

# Navegar High Growth Portfolio Update - Dec Qtr 2023

## Portfolio performance

	1mth (%)	3 mth (%)	6 mth (%)	12 mth (%)
Portfolio Total Return	3.9	5.7	4.2	11.8
Benchmark*	4.4	7.4	5.7	14.4
CPI +4%	0.6	1.8	4.0	8.3

Source: BT Panorama Performance history from first full month after inception date

\* The Benchmark is the performance of the Long-Term Strategic Asset Allocation assuming no active management or investment fees. Numbers may not add up due to rounding.

## Market review

Global equity markets experienced a strong resurgence over the December 2023 quarter. This upswing was largely fuelled by changing sentiment about the increased potential for interest rate cuts by Central Banks over 2024. Resilient economic activity, coupled with the alleviation of 'higher for longer' interest rate fears, were likely key drivers in equity market performance for the December quarter.

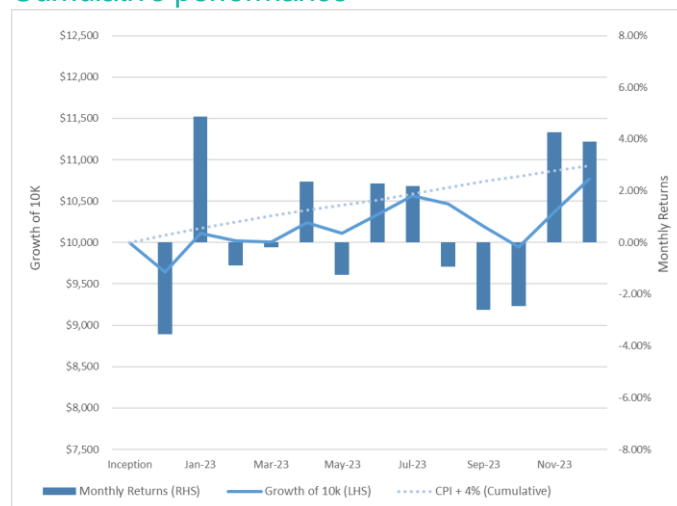
The US stock market performed exceptionally well, with the S&P 500 delivering an 11.6% total return in the December quarter. Sectors sensitive to interest rate changes, like Information Technology, Real Estate, and Consumer Discretionary, were key contributors. In contrast, the Energy sector lagged behind, affected by declining oil prices. European equities also showed strength, with the MSCI AC Europe Index delivering 5.1% for the quarter, in part buoyed by expectations for no further interest rate rises. In contrast, the UK equity market, influenced by mixed sector performance and currency movements, experienced a more subdued 2.3% rise.

Emerging Market equities overall gained 2.1%, despite a 4.8% drop in Chinese equities. In contrast, Latin American markets excelled, with the MSCI EM Latin America Index returning 11.4%.

In Australia, the S&P/ASX 300 Index rose by 8.4% for the quarter. Real Estate was the top-performing sector with a 16.6% return. Energy and Utilities were the only sectors with negative returns, at -9.0% and -2.1%, respectively. The November monthly inflation report saw inflation decrease to 4.3% for the previous 12 months, while the labour market remained tight with unemployment slightly rising to 3.7%. The Reserve Bank of Australia (RBA) raised the cash rate to 4.35% in November due to persistently high inflation but paused rate hikes in December following milder inflation figures.

The shift in market expectations toward lower rates in 2024 contributed to a material fall in bond yields. Specifically, the yield on the US 10-year Government bond dropped from 4.57% to 3.88%, and the yield on the Australian 10-year Government bond similarly decreased, moving from 4.49% to 3.96%.

## Cumulative performance



Source: Morningstar Direct

## Portfolio Commentary

Over the December quarter, the portfolio underperformed its LTAA benchmark.

However, the portfolio outperformed its CPI+4% investment objective in the quarter.

A combination of manager selection and cautious asset allocation dragged performance in what was a very strong quarter of performance.

## Performance contributors

### Best 5 Performers (3 mths)

Resolution Capital Global Property Secs	12.9
iShares Hedged International Equity Idx	9.3
iShares Australian Equity Index	8.3
Macquarie Australian Small Companies	8.3
DNR Capital Aus Eq High Conviction R	7.8

### Worst 5 Performers (3 mths)

Ironbark GCM Global Macro	-6.8
Man AHL Alpha (AUD)	-2.5
iShares Core Cash ETF	1.1
Allan Gray Australia Equity B	2.8
Bell Global Emerging Companies	4.9



## Portfolio structure

Fund	Weight %
iShares Australian Equity Index	11.0
DNR Capital Aus Eq High Conviction R	10.0
iShares Hedged International Equity Idx	9.0
Resolution Capital Global Property Secs	8.0
iShares International Equity Index	8.0
Schroder Global Value Fund (Hedged) - WC	7.5
BNP Paribas C WorldWide Global Eq Trust	7.5
ATLAS Infrastructure Aust Fdr Fd - Hdg	7.0
Allan Gray Australia Equity B	7.0
iShares Core Cash ETF	6.0
Ironbark GCM Global Macro	6.0
Man AHL Alpha (AUD)	6.0
Macquarie Australian Small Companies	2.0
Bell Global Emerging Companies	2.0
GQG Partners Emerging Markets Equity Z	2.0
Cash	1.0

## Portfolio changes

During the December quarter the allocation to the iShares Core Cash ETF was increased in the portfolio offsetting the reduction in allocation to ATLAS Infrastructure Aust Feeder Fund.

## Portfolio objective

The Portfolio objective is to deliver outperformance of the stated benchmark over rolling three-year periods and to achieve the CPI +4% objective.

**Benchmark:** Navegar High Growth Long-term Strategic Asset Allocation.

## Investment Philosophy

Navegar seeks to deliver outperformance of the benchmark over rolling three-year periods by:

- Robust investment profiles tailored to meet client objectives
- A diversified approach to portfolio construction, with a strong focus on risk
- Skilled active management at a reasonable cost to add value over and above the index to varying degrees in asset sectors
- Blending strategies with low correlations and non-directional strategies to achieve true diversification.

## Best contributors to performance (3 mths)

**Resolution Capital Global Securities** – Key contributors to performance included exposure to Prologis, Essex Property Trust and Cubesmart.

**iShares Hedged International Equity Index** – Key contributors to performance were Information Technology, Real Estate, and Consumer Discretionary as falls in bond yields saw market rotation to these interest rate sensitive sectors.

## Worst contributors to performance (3 mths)

**Ironbark GCM Global Macro** – Quarterly attribution data not available at time of print.

**Man AHL Alpha** – The key detractors from performance included short positions in Australian and long-dated US bonds incurring losses.



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### JANA Investment Advisers

JANA is Navegar’s Investment Consultant and provides advice and guidance in relation to investment decisions for the portfolio.

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