# Navegar Conviction Australian Equity Portfolio Update
# December 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 | 1.45% | -3.35% | -0.38% | 5.75% | 11.01% | 9.45% | 8.80% |
| Benchmark* | 1.37% | -0.89% | 4.05% | 10.66% | 11.39% | 9.80% | 8.96% |
| **Excess Return** | **0.08%** | **-2.46%** | **-4.43%** | **-4.91%** | **-0.38%** | **-0.35%** | **-0.16%** |

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

Stronger-than-expected inflation data and an economy which is continuing to perform well saw a shift in the outlook for interest rates in Australia over Q4.

At the meeting in December, Reserve Bank of Australia Governor Bullock effectively signalled that the rate cutting cycle is over and consensus has now shifted to at least one rate hike being required in 2026.

This weighed on Australian equities, with the S&P/ASX 300 down -0.9% for the quarter.

There was a divergence between the US Federal Reserve and the RBA. The Fed's 25bp rate cut was largely anticipated, but Chair Powell struck a mildly doveish tone compared to expectations, signalling that employment was weaker than forecast and he was comfortable with inflation trends.

Materials (+13.0%) outperformed, helped by stronger commodity prices. Iron ore rose 4%, and gold gained 12% while supply disruption squeezed copper 11% higher and lithium spodumene gained 92% on some disruption to supply and excitement about the opportunity afforded by battery storage. This saw strength across the resource sector and gains by index heavyweights BHP (BHP, +7.0%) and Rio Tinto (RIO, +20.3%). Rare earths bucked the trend, with Lynas Rare Earths (LYC) down -26.0%.
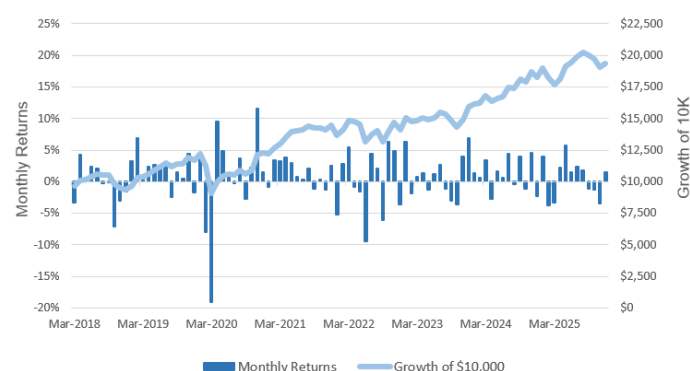
Energy (+0.9%) was one of the few other sectors to finish in positive territory. Gains were generally broad-based with Whitehaven Coal (WHC, +17.6%), uranium miner Paladin Energy (PDN, +15.3%) and Viva Energy (VEA, +13.0%) particularly strong.

Information technology (-23.7%) underperformed, reflecting a broader global rotation away from the sector on concerns of over-investment and valuation, exacerbated by some stock-specific issues among the larger index weights. Among the larger index weights Xero

(XRO) fell -27.6%, Wisetech (WTC) -24.1% and Technology One (TNE) -26.6%.

Consumer Discretionary (-11.5%) also underperformed as expectations of further rate cuts dwindled and many started to expect rate hikes in 2026. Wesfarmers (WES, -10.3%), Aristocrat Leisure (ALL, -16.2%), Lottery Corporation (TLC, -12.2%) and JB Hi-Fi (JBH, -17.1%) all finished lower. Light & Wonder (LNW, +21.5%) was one of the few to post gains.

## 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 underperformed the index in Q4.

The broad rotation away from technology dragged on the overweights in NextDC, Xero, and Technology One. The latter two also delivered results which, while strong, contained an element of uncertainty which an already jittery market latched on to. We continue to see fundamental support for all three names and material valuation upside.

Likewise, CSL also detracted as the market remains cautious on the outlook. We believe that the key plasma market remains in good shape and that management are making moves to address the issues which saw its de-rating in 2025.

There was a positive contribution from the portfolio's resource exposure via Rio Tinto, iron ore/lithium play Mineral Resources and gold miners Newmont and Northern Star resources.

Elsewhere, positions in Orica, Downer and Challenger were beneficial.

## Performance contributors

### Best 5 Performers (3 months)

| Code | Name | Value Added |
|------|------|-------------|
| *WES* | *Wesfarmers Limited (not held)* | *0.35%* |
| RIO | Rio Tinto Limited | 0.30% |
| MIN | Mineral Resources Limited | 0.29% |
| ORI | Orica Limited | 0.21% |
| NEM | Newmont Corporation | 0.19% |

Underweight positions are in *italics*.

### Worst 5 Performers (3 months)

| Code | Name | Value Added |
|------|------|-------------|
| XRO | Xero Limited | -0.87% |
| TNE | Technology One Limited | -0.50% |
| NXT | Nextdc Limited | -0.49% |
| CSL | CSL Limited | -0.41% |
| SEK | Seek Limited | -0.34% |

Underweight positions are in *italics*.

## Best contributors to performance (3 months)

### Underweight Wesfarmers (WES, -10.3%)

WES delivered a mixed AGM trading update with results softer than market expectations. Bunnings was in-line with consensus, however Kmart disappointed. Most significantly, Officeworks flagged a material profit warning with 1H26 earnings expected to be down roughly 25% versus the previous year, driven by softer demand and competitive pressure.

### Overweight Rio Tinto (RIO, +20.3%)

Resilience in iron ore and strength in copper helped Rio over the quarter. The market also responded well to a capital markets day, which emphasised a focus on improved productivity and unit costs, while also indicating the divestment of non-core assets. Mid-term capex was cut to <$10bn from $10-11bn. Production guidance for 2025 was upgraded for copper, bauxite and aluminium, but 2026 guidance was a touch weaker, mostly on copper.

### Overweight Mineral Resources (MIN, +32.2%)

MIN continued its recent strength, buoyed by better sentiment towards both the iron ore and lithium markets. It also delivered a well-received quarterly production update, which saw it come in ahead of expectation sin terms of iron ore and lithium volumes, realised pricing and unit costs. Importantly, the new Onslow project has hit nameplate capacity. As cash flow from these volumes ramps up, the company can start to pay down debt and improve the balance sheet.

## Worst contributors to performance (3 months)

### Overweight Xero (XRO, -27.6%)

XRO delivered a solid 1H26 result with decent operational execution. However this was overshadowed by market confusion and uncertainty around the outlook for the recently acquired Melio business in the US. While the long-term strategic opportunity is meaningful, the market is unsure on how quickly it will achieve break-even (being earnings dilutive in the near term) and the actions and pathway that will drive it there. Achieving clarity here will be an important factor in restoring market confidence. The stock price reaction was exacerbated by a broader sell-down in software stock on concerns over the impact of AI. We see XRO as well-placed with regard to AI and the development of tools which can take advantage of its strong data set.

### Overweight Technology One (TNE, -26.6%)

TNE delivered a solid and inline FY25 result with a great set up heading into FY26. Annual Recurring Revenue ("ARR") grew 18% with upfront investment in their new SaaS+ holding margins flat and hence delivering 19% PBT growth. However the market focused on a slow-down in ARR growth in Asia Pacific. We see this as an issue relating to supply, where TNE has been focused on the UK market, rather than an issue with demand. The company is progressing initiatives to improve delivery speed and unlock more capacity to sell.

### Overweight NextDC (NXT, -26.0%)

Broader concern about over-investment in AI and the returns on capital weighed on the technology sector globally and saw NextDC underperform. This was despite the positive news of new contract wins in December, expanding contracted capacity by 29%, across multiple customers and sites. The bulk will be installed by the end of FY27 and contribute to earnings in FY28. NXT and Open AI also announced an undertaking to develop a 650 megawatt data centre in Sydney's Eastern Creek.

## Securities added / Sold to Zero during the quarter

| Security name |
|---------------|
| Buy new position in South32 (S32) |
| Sell to zero in Suncorp (SUN) |
| Sell to zero in Orora (ORA) |
| New buy in Lynas Rare Earths (LYC) |
| Sell to zero in Treasury Wine Estates (TWE) |

**Navegar Conviction Australian Equity Portfolio Update – December Quarter 2025**

## Portfolio structure

| Security Code | Security Name |
|---|---|
| BHP | BHP Group Ltd |
| CBA | Commonwealth Bank of Australia |
| NAB | National Australia Bank Limited |
| CSL | CSL Limited |
| TLS | Telstra Group Limited |
| RIO | Rio Tinto Limited |
| ANZ | ANZ Group Holdings Limited |
| QAN | Qantas Airways Limited |
| GMG | Goodman Group |
| XRO | Xero Limited |
| QBE | QBE Insurance Group Limited |
| NST | Northern Star Resources Ltd |
| ALL | Aristocrat Leisure Limited |
| SCG | Scentre Group |
| STO | Santos Limited |
| MQG | Macquarie Group, Ltd. |
| DOW | Downer EDI Limited |
| SEK | Seek Limited |
| TNE | Technology One Limited |
| NEM | Newmont Corporation |
| WBC | Westpac Banking Corporation |
| MPL | Medibank Private Ltd. |
| ORI | Orica Limited |
| NXT | Nextdc Limited |
| S32 | South32 Ltd. |
| CGF | Challenger Limited |
| RMD | ResMed Inc. |
| AMC | Amcor PLC |
| IAG | Insurance Australia Group Ltd |
| MIN | Mineral Resources Limited |
| MTS | Metcash Limited |
| LYC | Lynas Rare Earths Limited |
| NEC | Nine Entertainment Co. Holdings Limited |
| BXB | Brambles Limited |

## 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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