Navegar Defensive Portfolio Update – Dec Qtr. 2025

Portfolio performance

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (%)	2 yrs (%)	Since Inception (%)
Portfolio Total Return	-0.1	0.4	1.4	4.2	4.2	4.6
Benchmark*	-0.1	0.8	1.8	4.4	3.6	4.1
CPI +1.5%	1.1	1.3	3.4	5.3	4.6	4.9
*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 positive performance over the final quarter of 2025, underpinned by resilient economic data across most major regions. The quarter began with strong sentiment in October as Developed Markets returned 2.7%, buoyed by AI-related technology gains. This was despite a brief spike in volatility following US-China trade rhetoric. November and December saw a more tempered environment with returns more muted, as investors rotated out of "AI darlings" and navigated a 43-day US government shutdown. The total twelve-month return for the MSCI World Index (hedged to AUD) was 19.1%.

US equity markets were stronger, with the S&P 500 returning 2.7% over the quarter. While the AI thematic continued to support large-cap technology stocks, concerns over stretched valuations led to a rotation out of these names in mid-quarter. US macroeconomic data was strong, with Q3 real GDP accelerating to a robust 4.3% annualized pace. The Federal Reserve concluded the year by delivering a widely anticipated 25bp rate cut to 3.75% in December.

European equity market performance was positive, with the MSCI Europe Index (in EUR) returning 5.9% over the quarter. The ECB kept policy rates unchanged at 2% for a fourth consecutive meeting and upgraded its GDP forecasts for the 2025–2028 horizon, helping reinforce confidence in a soft-landing scenario.

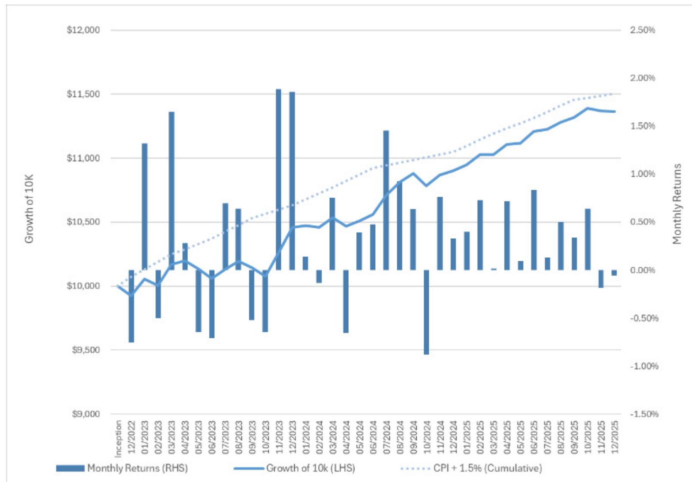
Asian equity market performance was mixed over the quarter. Taiwanese and Korean equity markets delivered very strong gains early in the quarter with double-digit returns (in local currency) in October, driven primarily by the Technology and Industrials sectors. Momentum in semiconductor and AI supply-chain names softened into November amid the global tech rotation, before rebounding sharply in December. Chinese equities were comparatively muted, constrained by lingering concerns around US-China trade dynamics and a weaker relative domestic outlook.

Australian equities delivered a mild negative return for the quarter (-0.9%). The Materials sector was again the strongest, returning 13%, while the Information Technology sector lagged materially (-23.7%). The Reserve Bank of Australia (RBA) maintained a cautious stance, keeping the cash rate unchanged at 3.6% in December due to persistent inflationary pressures and signs of continued tightness in the labour market.

While Global Bond (in AUD) performance was positive (+0.7%) for the quarter, Australian Bond performance was negative (-1.1%). A series of data releases raised concerns that inflation pressures persisted within the Australian economy. Consequently, market expectations shifted toward a potential RBA rate rise over 2026.

The Australian Dollar rose 0.6% relative to the USD for the December quarter. Most major currencies were stronger relative to the USD, with the exception of the Japanese Yen.

Cumulative performance



Source: Morningstar Direct

Performance Commentary

Over the December quarter, the portfolio returned 0.4%, underperforming both the benchmark and CPI+1.5% objective.

Performance contributors

Best 5 Performers (3 mths)

Fortlake Real-Income	2.5
PIMCO Global Bond Institutional	1.3
Daintree Core Income Trust	1.2
JPMorgan Global Bond I	1.1
Bentham Global Income	1.0

Worst 5 Performers (3 mths)

UBS Australian Bond Fund	-1.5
iShares Australian Bond Index	-1.2
PIMCO Australian Bond Fund	-0.9
Macquarie Income Opportunities	0.5
iShares Global Bond Index	0.7

Source: Morningstar Direct

Portfolio structure

Fund	Weight %
iShares Australian Bond Index	15.0
Daintree Core Income Trust	12.0
Fortlake Real-Income	11.0
Macquarie Income Opportunities	11.0
iShares Global Bond Index	10.0
PIMCO Australian Bond Fund	9.0
UBS Australian Bond Fund	9.0
PIMCO Global Bond Institutional	8.0
JPMorgan Global Bond I	7.0
Bentham Global Income	6.0
iShares Core Cash ETF	1.0
Cash	1.0

Portfolio Changes

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

Fund Increases

Fund	Action
Fortlake Real-Income	Increased
Daintree Core Income Trust	Increased
Macquarie Income Opportunities	Increased
iShares Global Bond Index	Increased

Fund Decreases

Fund	Action
Bentham Global Income	Trimmed
iShares Core Cash ETF	Trimmed

Capital was moved from Bentham Global Income into Fortlake and Daintree due to the outlook for global credit. Additionally, iShares Core Cash was reduced with the capital reallocated into Macquarie and iShares Global Bond. This decision was made to increase capital allocated into higher returning assets to increase the returns profile.

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's attribution was defined by Default Arb (+57.1 bps), Corporate Hedges (+28.1 bps), Corporate/Gov Bonds (+29.0 bps), Inflation (0bps) and Duration/Curve (+0.2 bps) contributing to overall (gross) return.

PIMCO Global Bond Fund – Over the fourth quarter of 2025, the PIMCO Global Bond Fund outperformed its benchmark, largely driven by interest rate strategies and spread strategies. Curve positioning in U.S. rates, particularly underweight the long end - around the 20 year and 30 year portions of the curve contributed to alpha, as the yield curve steepened. Swap spread positioning also contributed positively as Treasuries outperformed. Selective exposure to EM local debt contributed positively to performance, especially allocations to countries with resilient fundamentals and attractive real yields such as South Africa and Peru.

Worst contributors to performance (3 mths)

UBS Australian Bond Fund – In Q4, domestic interest rate positioning contributed negatively to relative performance over the fourth quarter, driven by our long domestic duration position. Our global interest rate trades made a positive contribution. In particular, we had a long UK gilt and short US 10 year treasury position that added positively to performance. The rise in front-end Australian sovereign bond yields over Q4 led to the negative contribution from our domestic duration positioning. The Australian 3-year Government bond yield rose 59 basis points to end the quarter at 4.14% while the 10-year Government bond yield rose 44 basis points to end the quarter at 4.74%.

PIMCO Australian Bond Fund – Over the fourth quarter of 2025, the Fund outperformed its benchmark, largely driven by interest rate strategies and spread strategies. Curve positioning in U.S. rates, particularly underweight the long end - around the 20 year and 30 year portions of the curve contributed to alpha, as the yield curve steepened. Swap spread positioning also contributed positively as Treasuries outperformed. Positioning within Dollar bloc rates detracted over the period, largely from an overweight in Australian duration as local rates sold off. Within spread strategies, exposure to both agency and non agency mortgage backed securities supported performance as spreads tightened over the quarter.

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JANA Investment Advisers

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