

Navegar International Equity Portfolio

Portfolio performance - June 2025

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	S.I. (% pa)
Portfolio Total Return	3.2	7.1	5.1	14.2	9.9
Benchmark*	3.1	7.7	5	16.1	11.7

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

* The Benchmark is the performance of the 50% MSCI World ex Aust Index (Net Div) Hedged AUD 50% MSCI World ex Aust Index (Net Div) Unhedged AUD

Market review

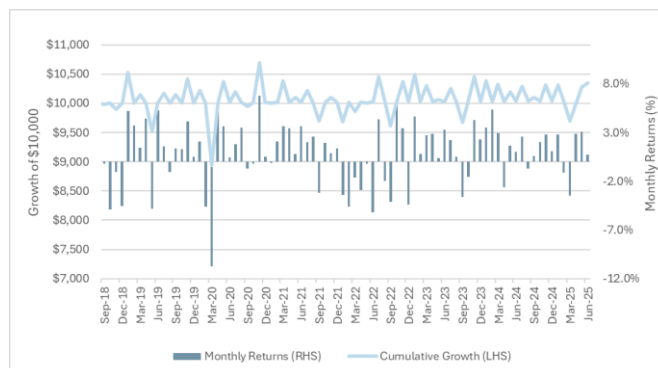
The Australian Sharemarket ended the financial year at record highs, with the S&P/ASX 200 Accumulation Index rising by +9.5% over the quarter, bringing the trailing 1-year return to +13.8%. In our view, local market gains have been driven more by sentiment than fundamentals. Dividend yields have fallen 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
iShares Hedged International Equity Idx	2.36%
Vinva Global Alpha Extension B	1.95%
Life Cycle Global Share H Hdg	1.64%
Yarra Global Small Companies Fund	0.62%
JPMorgan Global Select Equity A	0.53%

Portfolio Commentary

International shares delivered strong returns across the portfolio, with significant divergence among active managers. **Vinva Global Alpha Extension B (+9.3%)** delivered a strong finish to the financial year, with positive contributions from most signal groups — particularly sentiment, behavioural, global linkage, and quality. **JPMorgan Global Select Equity A (+3.8%)** significantly lagged the broader market as its more defensive sector positioning and cautious stance on high-growth mega-cap stocks detracted from relative performance during the strong rally. **iShares Hedged International Equity Index (+9.4%)** performed as expected, closely tracking the broader global share market while FX hedging added value amid a strengthening Australian dollar. **Life Cycle Global Share Hdg (+7.8%)** modestly underperformed the benchmark despite broad market strength. Emerging markets exposure through **GQG Partners Emerging Markets Equity Z (+0.8%)** underperformed, as gains from reduced exposure to China and consumer discretionary were outweighed by underweights in the strong-performing Information technology sector and South Korea. **Yarra Global Small Companies (+7.8%)** outperformed its benchmark, with positive contributions from sentiment-driven and thematic strategies, while stock selection in software and semiconductors weighed on returns.

Portfolio structure

Fund	Weight %
iShares Hedged International Equity Index D	25.00%
Life Cycle Global Share H (Hedged)	21.00%
GQG Partners Emerging Markets Equity Z	9.75%
JPMorgan Global Select Equity A	14.00%
Vinva Global Systematic Equities B AUD	21.00%
Yarra Global Small Companies	8.00%
Platform Cash	1.25%

Portfolio changes

No changes were made to the portfolio over the quarter.

Investment strategy/objective

Portfolio objective

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

Benchmark: 50% MSCI World ex Aust Index (Net Div) Hedged AUD 50% MSCI World ex Aust Index (Net Div) Unhedged AUD

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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Morningstar

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