Navegar Defensive Portfolio Update – Jun Qtr. 2025

Portfolio performance

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (%)	2 yrs (%)	Since Inception (%)
Portfolio Total Return	0.8	1.7	2.9	6.1	5.3	4.8
Benchmark*	0.8	1.4	2.6	5.3	4.2	4.2
CPI +1.5%	0.4	1.1	2.4	3.6	4.5	4.8
*Navegar Defensive Long-Term Strategic Asset Allocation						

Source: BT Panorama & Morningstar Direct   Performance history from 1 January 2023. Net of fees

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

Market review

The second quarter of 2025 was marked by a sharp increase in equity market volatility, earlier in the quarter. There was escalating trade tensions after the Trump administration announced new "reciprocal" tariffs on a range of trading partners. This in turn provoked retaliatory threats between countries, especially between the U.S. and China.

Improving sentiment saw a strong recovery in risk asset performance through May and June, however. Sentiment improved after the announcement of a 90-day pause in US tariffs, and trade tensions gradually cooled thereafter. By June, concerns around rising tensions in the Middle East briefly caused some minor market volatility, but the risks of a broader regional conflict were largely shrugged off following a ceasefire between Israel and Iran. The MSCI World Index (hedged into AUD) returned 9.6% for the quarter.

In the United States, the quarter began with significant equity volatility. Whilst the S&P 500 fell 0.7% in April, it was, at one point down over 10% intra-month. However, momentum sharply reversed as trade tensions cooled. Solid corporate earnings growth also buoyed sentiment. The Federal Reserve kept interest rates on hold throughout the quarter, despite pressure from President Trump to cut rates. Concerns from the Fed around the uncertain impact of tariffs on inflation were the primary motivation for keeping rates on hold.

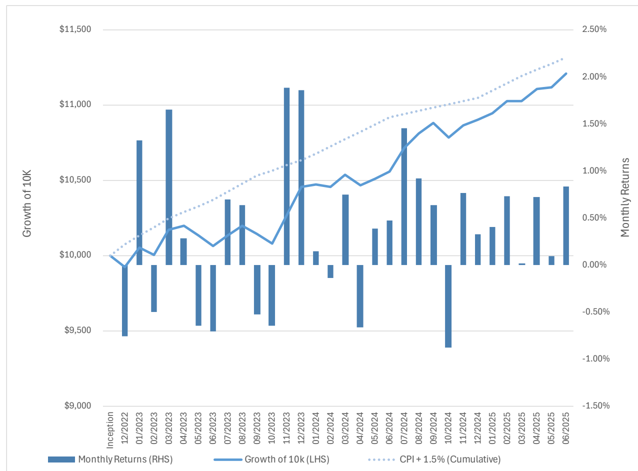
European equities lagged broader Developed Markets over the quarter, with the MSCI Europe Index (in EUR) returning 1.1%. European equity returns are in line with the US equity market calendar year-to-date, however. ECB officials delivered an eighth straight interest rate cut at their June meeting, citing "highly uncertain" global conditions, with persistent trade tensions likely remaining a headwind to the Eurozone economic outlook.

Australian equities performed broadly in line with Developed markets, returning 9.5% for the quarter. The Information Technology sector outperformed materially, returning 26.9%. Reflecting the volatility of returns for the IT sector, performance is much more aligned for IT relative to other sectors year-to-date. The Materials sector was weakest over the quarter, returning -0.4%. Following a decision to cut rates at its May meeting, the RBA surprised the market by electing to keep rates on hold, shortly after quarter end. The RBA cited an uncertain global outlook and relatively strong domestic employment conditions as reasons for maintaining the cash rate at 3.85%.

Fixed interest markets delivered positive returns over the quarter, with Australian bonds up 2.6% and global bonds returning 1.5%. There was some divergence in the movement of 10-year yields between Australia and the USA over the quarter. Australian 10-year yields fell 22bps to 4.16%, while US 10-year yields rose marginally, to 4.23% (+2bps).

There was continued broad-based US Dollar weakness across the quarter. The USD was weighed down by concerns over fiscal sustainability, political uncertainty, and the impact of the Trump administration's trade policy. The AUD appreciated over the quarter (+5.2%), supported by improving risk sentiment, weaker sentiment for the USD, and comparatively steady domestic conditions.

Cumulative performance



Source: Morningstar Direct

Performance Commentary

Over the June quarter, the portfolio returned 1.7%, outperforming both the benchmark and the CPI + 1.5% objective.

Performance contributors

Best 5 Performers (3 mths)

UBS Australian Bond Fund	3.1
PIMCO Australian Bond Fund	2.9
iShares Australian Bond Index	2.6
Macquarie Income Opportunities	2.3
Bentham Global Income	1.7

Worst 5 Performers (3 mths)

Fortlake Real-Income	-0.1
Daintree Core Income Trust	0.7
iShares Core Cash ETF	1.0
iShares Global Bond Index	1.4
JPMorgan Global Bond I	1.5

Source: Morningstar Direct

Portfolio structure

Fund	Weight %
iShares Australian Bond Index	15.0
Bentham Global Income	10.0
Daintree Core Income Trust	10.0
iShares Global Bond Index	10.0
Macquarie Income Opportunities	10.0
PIMCO Australian Bond Fund	9.0
JPMorgan Global Bond I	8.0
PIMCO Global Bond Institutional	8.0
UBS Australian Bond Fund	7.0
Fortlake Real-Income	6.0
iShares Core Cash ETF	6.0
Cash	1.0

Portfolio Changes

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

Fund Increases

Fund	Action
UBS Australian Bond Fund	New Position

Fund Decreases

Fund	Action
iShares Enhanced Cash ETF	Exit

The primary rationale for the changes was to increase the portfolio's exposure to higher quality Australian Fixed Income to boost portfolio defensiveness.

The addition of the UBS Fund also adds more interest rate duration to the portfolio increasing the sensitivity to any interest rate declines.

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)

UBS Australian Bond Fund – The Fund's overweight to Australian credit made a positive contribution to relative performance as credit spreads on the Ausbond Credit 0+ Yr index tightened by 3 basis points. Our overweight position in semi-government bonds made a small negative contribution.

Macquarie Income Opportunities Fund – Performance was principally driven by credit positioning: as markets continued to move past the earlier 'liberation day' tariff concerns, and positions added during the volatility rebounded strongly. Duration positioning also added value, particularly in Australian rates, as both increased expectations for Reserve Bank of Australia (RBA) rate cuts, and falls in global yields, supported the market locally.

Worst contributors to performance (3 mths)

Fortlake Real Income – The Fund experienced a tightening in credit spreads on its Investment Grade (IG) portfolio, driving positive overall returns. Set against this was a tightening in high yield (HY) spreads which the Fund retains a short exposure to.

Daintree Core Income Trust - The Fund's duration position remains close to neutral, but tactical positions within the overlay saw some success during the month. The Fund continues to selectively engage in new issuance to optimise future income potential but has increased cash levels in the short term. Portfolio positioning and cash levels will enable portfolio managers to nimbly respond to the evolving market 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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