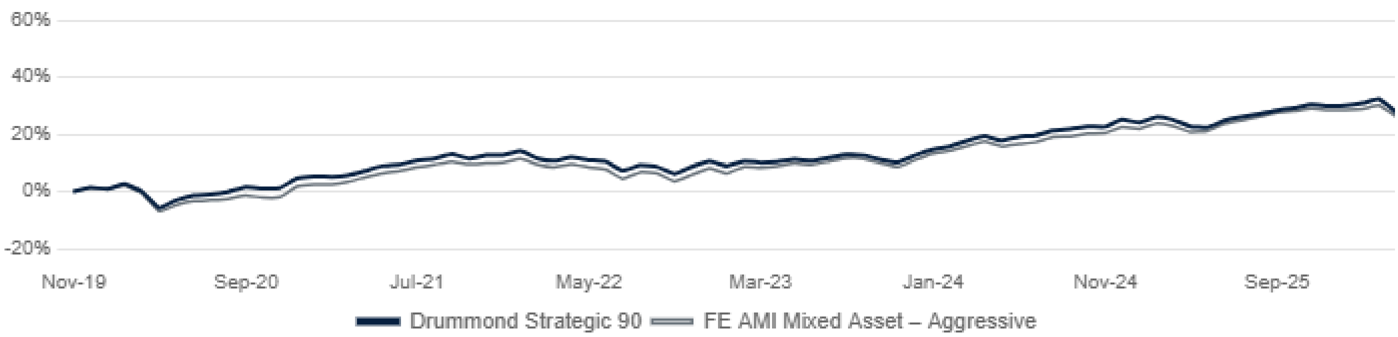
**Past performance is not a reliable indicator of future performance. *Partial year.*

Over the quarter the DS90 Portfolio declined 3.1%*. This was ahead of with the FE AMI Aggressive peer index that fell 3.2% for the quarter. The portfolio continues to outperform the institutional peer group over the longer term as can be seen in the performance chart below.

Despite a challenging macroeconomic backdrop weighing on most asset classes over the quarter, the portfolio outperformed its peer benchmark. Both Australian and global equities delivered negative returns. The portfolios remained underweight Australian equities, which helped mitigate relative manager underperformance, particularly as domestic sector detractors, including technology (-28.3%) and healthcare (21.6%), materially underperformed their global counterparts, which declined 8.8% and 5.2% respectively. Emerging markets (EM) outperformed developed markets delivering strong returns early in the quarter, supported by growing scepticism around US exceptionalism, AI-driven demand, and a favourable commodity backdrop. Unhedged positions were weighed by a stronger Australian dollar, however both the systematic and small cap manager in global equities delivered outperformance relative to their respective benchmarks. Regionally, outperformance in Japan served to cushion the portfolio relative to other regions including the US and Europe.

Despite concerns over higher inflation driven by the supply shock in oil markets, infrastructure was a relative outperformer over the quarter which was positive given the overweight position in portfolios. Though exposure is small, exposure to REITS domestically was a detractor given the sharp sell-off as inflation concerns weighed. Corporate debt was a solid performer against most other asset classes given strong corporate fundamentals with underlying managers outperforming whilst bonds and bond manager's performance was negative amid expectations that higher interest rates may be needed to counter oil-driven inflation pressures.

### PERFORMANCE SINCE INCEPTION




### TOP CONTRIBUTORS & DETRACTORS

**3 Months**

| Asset Name | (%) |
|---|---|
| **Contributors** | |
| ClearBridge Global Infrastructure Income Fund (Hedged) (Class A) | +0.56% |
| Janus Henderson Diversified Credit Fund | +0.02% |
| Realm Short Term Income Fund | +0.01% |
| Cash | 0.00% |
| iShares MSCI Japan ETF | -0.01% |
| **Detractors** | |
| iShares Hedged International Equity Index Fund | -0.64% |
| iShares International Equity Index Fund | -0.51% |
| Eley Griffiths Group Small Companies Fund | -0.41% |
| UBS CBRE Property Securities Fund | -0.37% |
| Solaris Core Australian Equity Fund (Performance Alignment) | -0.30% |

**12 Months**

| Asset Name | (%) |
|---|---|
| **Contributors** | |
| iShares Hedged International Equity Index Fund | +2.18% |
| ClearBridge Global Infrastructure Income Fund (Hedged) (Class A) | +1.24% |
| Arrowstreet Global Equity Fund | +1.22% |
| iShares Australian Equity Index Fund | +1.22% |
| Solaris Core Australian Equity Fund (Performance Alignment) | +1.18% |
| **Detractors** | |
| UBS CBRE Property Securities Fund | -0.56% |
| iShares International Equity Index Fund | -0.36% |
| GQG Partners Global Equity Fund (Hedged) | -0.34% |
| Quay Global Real Estate Fund | -0.16% |
| Yarra Global Small Companies Fund | -0.12% |

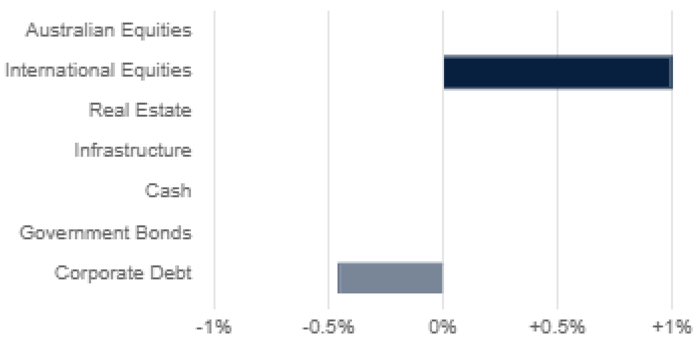
## PORTFOLIO CHANGES AND POSITIONING

*Increased global small cap diversification while corporate debt was reduced for the quarter*

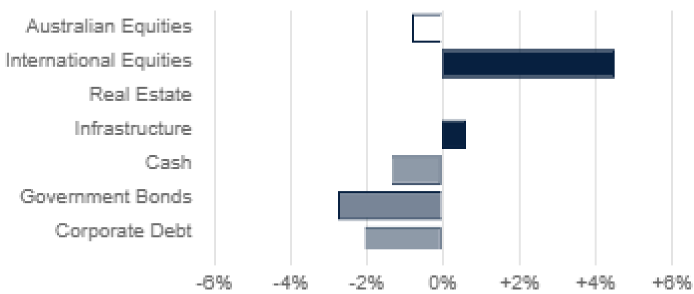
We maintain an overweight to growth assets, with a preference for global over Australian equities. The addition of the Yarra Small Global Companies Fund enhanced diversification within the portfolio's small caps allocation. This was funded through a reduction in the American Century Global Small Cap position and a trim to the Realm Short Term Income Fund.

Overweights are retained in infrastructure, supported by favourable industry tailwinds, and corporate credit, which continues to be underpinned by constructive issuance activity and strong corporate fundamentals. We remain neutral in REITs and maintain a strong underweight to government bonds.

### PORTFOLIO CHANGES OVER THE QUARTER




### ASSET ALLOCATION VS. SAA




*Portfolios remain overweight growth assets, favouring international equities whilst retaining overweights to infrastructure and corporate debt*

### PORTFOLIO HOLDINGS

| Asset Class | Fund | Weight % |
|---|---|---|
| **Australian Equities** | iShares Australian Equity Index Fund | 14.0% |
| | Solaris Aust Equity Fund (Perf Aligned) | 10.0% |
| | DNR Aust Equities High Conviction Fund | 5.5% |
| | Eley Griffiths Group Small Companies Fund | 3.5% |
| **International Equities** | iShares Hedged International Equity Index Fund | 20.0% |
| | iShares International Equity Index Fund | 8.0% |
| | Arrowstreet Global Equity Fund | 7.5% |
| | Life Cycle Global Share Fund - Class H (Hedge... | 5.5% |
| | Vanguard FTSE Asia ex Japan Shares Index E... | 4.0% |
| | American Century Global Small Cap Fund | 2.5% |
| | Yarra Global Small Companies Fund | 2.5% |
| | iShares MSCI Japan ETF | 2.0% |
| **Real Estate** | UBS CBRE Property Securities Fund | 2.0% |
| | Quay Global Real Estate Fund | 2.0% |
| **Infrastructure** | ClearBridge Global Infra Income Fund (Hedged) | 5.0% |
| **Cash** | Cash | 2.0% |
| **Corporate Debt** | Janus Henderson Diversified Credit Fund | 3.0% |
| | Realm Short Term Income Fund | 1.0% |

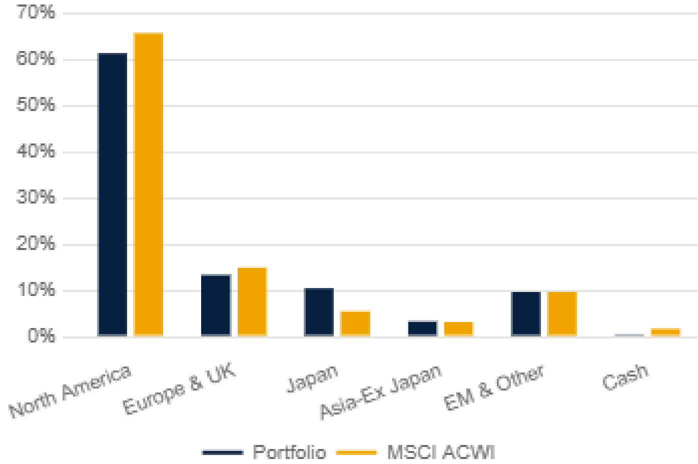
### TOP 10 GLOBAL EQUITY EXPOSURE

| Security | Weight |
|---|---|
| Nvidia Corp ORD | 1.7% |
| Apple Inc ORD | 1.5% |
| Microsoft Corp ORD | 1.1% |
| Amazon.com Inc ORD | 1.0% |
| Alphabet Inc Class A ORD | 0.9% |
| Alphabet Inc Class C ORD | 0.6% |
| Taiwan Semiconductor Manufacturing | 0.5% |
| Aud Cash | 0.4% |
| Meta Platforms Inc ORD | 0.4% |
| Cash | 0.4% |

### DOMESTIC TOP 10 EQUITY EXPOSURE

| Security | Weight |
|---|---|
| BHP Group LTD | 3.4% |
| Commonwealth Bank Of Australia | 2.3% |
| National Australia Bank LTD | 1.2% |
| Macquarie Group LTD | 1.1% |
| ANZ Group Holdings LTD | 1.0% |
| Westpac Banking Corp | 0.9% |
| Woodside Energy Group LTD | 0.8% |
| RIO Tinto LTD | 0.8% |
| Goodman Group | 0.7% |
| Aristocrat Leisure LTD | 0.6% |

## GLOBAL EQUITY REGION EXPOSURE VS. BENCHMARK

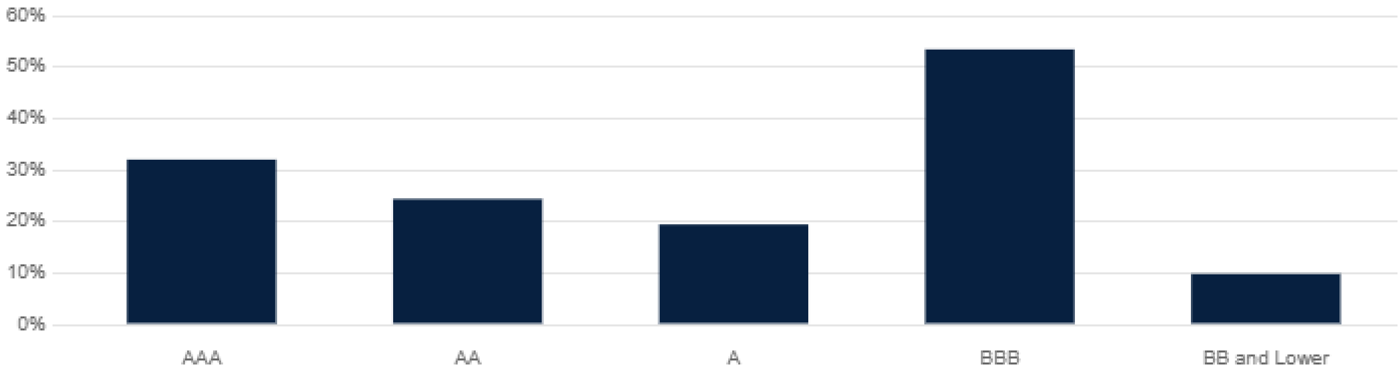



Source: Drummond Capital Partners, Fund Managers

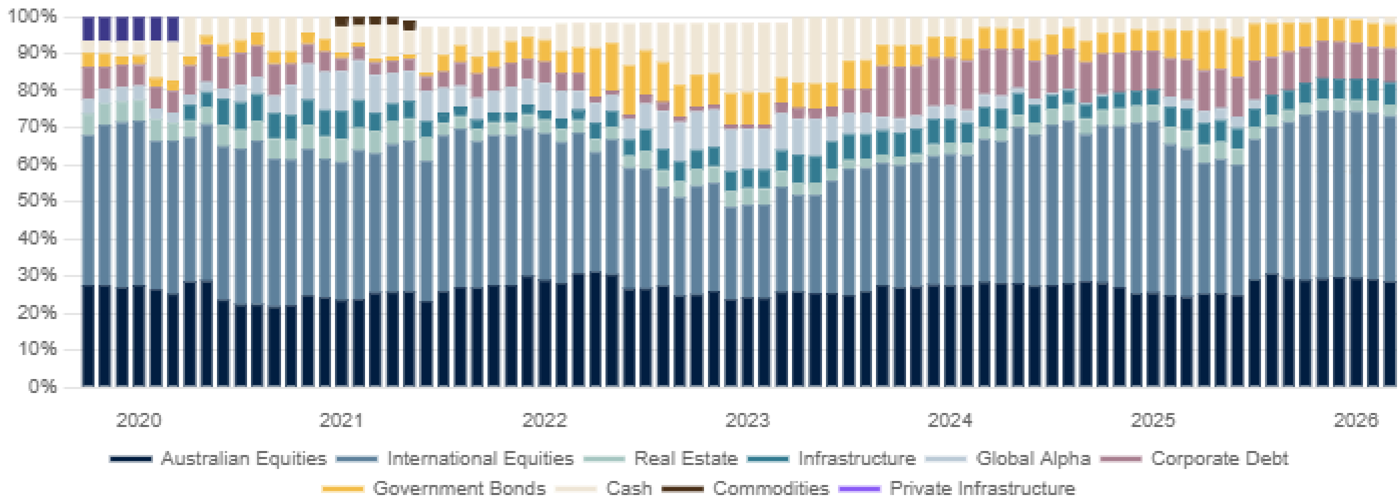
## AUSTRALIAN EQUITIES SECTOR EXPOSURE VS. BENCHMARK


Source: Drummond Capital Partners, Fund Managers

## CREDIT GRADE EXPOSURE




## HISTORICAL PORTFOLIO ASSET ALLOCATION



## OUTLOOK

*Geopolitical noise driving volatility with conflict duration pivotal but economic resilience remains evident*

Geopolitical tensions dominated the March quarter, with renewed conflict between the US and Iran driving a sharp increase in oil prices and injecting uncertainty into the global economic outlook. Looking ahead, high energy prices are expected to continue flowing through global supply chains, with each sustained 10% increase in oil prices estimated to reduce global growth by 15–20 basis points. The risks of supply disruption, including the on and off again closure of the Strait of Hormuz have elevated concerns around energy security and weaker economic growth, however price moves following the end of the quarter where an announced ceasefire took place, suggest the market is pricing a relatively contained outcome.

Encouragingly, the global economy entered this period from a position of strength, which provides an important buffer to the shock. Growth had been accelerating, supported by prior monetary easing, while corporate earnings momentum remains robust. Looking forward, leading indicators in developed markets point to a moderation in business confidence, but not a collapse in activity, suggesting the expansion phase is likely to continue. Notably, positive guidance ahead of the US earnings season reinforced the resilience of corporate profitability. While higher oil prices present an upside risk to inflation over coming quarters, lower energy intensity in modern economies suggests a much larger price shock would be needed to lead to a global recession. The US is more insulated than most other rich economies given its energy self-sufficiency. In contrast, Europe and much of Asia remain more exposed as net energy importers, leaving these regions more sensitive to sustained supply constraints and price spikes. Australia is a net energy producer, but this is primarily coal and gas, suggesting we will benefit from a positive term of trade shock via higher prices. However, retailers will need to work hard, and pay a high price, to ensure supply of oil derivates as we compete on the global market for supply.

Monetary policy expectations have shifted and are likely to remain fluid. The market no longer expects the US Federal Reserve to cut interest rates. Expectations across other major economies, including Australia, Europe and Japan contain a hawkish stance likely for the second half of the year. If the market begins to price a rate hiking cycle in the US., this will make the outlook for equity markets more challenging, and we will likely adjust the portfolios accordingly.

For now, against this backdrop, we remain constructive on global equities, supported by resilient earnings growth and a moderation in valuations following March quarter volatility. While geopolitical risks are likely to persist and contribute to episodic volatility, the underlying economic and earnings backdrop remains supportive. We continue to favour diversified global equity exposure, while maintaining exposure to structural growth themes. Portfolio positioning retains a bias to growth assets, with diversification across regions and sectors to navigate a complex macroeconomic environment.

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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