



Navegar Defensive Portfolio Update – Sept Qtr. 2024

Portfolio performance

	1 mth (%)	3 mth (%)	6 mth (%)	12 mth (%)	Since Inception (%)
Portfolio Total Return	0.7	3.1	3.2	7.1	5.1
Benchmark*	0.9	3.5	3.5	8.3	5.0
CPI +1.5%	0.2	0.6	2.0	4.3	5.1

*Navegar Defensive Long-Term Strategic Asset Allocation

Source: BT Panorama Performance history from 1 January 2023

* The Benchmark is the performance of the Long Term Strategic Asset Allocation assuming no active management or investment fees.

Market review

During the September quarter, equity markets experienced significant volatility, but ultimately delivered positive returns. The MSCI World ex-Australia Index (Hedged into AUD) rose by 4.5% over the quarter. Key macroeconomic developments included the US Federal Reserve's decision to begin easing interest rates (with a 50bps rate cut in September) following ongoing slowing in US inflation. Additionally, the Chinese government announced significant stimulus measures in September, which supported equity market returns. Inflation continued to trend down, with US inflation moderating towards the Fed's 2% target and Euro area inflation falling to well within the ECB's target range.

In the USA, the S&P 500 rose by 5.9% over the quarter. The Federal Reserve's interest rate cuts and resilient economic data were likely key drivers of market performance. Corporate earnings reports earlier in the quarter generally supported the view that US economic activity remained resilient.

In Asia, Japanese equities experienced significant volatility, with a notable decline in August due primarily to a rapid unwind of the popular Japanese Yen carry trade. Chinese equities were moderately positive in August and showed significant strength in September, driven by government stimulus measures intended to boost confidence in capital markets and the property sector. Other Asian markets had mixed performance, with Korean equities materially lagging broader indices.

European equities had mixed performance over the quarter. The MSCI Europe Index (in Euros) was stronger in August but marginally weaker in September and returned 2% for the quarter. Euro area inflation moderated, falling to 2.2% in August, and further to 1.7% in September. The ECB eased interest rates by 25bps in September in light of falling inflation and weakening economic data.

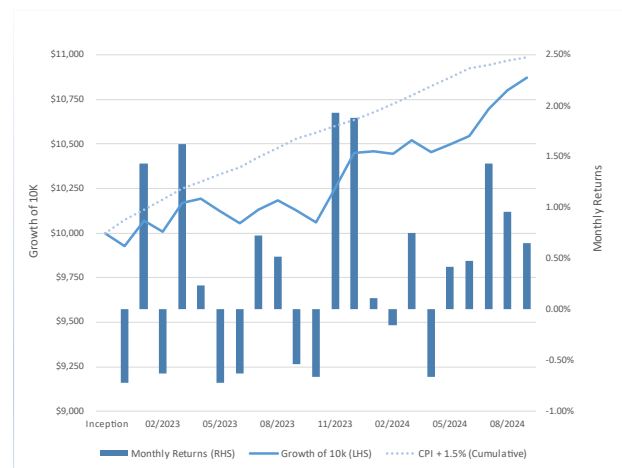
The Australian equity market outperformed Developed Markets in July and September, with returns of 4.1% and 3.1%, respectively. The S&P/ASX 300 Index returned 7.8% for the quarter, whilst the Information Technology sector was a standout performer in August and September. The RBA left the cash rate unchanged at 4.35% in both August and September, citing persistence in inflation.

Both Australian and Global bonds delivered positive returns for the quarter, returning 3% and 4% respectively. Yields on major Developed Market bonds were generally lower, reflecting

expectations that major Central Banks were likely to continue easing rates. Along with moderating inflation, this is supporting the narrative of additional rate cuts over the next year. Over the quarter, the 10-year Australian bond yield fell by 34 basis points to 3.97%, while the US 10-year yield decreased by 58 basis points to 3.79%.

In currency markets, the AUD strengthened against the USD (returning 3.9%), though was weaker against other major currencies, with the largest decrease against the Japanese Yen (-7.6%). The USD has generally been weaker against most currencies recently, partially reflecting expectations for rate cuts in the US.

Cumulative performance



Source: Morningstar Direct

Portfolio Commentary

Over the September quarter, the portfolio underperformed the benchmark. However, the portfolio underperformed its CPI+1.5% investment objective in the quarter.

Performance contributors

Best 5 Performers (3 mths)

Janus Henderson Global Multi-Strat Instl	5.1
JPMorgan Global Bond I	4.6
Bentham Global Income	4.3
iShares Global Bond Index	3.9
PIMCO Global Bond Institutional	3.4

Worst 5 Performers (3 mths)

Cash	1.1
iShares Core Cash ETF	1.2
iShares Enhanced Cash ETF	1.2
Daintree Core Income Trust	1.9
iShares Australian Bond Index	3.0

Source: Morningstar Direct



Portfolio structure

Fund	Weight %
iShares Australian Bond Index	15.0
Daintree Core Income Trust	12.0
Macquarie Income Opportunities	10.0
Bentham Global Income	10.0
iShares Enhanced Cash ETF	9.0
JPMorgan Global Bond I	8.0
PIMCO Global Bond Institutional	8.0
iShares Global Bond Index	8.0
PIMCO Australian Bond Fund	7.0
Janus Henderson Global Multi-Strat Instl	6.0
iShares Core Cash ETF	6.0
Cash	1.0

Portfolio Changes

During the September quarter, there were no changes to the portfolio.

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)

Janus Henderson Global Multi-Strategy – The fund's performance was driven by coupon income with support from tighter credit spreads, with all major sub-sectors contributing to the positive tone.

JPMorgan Global Bond – The fund benefited from a favourable interest rate environment, as central banks maintained higher rates to combat inflation, enhancing returns on short-term debt instruments. Additionally, market uncertainties drove increased demand for stable, liquid investments, bolstering the ETF's performance.

Worst contributors to performance (3 mths)

iShares Core Cash ETF – This performance was driven by favourable interest rate environments and robust demand for high-quality short-term money market instruments.

iShares Enhanced Cash ETF – The Fund benefited from higher yields on short-term instruments amid a favourable interest rate environment.



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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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