Navegar High Growth Portfolio Update - Dec Qtr. 2024

Portfolio performance

	1 mth (%)	3 mth (%)	6 mth (%)	12 mth (%)	Since Inception (%)
Portfolio Total Return	-1.6	0.6	4.8	11.6	11.7
Benchmark*	-1.2	2.2	8.3	16.0	15.2
CPI +4%	0.4	1.2	2.4	6.4	6.9
*Navegar High Growth Long-Term Strategic Asset Allocation					

Source: BT Panorama   Performance history from 1 January 2023. Net of fund manager fees

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

Market review

Developed Market equities were moderately positive over the December quarter, with the MSCI World ex-Australia Index (Hedged into AUD) returning 2%. The results of the US election in November saw equity markets move higher, and more than offset weaker returns in October (when uncertainty around the election outcome was more pronounced). However, in December, equity markets were broadly weaker, as sentiment declined following the US Federal Reserve's interest rate decision, and a more hawkish tone in the accompanying statement. The statement suggested that the extent of additional rate cuts may be more limited than previously expected.

In the US, the S&P 500 marginally outperformed broader Developed Markets, returning 2.4% for the quarter. The quarter saw markets focussed on both the outcome of the election and expectations for the timing and magnitude of any further cuts from the Fed. The US economy does remain quite strong; however, and business activity and employment data both point to ongoing resilience in economic activity.

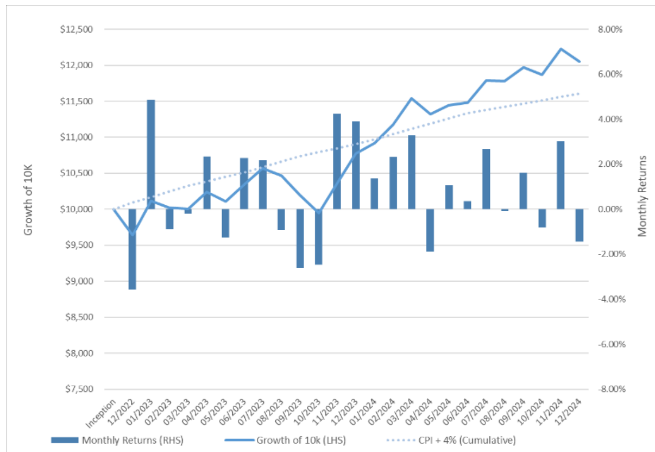
In Asia, Chinese equities were weaker, with the MSCI China Index returning -7% (in local currency). Despite significant stimulus measures announced in the prior quarter, sentiment appeared to wane in October, with concerns around the property sector and economic growth continuing to weigh on equity market performance. Concerns around the impact of tariffs following the election of Donald Trump also appeared to weigh on equity market sentiment.

The MSCI Europe Index underperformed broader equity markets, returning -3% over the December quarter. Concerns about the outcome of the US election and the economic outlook for the Eurozone were likely the key drivers for equity market sentiment. There has been ongoing weakness in some economic data and business indicators continue to point to a contraction in private sector manufacturing activity. The European Central Bank announced its fourth rate cut of 2024 in December, and expectations for the inflation outlook were reduced; along with confirmation that "the disinflation process is well on track."

Australian equities were marginally weaker over the previous 3 months, returning -0.8%. Materials was the weakest sector, returning -11.8%. Listed property was also notably weaker, returning -6.1%. At both meetings of the Reserve Bank of Australia (RBA) during the quarter, the RBA elected to leave interest rates unchanged. At the December meeting, the RBA noted that they do have increasing confidence that inflation is moving sustainably towards their target.

Both Australian and Global bonds delivered negative returns for the quarter, returning -0.3% and -1.2% respectively. The rise in US bond yields over the quarter likely reflected a range of positive economic data earlier in the quarter, leading to expectations of a slower, more muted series of rate cuts by the US Fed. Over the quarter, the 10-year Australian bond yield rose by 39 basis points to 4.37%, while the US 10-year yield rose by 79 basis points to 4.57%.

Cumulative performance



Source: Morningstar Direct

Portfolio Commentary

Over the December quarter, the High Growth portfolio returned +0.6% and underperformed its benchmark and underperformed its CPI+4% investment objective.

Performance contributors

Best 5 Performers (3 mths)

Alphinity Global Equity	12.8
Arrowstreet Global Equity No.2 Class I	12.3
iShares International Equity Index	12.1
BNP Paribas C WorldWide Global Eq Trust	6.1
GQG Partners Emerging Markets Equity Z	3.2

Worst 5 Performers (3 mths)

ATLAS Infrastructure Aust Fdr Fd - Hdg	-8.1
Resolution Capital Global Property Secs	-6.9
Ironbark GCM Global Macro	-2.6
DNR Capital Aus Eq High Conviction R	-2.5
Airlie Australian Share	-2.1

Source: Morningstar Direct

Portfolio structure

Fund	Weight %
iShares Australian Equity Index	15.0
DNR Capital Aus Eq High Conviction R	11.0
Airlie Australian Share	10.0
iShares International Equity Index	8.5
iShares Hedged International Equity Idx	6.5
Ironbark Robeco Glb Dev Enh Idx Eq H H	6.0
ATLAS Infrastructure Aust Fdr Fd - Hdg	5.0
Schroder Global Value Fund (Hedged) - WC	5.0
Arrowstreet Global Equity No.2 Class I	5.0
Resolution Capital Global Property Secs	4.0
Macquarie Australian Small Companies	4.0
Alphinity Global Equity	4.0
GQG Partners Emerging Markets Equity Z	4.0
BNP Paribas C WorldWide Global Eq Trust	3.0
Ironbark GCM Global Macro	2.0
Cash	2.0
MAHLAlphAUDCA	2.0
Bell Global Emerging Companies	2.0
iShares Core Cash ETF	1.0

Portfolio changes

During the December quarter, the following changes were made to the portfolio.

Fund Increases

Fund	Action
iShares Australian Equity Index	Increased
DNR Capital Aus Eq High Conviction R	Increased
Airlie Australian Share	Increased
Ironbark Robeco Glb Dev Enh Idx Eq H H	New Position
Alphinity Global Equity	New Position
Macquarie Australian Small Companies	Increased

Fund Decreases

Fund	Action
iShares Hedged International Equity Idx	Reduction
ATLAS Infrastructure Aust Fdr Fd - Hdg	Reduction
Resolution Capital Global Property Secs	Reduction
BNP Paribas C WorldWide Global Eq Trust	Reduction
MAHLAlphAUDCA	Reduction

The primary rationale was to increase the strategic long term exposure to both Australian and Global Equities at the expense of other growth (Alternatives, Property and Infrastructure). This trade occurred late in the quarter and had little impact on overall portfolio performance in the quarter.

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)

Alphinity Global Equity - The Alphinity Global Equity Fund, benefited from global equity gains, with the US market leading while Europe and Emerging Markets lagged. Performance was driven by expectations around Trump's policies, with US banks performing strongly on deregulation hopes, though caution remained around Chinese stimulus.

Arrowstreet Global Equity Fund – Financials was the largest relative contributor for the fund, driven by overweight positioning in Chinese Financials, while Consumer Discretionary detracted the most, due to holdings in US Consumer Discretionary. Communication Services was another relative detractor, reflecting underperformance in US Communication Services.

Worst contributors to performance (3 mths)

Atlas Infrastructure Feeder Fund - Atlas faced a challenging quarter, with performance impacted by an overweight to Europe amidst a rise in US equity markets. A tilt toward energy transition stocks, expected to benefit from sector tailwinds, further weighed on returns due to market reactions to the new US Administration.

Resolution Capital Global Property Securities Fund - All regions except Japan posted negative returns in December, with political turmoil in Europe and the UK, along with a hawkish U.S. Federal Reserve, weighing on REITs. Political instability in France and Germany and UK bond market volatility hurt property returns, with Self-Storage performing the worst due to weakened demand and higher costs.

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