Navegar Australian Equity Large Cap Portfolio (PROC01LGE)

Portfolio performance - December 2025

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	S.I. (% pa)
Portfolio Total Return	0.6	-0.2	3.4	9.1	6.6
Benchmark*	1.3	-1.0	3.7	10.3	8.5

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

* The Benchmark is the performance of the S&P/ASX 200 TR AUD

Market review

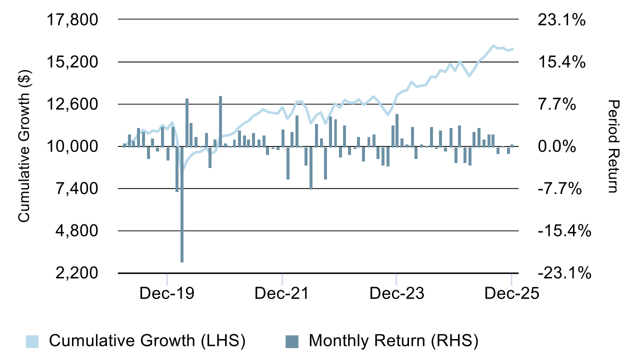
Australian shares underperformed global peers, with the S&P/ASX 200 Index declining −1.0% over the quarter. Domestic sentiment was shaped by persistent inflation pressures, prompting the Reserve Bank of Australia to maintain a cautious policy stance and reassess expectations for future rate cuts. Performance was uneven, with strength in materials offset by weakness across financials, technology, and other interest-sensitive sectors. Smaller companies outperformed, with the S&P/ASX Small Ordinaries Index rising +1.8%, supported by renewed strength in resources.

International shares delivered solid gains. The MSCI All Country World Index rose +2.7% unhedged and +3.6% hedged, reflecting a stronger Australian dollar. US shares advanced over the quarter, although weaker performance from parts of the technology sector moderated gains later in the period. European markets benefited from improving economic confidence, while emerging markets outperformed, with the MSCI Emerging Markets Index rising driven by strength across Asia ex-Japan, despite China declining over the quarter following a very strong year. Global small companies also advanced, with the MSCI World ex Australia Small Cap Index up +2.3%.

Property and infrastructure delivered mixed outcomes. Global listed property was broadly flat, with the FTSE EPRA NAREIT Developed Index (hedged) down −0.2%. Infrastructure proved more resilient, with the FTSE Global Core Infrastructure 50/50 Index (hedged) rising +0.8%, supported by stable cash flows and demand for defensive income assets.

Fixed interest markets were also mixed, with the Bloomberg Global Aggregate Bond Index (hedged) up +0.7%. In contrast, Australian bond yields rose sharply, driving underperformance in local fixed interest, with the Bloomberg AusBond Composite 0+ Yr Index down −1.1%.

Cumulative performance



Performance contribution (3 Months)

Leading Contributors

	3 Months
Chester High Conviction I	0.66%
Merlon Concentrated Australian Share I	0.27%
BT Platform Cash	0.01%

Leading Detractors

	3 Months
Airlie Australian Share	-0.55%
BetaShares Australia 200 ETF	-0.22%
Acadian Australian Equity Long Short	-0.10%

Performance contribution measures the absolute contribution of each constituent asset class to the total performance of the portfolio.

Portfolio Commentary

Australian shares declined over the quarter, with performance varying across managers as resources showed strength while broader market weakness persisted. **BetaShares Australia 200 ETF (-0.9%)** tracked the broader market lower, reflecting the cautious domestic policy backdrop.

Airlie Australian Share (-2.7%) lagged due to a broad sell-off in quality healthcare and consumer discretionary companies. In contrast, **Merlon Concentrated Australian Share (+1.4%)** outperformed, supported by exposure to materials and energy and diversified positioning outside the top 20 stocks, which benefited from relative strength in mid-cap segments during the December quarter.

Acadian Australian Equity Long Short (-0.8%) delivered better-than-market returns with positive stock selection in financials, real estate and technology, though this was partly offset by detractors in healthcare, materials and consumer services, particularly among larger companies. **Chester High Conviction (+3.2%)** was a standout performer, significantly outperforming the Australian share market over the quarter, driven by strong gains in resources and corporate activity exposures.

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Portfolio structure

Holding	Weight
Australian Shares	**98.8%**
Acadian Australian Equity Long Short	13.8%
Airlie Australian Share	20.2%
BetaShares Australia 200 ETF	25.2%
Chester High Conviction I	20.3%
Merlon Concentrated Australian Share I	19.2%
Cash	**1.2%**
BT Platform Cash	1.2%

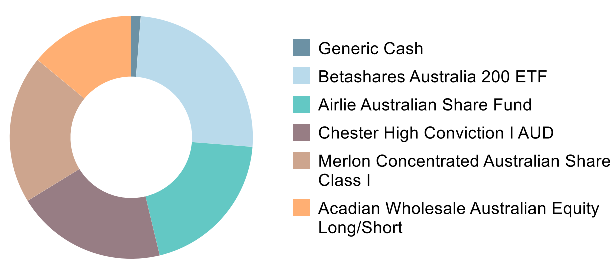
Portfolio changes

	Current	Last Quarter	Changes
Australian Shares	**98.8%**	**98.8%**	**0.0%**
Perpetual SHARE-PLUS Long-Short S	0.0%	14.2%	-14.2%
Acadian Australian Equity Long Short	13.8%	0.0%	+13.8%
Cash	**1.2%**	**1.2%**	**0.0%**

The existing position in Perpetual Share Plus Long/Short has struggled to generate alpha recently, as quality-oriented managers have underperformed growth and momentum managers. Additionally, the portfolio is currently concentrated in fundamental bottom-up managers. We believe reallocating funds to a benchmark-aware manager like Acadian provides strong diversification benefits and stabilises the portfolio's overall exposure to market movements.

Accordingly, we exited **Perpetual Share Plus Long Short** and used the proceeds to introduce **Acadian Australian Equity Long Short**.

Asset allocation breakdown



Investment strategy/objective

Portfolio objective

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

Benchmark: S&P/ASX 200 TR Index 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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