

## Navegar Diversified Fixed Income Portfolio Update - March Qtr. 2025

### Portfolio performance

	1 mth (%)	3 mth (%)	6 mth (%)	12 mth (%)	Since Inception (%)
Portfolio Total Return	0.1	1.4	1.3	4.4	4.5
Benchmark*	-0.1	1.2	0.5	3.5	3.1

Source: BT Performance history from 1 December 2022. Net of fund manager fees

\* The Benchmark is the performance of the 50% Bloomberg Ausbond Composite 0+Y + 50% Bloomberg Global Aggregate TR Index (AUD Hedged)

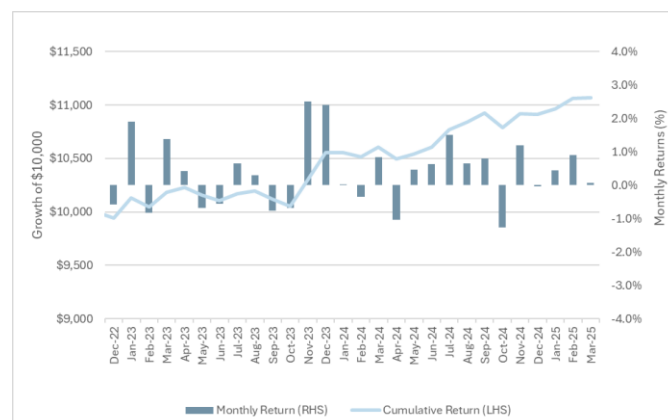
### Market review

The first quarter of 2025 saw a significant swing in investor sentiment. Optimism early in the year, driven by expectations of continued US market strength, quickly faded as escalating trade tensions and rising recession fears unsettled investors. After a strong start in January and early February, markets turned risk-averse, leading to steep declines in US shares and broad weakness across most developed markets, including Australia. While key share markets saw sharp declines, fixed interest (bond) markets provided some welcome stability. Investors continued to favour the relative safety of government bonds, especially as central banks signalled they may cut interest rates if economic conditions weaken further.

Fixed interest markets delivered strong returns and played a stabilising role in portfolios over the quarter. The Bloomberg Global Aggregate Bond Hedged Index rose +1.1%, while Australian bonds outperformed, with the Bloomberg AusBond Composite 0+ Yr Index gaining +1.3%. Government bond yields diverged — Australian 10-year yields edged 0.06% higher to 4.42%, while US 10-year Treasury yields fell 0.36% to 4.21%. Although markets continued to digest firmer inflation prints and the potential implications of tariff policy, the US Federal Reserve maintained its emphasis on growth, describing inflation pressures as transitory. Against this backdrop, Australian bonds remain relatively attractive from a duration perspective, offering competitive yield opportunities compared to their global peers.

In credit markets, Australian and global investment-grade corporate bonds performed well. The Bloomberg AusBond Credit 0+ Yr Index rose +1.5%, while its global counterpart, the Bloomberg Global Aggregate Credit Hedged Index, advanced +1.6%. Global high-yield bonds produced positive absolute returns but underperformed investment-grade credit, with the Bloomberg Global High Yield Total Return Hedged Index rising +1.1% over the quarter. Rising all-in yields over the quarter prompted investors to reassess risk exposure. This led to a widening in credit spreads, particularly in the high-yield segment, reflecting a higher risk premium demanded for lower-quality debt securities.

### Cumulative performance



Source: Morningstar Direct

### Portfolio Commentary

Over the March quarter, the Diversified Fixed Income portfolio returned 1.4%, outperforming its benchmark.

Government bonds gained over the March 2025 quarter, lifting long-duration strategies. Global and Australian bond strategies — **PIMCO Global Bond (+1.8%)** and **Western Asset Australian Bond (+1.4%)** — delivered solid gains, reflecting their heavy allocation to government bonds.

The Australian investment-grade credit market also performed strongly, buoyed by stable economic conditions, solid corporate fundamentals, and consistent investor demand. Elevated base rates and attractive yields continued to support strategies focused on high-quality, short-duration credit, with **Realm Short Term Income (+1.5%)** and **Janus Henderson Tactical Income (+1.4%)** both outperforming their respective benchmarks. Meanwhile, **Bentham Global Income (+1.4%)** benefited from its defensive stance — with a substantial cash allocation and significant exposure to global investment-grade credit and interest rate duration.

### Performance contributors

#### LEADING CONTRIBUTORS

	3 Months
PIMCO Global Bond W	0.44%
Western Asset Aus Bd A	0.28%
Bentham Global Income	0.27%
Janus Henderson Tactical Income	0.27%
Realm Short Term Income Fund	0.22%

#### LEADING DETRACTORS

None
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## Portfolio structure

Fund	Weight %
Bentham Global Income	20.00%
PIMCO Global Bond Wholesale	25.00%
Janus Henderson Tactical Income	18.75%
Realm Short Term Income Ord	15.00%
Western Asset Australian Bond A	20.00%
Platform Cash	1.25%

## Portfolio changes

During the March quarter, no portfolio changes were made.

## Portfolio objective

To deliver outperformance of the benchmark over rolling three-year periods, net of indirect fees.

**Benchmark:** 50% Bloomberg Ausbond Composite 0+Y + 50% Bloomberg Global Aggregate TR Index (AUD Hedged)

## Investment Philosophy

The guiding principles underpinning the portfolio management process are:

- **Evidence-based investing** — We are investors, not speculators. Making investment decisions based on fundamental analysis and empirical evidence rather than short-term noise delivers better long-term investment outcomes.
- **Valuation is important** — Markets can experience inefficiency and mispricing. The entry price of an investment is a key determinant of long-term returns and the risk of financial loss.
- **Risk management is multi-dimensional** — We invest in an environment of uncertainty where economic, geo-political and market developments can materially change the investment landscape. We seek to create portfolios that are robust to a range of environmental scenarios and assess risk from a broad set of metrics that consider liquidity, country, sector, style, credit, environmental, social and governance risks.
- **Diversification** — Diversification is spreading investments across fund managers within different asset classes. Diversification cannot eliminate the risk of loss, but it is a powerful tool for managing risk.
- **Simplicity and transparency** — The security of our investors' wealth is paramount. We will only invest in the highest quality underlying fund managers and securities and will not accept overly complex or opaque investments.
- **Fees and taxes matter** — We only allocate fees to active fund managers where we believe — with a high degree of conviction — investors will benefit from paying a higher fee. Where appropriate, we will also utilise low-cost passive fund managers. We also consider the tax consequences of underlying portfolio strategies.

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## Evidentia Group

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