



# Navegar High Growth Portfolio Update - Sept Qtr. 2024

## Portfolio performance

	1 mth (%)	3 mth (%)	6 mth (%)	12 mth (%)	Since Inception (%)
Portfolio Total Return	1.6	4.2	6.6	16.8	13.6
Benchmark*	1.7	6.0	8.5	20.7	16.3
CPI +4%	0.4	1.2	3.2	6.8	7.6

\*Navegar High Growth 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.

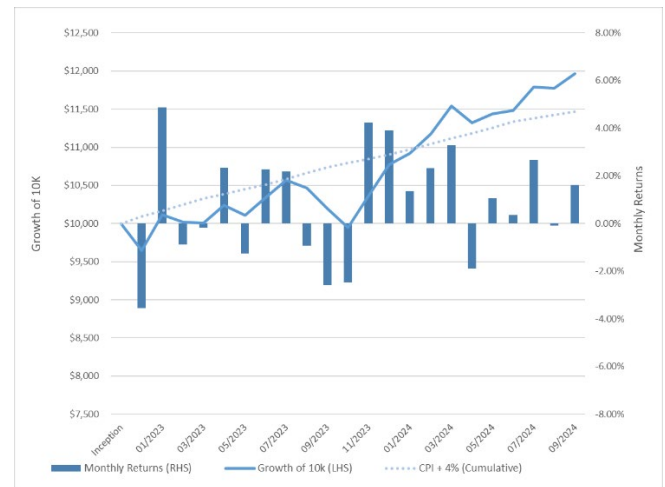
The Australian equity market outperformed Developed Markets in July and September, with returns of 4.1% and 3.1%, respectively. The S&P/ASX 300 Index returned 7.8% for the quarter, whilst the Information Technology sector was a standout performer in August and September. The RBA left the cash rate unchanged 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 High Growth portfolio underperformed its benchmark but outperformed its CPI+4% investment objective.

## Performance contributors

### Best 5 Performers (3 mths)

Resolution Capital Global Property Secs	12.5
ATLAS Infrastructure Aust Fdr Fd - Hdg	10.8
Macquarie Australian Small Companies	8.8
Bell Global Emerging Companies	8.1
DNR Capital Aus Eq High Conviction R	7.9

### Worst 5 Performers (3 mths)

Ironbark GCM Global Macro	-8.9
MAHLA IphA UDCA	-5.7
GQG Partners Emerging Markets Equity Z	-5.6
Arrow street Global Equity No.2 Class I	-0.7
BNP Paribas C WorldWide Global Eq Trust	0.3

Source: Morningstar Direct

## Portfolio structure

Fund	Weight %
iShares Australian Equity Index	13.0
DNR Capital Aus Eq High Conviction R	10.0
iShares Hedged International Equity Idx	9.5
Airlie Australian Share	9.0
iShares International Equity Index	8.5
Resolution Capital Global Property Secs	8.0
BNP Paribas C WorldWide Global Eq Trust	7.0
ATLAS Infrastructure Aust Fdr Fd - Hdg	6.0
Schroder Global Value Fund (Hedged) - WC	5.0
Arrow street Global Equity No.2 Class I	5.0
Ironbark GCM Global Macro	4.0
MAHLAphAUDCA	4.0
GQG Partners Emerging Markets Equity Z	4.0
Macquarie Australian Small Companies	3.0
Bell Global Emerging Companies	2.0
iShares Core Cash ETF	1.0
Cash	1.0

## Portfolio changes

During the September Quarter, the following changes were made to the portfolio.

### Fund Increases

Fund	Action
iShares Australian Equity Index	Increased
iShares Hedged International Equity Idx	Increased
Airlie Australian Share	Increased
iShares International Equity Index	Increased
BNP Paribas C WorldWide Global Eq Trust	Increased
Arrow street Global Equity No.2 Class I	Increased
Schroder Global Value Fund (Hedged) - WC	Increased
Macquarie Australian Small Companies	Increased

### Fund Decreases

Fund	Action
ATLAS Infrastructure Aust Fdr Fd - Hdg	Reduction
MAHLAphAUDCA	Reduction
Ironbark GCM Global Macro	Reduction
iShares Core Cash ETF	Reduction

## 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 Property Securities** – Data Centres was the top-performing sector over the month, fuelled by strong tenant demand, combined with power constraints limiting new supply. Residential was the weakest-performing sector, primarily due to underwhelming operating updates from U.S. REITs, particularly single-family landlords, who reported rent growth figures which fell short of expectations.

**ATLAS Infrastructure** – The main contributors in the period were our holdings in Orsted, Fraport and Aena. The main detractors were Getlink, Eiffage and SES.

## Worst contributors to performance (3 mths)

**Ironbark GCM Global Macro Fund** – Equities were the top performing sector due to long positions in Hong Kong, European, and US benchmark indices. In commodities, mixed long and short positions in various energy markets and short positions in grains led to losses, which were partially offset by gains from long positions in silver, coffee, and base metals. Commodity positions were driven by a mix of signals from all the underlying strategies.

**Man AHL Alpha** – Commodities detracted from performance. Main performance during September was driven by bond and rates positions.



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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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