

Navegar Australian Equity Mid/Small Cap Portfolio

Portfolio performance - June 2025

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	S.I. (% pa)
Portfolio Total Return	0.4	9.2	9.1	16.4	5.9
Benchmark*	0.8	9.5	6.8	14.5	6.9

Source: BT Performance history from 1 September 2018. Net of fund manager fees

* The Benchmark is the performance of the S&P/ASX Mid-Small Cap Index

Market review

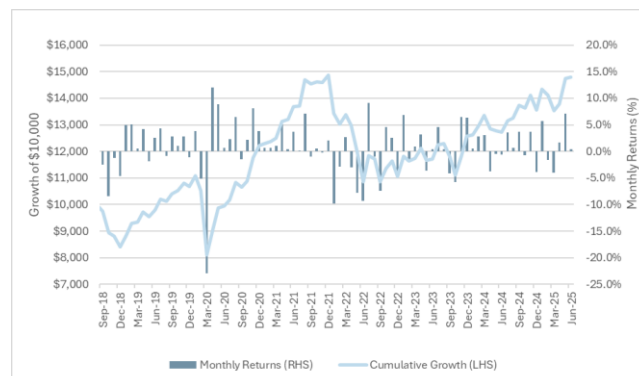
The Australian Sharemarket ended the financial year at record highs, with the S&P/ASX 200 Accumulation Index rising by +9.5% over the quarter, bringing the trailing 1-year return to +13.8%. In our view, local market gains have been driven more by sentiment than fundamentals. Dividend yields have fallen to their lowest levels in 20 years, and growth remains subdued in key sectors, including banking and mining. The Australian Small Cap sector also performed strongly, with the ASX Small Ordinaries Index rising +8.6%.

Global equities rebounded in the June quarter, recovering from early April volatility due to U.S. tariff concerns. Sentiment improved mid quarter as tariff delays and a weakening US dollar supported risk assets. Emerging markets outperformed developed markets, as investors sought alternatives to U.S. risk assets. The MSCI World ex Australia Index rose +5.9%, while the MSCI Emerging Markets Index climbed +6.5%.

The property sector delivered mixed returns during the June quarter against a backdrop of US tariff uncertainty and elevated geopolitical tensions. Global REITs (as represented by the FTSE EPRA/NAREIT Developed NR Index (AUD Hedged)) returned +2.6%, while the FTSE Global Core Infrastructure 50/50 Index (AUD Hedged) reported a +2.1% return.

Fixed interest markets stabilised over the quarter, delivering solid gains. After a volatile start, bond markets steadied, with U.S. Treasury yields ending the quarter roughly flat. The Bloomberg Global Aggregate TR Index (AUD Hedged) returned +1.5%. Australian Government Bond yields declined on rate cut expectations, boosting returns, with the Bloomberg AusBond Composite 0+ Yr Index climbed +2.6%. The Australian money market (as represented by the Bloomberg Ausbond Bank Bill Index) returned 1.0%. Notably, bond yields have risen above dividend yields. A rare inversion that suggests investors are either unusually confident in shares or beginning to favour the income stability offered by bonds.

Cumulative performance



Source: Morningstar

Performance contribution (3 Months)

	3 Months
Ausbil Australian SmallCap	2.83%
Eley Griffiths Group Mid Cap B	2.33%
Yarra Australian Smaller Companies	2.08%
First Sentier Australian MidCap Fd	1.58%
BT Platform Cash	0.01%

Portfolio Commentary

Australian shares delivered strong returns in the June quarter, with smaller companies particularly benefiting from falling interest rate expectations. **Eley Griffiths Group Mid Cap B (+9.4%)** posted solid gains, supported by strong performance in real estate and technology, though was held back by losses in the education sector. **Ausbil Australian SmallCap (+14.2%)** delivered standout results, driven by exceptional stock selection across technology and financials, with additional support from consumer and communications names, while select positions in resources and healthcare modestly detracted. **Yarra Australian Smaller Companies (+7.1%)** delivered a solid return but lagged the broader small-cap index, with gains in technology, transport and financials offset by weaker results in mining and services and missed opportunities in consumer credit. **First Sentier Australian Mid Cap (+6.4%)** tracked higher alongside the broader mid-cap market rally.

Portfolio structure

Fund	Weight %
Yarra Australian Smaller Companies	29.00%
Ausbil Australian SmallCap	20.00%
Eley Griffiths Group Mid Cap B	24.75%
First Sentier Australian MidCap Fd	25.00%
Platform Cash	1.25%

Portfolio changes

Fund	Action
Eley Griffiths Group Mid Cap B	Increased
First Sentier Australian MidCap Fd	Increased

Fund	Action
Ausbil Australian SmallCap	Reduced

The portfolio was overweight small cap equities relative to mid-caps. While we retain high conviction in Ausbil Australian Small Cap, the fund has delivered material outperformance over the past 12 months and is currently the largest position in the portfolio. In light of this, we saw it prudent to take profits from this position.

Accordingly, we trimmed **Ausbil Australian Small Cap** and used the proceeds to increase the allocation to mid-cap managers **Eley Griffiths Group Mid Cap** and **First Sentier Australian Mid Cap**. This adjustment enhances portfolio defensiveness and better positions it for resilience amid an uncertain market environment.

Investment strategy/objective

Portfolio objective

To deliver outperformance of the benchmark over rolling five year periods, net of indirect fees

Benchmark: S&P/ASX Mid-Small Cap Index.

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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