

Navegar Defensive Portfolio Update – Sep Qtr. 2025

Portfolio performance

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (%)	2 yrs (%)	Since Inception (%)
Portfolio Total Return	0.3	1.0	2.7	4.0	5.5	4.7
Benchmark*	0.6	1.0	2.5	2.8	5.5	4.2
CPI +1.5%	0.4	1.3	2.4	4.3	4.3	4.8

*Navegar Defensive Long-Term Strategic Asset Allocation

Source: BT Panorama & Morningstar Direct. Performance history from 1 January 2023. Net of fees. Performance longer than 1 year is annualised.

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

Market review

Global equity markets delivered a robust performance through the third quarter, continuing a months-long rally over the course of 2025. The MSCI World Index (hedged into AUD) returned 7.7% for the quarter.

The month of July saw improving sentiment as trade tensions cooled, with the USA announcing trade deals with the EU, Japan, and others. August was marked by a strong US earnings season and growing expectations of looser monetary policy, particularly in the USA, where weaker employment data led markets to anticipate rate cuts. September capped off the quarter with continued strength in global equities, driven by resilience in consumer spending and the continuation of the AI thematic in US markets.

US equity markets performed strongly, with the S&P500 returning 8.1% over the quarter. The Federal Reserve kept rates steady in July, resisting political pressure to cut, but by August, Chair Jerome Powell's dovish tone at the Jackson Hole Symposium shifted market expectations toward imminent rate cuts. Despite some signs of labour market softening, US GDP growth surprised to the upside, supported by resilient consumer spending.

European equities posted more modest gains, with the MSCI Europe Index (in EUR) returning 3.2% over the quarter. The European Central Bank left rates unchanged in July and September, following a series of cuts since late 2024; as policymakers weighed risks to growth and inflation from ongoing trade uncertainty.

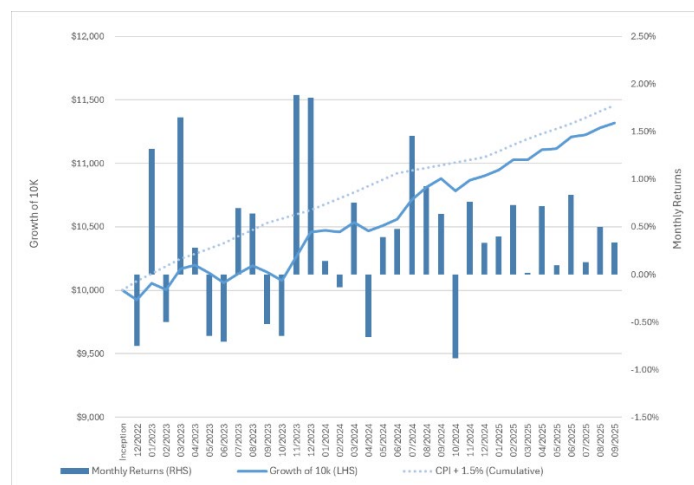
Asian equity markets were very strong over the quarter. Chinese, Taiwanese and Korean equities all posted double digit returns for the September quarter (in local currency). Stronger than expected GDP growth in China and very positive sentiment toward AI-thematic linked stocks were some key supports for major Asian equity markets.

Australian equities delivered a 5% return for the quarter, with the Materials sector a clear outperformer, returning 21.2%. In August, the RBA cut rates to 3.6%, its third cut of 2025, reflecting inflation that had moved closer to the target range. In September, the RBA elected to leave rates unchanged, however. The RBA considered some signs of some persistent inflation and moderate tightness in labour markets as sufficient reason to leave the cash rate at 3.6%.

Bond markets delivered mild positive returns over the quarter, with Australian and Global bonds returning 0.4% and 1% respectively. US bonds in particular, likely responded to weaker labour market data, along with expectations for more rate cuts from the US Federal Reserve.

The Australian Dollar rose 1.1% relative to the USD for the September quarter. The AUD's performance moderated after a period of heightened volatility in late 2024 and in the period surrounding Liberation Day.

Cumulative performance



Source: Morningstar Direct

Performance Commentary

Over the September quarter, the portfolio returned 1.0%, performing inline with the benchmark but underperforming the CPI+1.5% annual investment objective.

Performance contributors

Best 5 Performers (3 mths)

Fortlake Real-Income	2.2
Daintree Core Income Trust	2.0
Macquarie Income Opportunities	1.5
PIMCO Global Bond Institutional	1.5
JPMorgan Global Bond I	1.3

Worst 5 Performers (3 mths)

Bentham Global Income	-0.4
iShares Australian Bond Index	0.4
UBS Australian Bond Fund	0.6
PIMCO Australian Bond Fund	0.7
iShares Core Cash ETF	0.9

Source: Morningstar Direct

Portfolio structure

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

Fund Decreases

Fund	Action
Bentham Global Income	Trimmed

Capital was moved from Bentham Global Income into UBS Australian Bond Fund due to the outlook for global credit. The Investment Committee favours Australian fixed interest over Global fixed interest for any incremental defensive allocations due to a high Australian real yield, relatively steeper yield curve and positive real yield differential versus other major economies.

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)

Fortlake Real-Income Fund – The Fund benefitted from running yield and spread tightening across the Investment Grade (IG) portfolio whereas continuous tightening in High Yield (HY) spreads across Europe and the US were detractors to performance.

Daintree Core Income Fund – Coupons, credit spreads and overlay all made positive contributions to performance. Market conditions remain favourable with high levels of engagement from investors in the credit space. The fund's core duration position remains 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. Portfolio positioning and cash levels will enable portfolio managers to nimbly respond to the evolving market environment.

Worst 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 was flat but security selection and excess carry on our overweight added value. The portfolio's long Australian duration position made a negative impact to excess returns as Australian 3-year government bond yields rose by 15 basis point and 10 year government bond yields rose by 2 basis point over the course of the month ending at 3.55% and 4.30%. The Fund's global rates exposures made a neutral contribution to excess returns

PIMCO Australian Bond Fund – Contributors to performance were the exposure to semi-government bonds, as spreads tightened. Overweight exposure to investment grade corporate credit, as spreads tightened and overweight exposure to senior nonagency MBS and ABS, as spreads tightened. Detractors to performance were the overweight positioning to Australian duration, as yields rose across the curve. Positioning within U.S. rates, including curve steeper positioning between the intermediate portion and long end of the curve and the Fund's positioning within euro bloc rates, including curve steeper positioning between the intermediate portion and long end of the curve.



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JANA Investment Advisers

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