Navegar Conviction Australian Equity Portfolio Update
March Quarter 2025

Portfolio performance

	1 mth (%)	3 mth (%)	6 mth (%)	1 year (%)	3 year (% p.a.)	5 year (% p.a.)	Since Inception (% p.a.)
Portfolio Total Return	-3.33%	-3.24%	-2.26%	5.30%	5.99%	14.22%	8.41%
Benchmark*	-3.34%	-2.85%	-3.64%	2.64%	5.30%	13.23%	7.90%
Excess Return	0.01%	-0.39%	1.38%	2.66%	0.68%	1.00%	0.52%

Performance returns track the value of a notional portfolio and are calculated pre-fee. The performance information shown may differ from the performance of an individual investor's portfolio due to differences in portfolio construction or fees. Investors should contact their platform provider for applicable fee rates. Past performance is not a reliable indicator of future performance.

*Benchmark is the S&P/ASX 300 TR Index AUD

Inception date 14 March 2018.

Market review

The S&P/ASX 300 rose for the first half of Q1 2025, rebounding from the sell-off in December. It was helped by a Q42024 consumer price index inflation print, which softer than expected and raised expectations that the RBA would start cutting rates at their February meeting.

This eventuated, albeit accompanied by a strong message tempering market expectations about the timing of further reductions.

The domestic reporting season was reasonable, painting a picture of an economy which continued to hold up well.

However from mid-February onwards the market grew increasingly concerned about the outlook for the US economy in response to policy changes – particularly on tariffs.

Data suggested that consumers and businesses were delaying spending due to uncertainty about policy – with announcements on tariffs due in early April - and concern about the impact changes would have on the economy.

This saw a sharp decline in equity markets and swift rotations within them. Moves were exaggerated by the previously crowded positioning and by the impact of systematic strategies. The S&P/ASX 300 price index fell over 9% from its highs at one point. The S&P/ASX 300 Total Return index finished down -2.85% for the period.

There were notable developments elsewhere. In Germany, uncertainty over President Trump's relationship with Europe prompted a EUR500bn infrastructure fund and a constitutional amendment to exempt defence outlays from spending limits.

In China, the National People's Congress detailed a reform and spending package to boost domestic consumption.

Commodities were generally resilient. Iron ore was up 4% for the quarter, copper +12% and Brent Crude +2%. Gold continued to rise on economic uncertainty, gaining 19%.

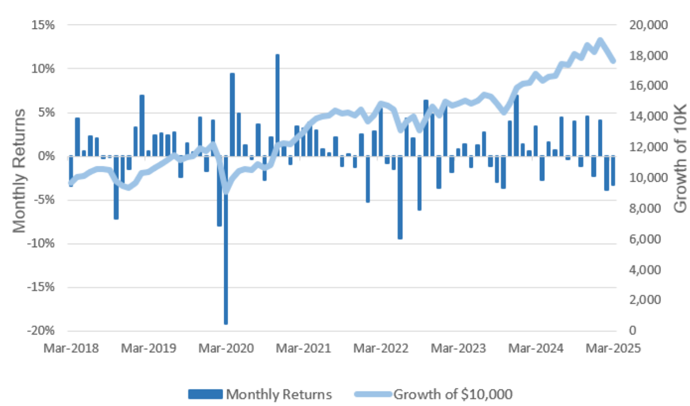
Industrials (+2.5%) did best, often helped by well-received results. Brambles (BXB, +5.7%), Computershare (CPU, +16.5%), Qantas (QAN, +8.3%) and SGH (SGH, +2.2%) all outperformed among the larger index weights.

The small Utilities sector (+2.2%) also outperformed, largely off the back of APA Group (APA, +13.3%), whose result beat expectations and management calmed fears around a possible capital raise to fund investment.

Information Technology (-18.2%) was the worst sector on market rotation away from growth stocks. Weakness was broad-based, with Xero (XRO) down -8.2%, Wisetech Global (WTC) -32.8%, NextDC (NXT) -25.0% and Technology One (TNE) -11.1%.

Health Care (-9.0%) also underperformed. Again, weakness was broad-based. CSL (CSL) fell -10.8%, ResMed (RMD) -4.7%, Cochlear (COH) -8.8% and Pro Medicus (PME) -20.1%.

Cumulative performance



Performance returns are calculated pre-fee. Since Inception 14/03/2018.

Past performance is not a reliable indicator of future performance.

Portfolio commentary

The Portfolio finished behind the index for the quarter.

There were notable positive contributions came from companies which delivered well-received results such as QBE Insurance (QBE), Telstra (TLS), Nine Entertainment (NEC), Qantas (QAN) and Medibank Private (MPL). Not owning Wisetech (WTC) and Fortescue (FMG) was also beneficial.

However this was offset by stocks whose earnings disappointed – notably CSL (CSL) and Viva Energy (VEA). We sold out of Viva Energy, but retain conviction in the upside for CSL. A rotation away from growth names such as Xero (XRO) and Technology One (TNE) also dragged, as did exposure to the US consumer via Treasury Wines (TWE).

Performance contributors

Best 5 Performers (3 months)

Code	Name	Value Added
QBE	QBE Insurance Group Limited	0.41%
TLS	Telstra Group Limited	0.39%
NEC	Nine Entertainment Co. Holdings Limited	0.31%
WTC	Wisetech Global Ltd. (not held)	0.27%
QAN	Qantas Airways Limited	0.23%

Worst 5 Performers (3 months)

Code	Name	Value Added
VEA	Viva Energy Group Ltd. (not held)	-0.33%
NXT	Nextdc Limited	-0.28%
CSL	CSL Limited	-0.25%
MIN	Mineral Resources Limited	-0.23%
EVN	Evolution Mining Limited (not held)	-0.20%

Best contributors to performance (3 months)

Overweight QBE Insurance (QBE, +17.5%)

The insurance sector continued the steady outperformance that it has delivered since early November, as expectations about the pace and scale of potential US interest rate cuts in 2025 has been pared back. QBE saw broker upgrades on the back of a good result for 2024 and a promising outlook. The company continues to benefit from premium price growth running ahead of claims inflation and from pivoting away from underperforming businesses. Low gearing and a strong balance sheet provides scope for capital management.

Overweight Telstra (TLS, +7.4%)

Telstra benefited from a rotation to defensives and continued to rise in the wake of a well-received 1H FY25 result in February, with most businesses performing well and previous issues in the fixed-line businesses seemingly under control. The big news was an introduction of a more shareholder-friendly approach to capital, signalled through a unexpected $750m buyback, funded from its strong balance sheet coupled with their confidence in growing future EBITDA, with potential for future buybacks as well.

Overweight Nine Entertainment (NEC, +24.6%)

NEC's 1H25 EBITDA was slightly ahead of expectations due to strong cost control. Management flagged high single-digit growth in Total TV revenue in 3Q FY25 following a tough downturn. Subscriber metrics in publishing and STAN are good, as are audience numbers in TV and BVOD. The 3Q trading update and additional cost-out measures resulted in consensus upgrades of 4.5% at EBITDA and 9% at NPAT. While the result was well-received, the stock price surge was largely driven by a bid for Domain Group (DHG) from us company Costar. NEC owns a 60% stake in DHG.

Worst contributors to performance (3 months)

Overweight Viva Energy (VEA, -33.6%)

VEA's update confirmed market concerns around a softer environment for convenience retail due to cost-of-living pressures and illicit tobacco sales. However the key disappointment came around the On The Run franchise acquired last year, where operating costs have been far higher than expected. At the same time, the initial conversion of other stores to the On The Run format, which is expected to increased profitability, have come at a higher than expected cost. This has raised some concerns that VEA will disappoint the market in terms of the timing and returns from the store conversion programme. The small active overweight here dragged on relative performance.

Overweight NextDC (NXT, -25.0%)

NXT – and the broader data centre space – has been caught up in the rotation away from growth technology. At the same time there have been concerns about near-term oversupply of data centre capacity on reports that Microsoft are not exercising some options to take up capacity as they are no longer exclusively the partner in training OpenAI's generative AI. This appears to be a near-term issue, with no change in expectations around the longer-term requirement for data centre capacity. There is also anecdotal reports of other hyperscale customers stepping in to take up the capacity.

Overweight CSL Limited (CSL, -10.8%)

CSL missed consensus expectations for 1H FY24 by 2%. A stronger US dollar weighed on CSL, given its high revenue exposure to Europe and has seen downgrades to consensus despite management retaining full year guidance in constant currency terms. However the key surprise came in weak demand for vaccines in North America for it Seqirus division. The core Behring business continues to perform well and expand margins, which is a key element of our thesis of multiple re-rating on the back of improved returns on capital.

Securities added / Sold to Zero during the quarter

Security name
Buy a new position in Amcor (AMC)
Buy new positions in ANZ (ANZ)
Buy new positions in Orica (ORI)
Sell to zero in Viva Energy (VEA)

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Portfolio structure

Security Code	Security Name
BHP	BHP Group Ltd
CSL	CSL Limited
CBA	Commonwealth Bank of Australia
TLS	Telstra Group Limited
NAB	National Australia Bank Limited
XRO	Xero Limited
WBC	Westpac Banking Corporation
QBE	QBE Insurance Group Limited
QAN	Qantas Airways Limited
STO	Santos Limited
ALL	Aristocrat Leisure Limited
RIO	Rio Tinto Limited
SUN	Suncorp Group Limited
MQG	Macquarie Group, Ltd.
GMG	Goodman Group
TNE	Technology One Limited
TWE	Treasury Wine Estates Limited
SCG	Scentre Group
NST	Northern Star Resources Ltd
MTS	Metcash Limited
MPL	Medibank Private Ltd.
ANZ	ANZ Group Holdings Limited
NEC	Nine Entertainment Co. Holdings Limited
DOW	Downer EDI Limited
BXB	Brambles Limited
AMC	Amcor PLC
NXT	Nextdc Limited
JHX	James Hardie Industries PLC
MIN	Mineral Resources Limited
SEK	Seek Limited
ORI	Orica Limited
ORA	Orora Limited
RMD	Resmed Inc
PME	Pro Medicus, Ltd.

Portfolio objective

The Portfolio objective is to deliver outperformance relative to the benchmark over a rolling three year period with a primary focus on capital growth.

Benchmark: S&P/ASX 300 (TR) Index AUD

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.

Important Information

Navegar has appointed Pendal Institutional Limited ABN 17 126 390 627 AFSL No. 316455 (“**Pendal**”) as investment manager to provide research and portfolio construction services in respect of the Portfolio. Pendal is a global investment management firm focused on delivering superior investment returns for its clients through active management.

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