

Navegar Defensive Portfolio Update – December Qtr 2023

Portfolio performance

	1mth (%)	3 mth (%)	6 mth (%)	12 mth (%)
Portfolio Total Return	1.9	3.2	3.8	5.1
Benchmark*	2.5	4.6	3.0	5.1
CPI +1.5%	0.4	1.2	2.8	5.8

*Navegar Defensive Long-Term Strategic Asset Allocation

Source: BT Panorama Performance history for 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.

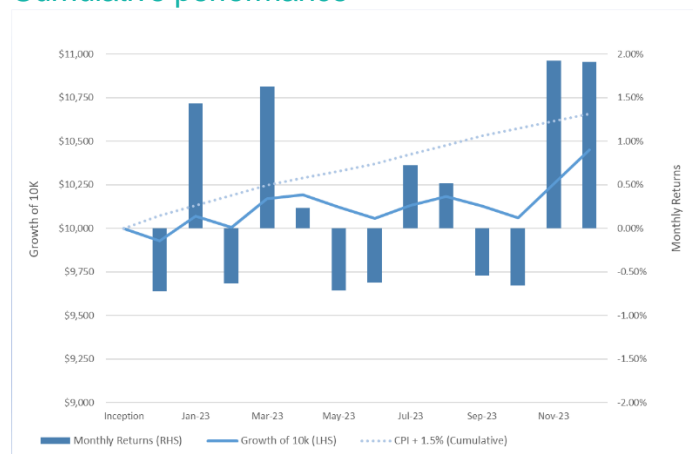
The US stock market performed exceptionally well, with the S&P 500 delivering an 11.6% total return in the December quarter. Sectors sensitive to interest rate changes, like Information Technology, Real Estate, and Consumer Discretionary, were key contributors. In contrast, the Energy sector lagged behind, 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 vs the benchmark.

However, the portfolio outperformed its CPI+1.5% investment objective in the quarter.

Performance contributors

Best 5 Performers (3 mths)

JPMorgan Global Bond I	6.9
Bentham Global Income	6.6
PIMCO Global Bond Institutional	5.7
iShares Global Bond Index	5.4
PIMCO Australian Bond Fund	4.0

Worst 5 Performers (3 mths)

Janus Henderson Global Multi-Strat Instl	-2.1
Ardea Real Outcome Fund	-1.3
RBA Bank accepted Bills 90 Days	1.1
iShares Core Cash ETF	1.1
iShares Enhanced Cash ETF	1.1



Portfolio structure

Fund	Weight %
iShares Australian Bond Index	18.0
iShares Global Bond Index	10.0
Daintree Core Income Trust	10.0
Bentham Global Income	10.0
JPMorgan Global Bond I	8.0
Ardea Real Outcome Fund	8.0
Macquarie Income Opportunities	7.0
iShares Enhanced Cash ETF	7.0
Janus Henderson Global Multi-Strat Instl	6.0
iShares Core Cash ETF	6.0
PIMCO Australian Bond Fund	5.0
PIMCO Global Bond Institutional	4.0
Cash	1.0

Portfolio Changes

During the December quarter the allocation to the iShares Enhanced Cash ETF was reduced to fund an increase in the allocation to the JP Morgan Global Bond Fund.

Portfolio objective

The Portfolio objective is to deliver outperformance of the stated benchmark over rolling three-year periods and to achieve the CPI +1.5% objective.

Benchmark: Navegar Defensive 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)

JP Morgan Global Bond Fund – Primary contributors to performance were the overweight positions to Agency MBS and US/Eurozone duration.

Bentham Global Income – Top contributors to performance included Capital Securities, Investment Grade Credit and Asset Backed Securities (ABS).

Worst contributors to performance (3 mths)

Janus Henderson Global Multi-Strategy – Key detractors from performance were the portfolio's Commodity Alpha sub-strategy due to both curve and skewing positioning in falling oil & gas markets.

Ardea Real Outcome Fund – Detractors to performance were RV trades (-0.5%) with EUR/GBP trades responsible for a loss of -0.9%. US RV curve trades in the US partially offset these 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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