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Navegar Australian Equity Mid and Small Cap Portfolio (PROC02MAS)

Portfolio performance - December 2025

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	S.I. (% pa)
Portfolio Total Return	-1.3	-0.9	11.2	21.3	7.0
Benchmark*	0.0	0.8	13.7	21.5	8.3

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

* The Benchmark is the performance of the S&P/ASX Mid-Small Cap Index

Market review

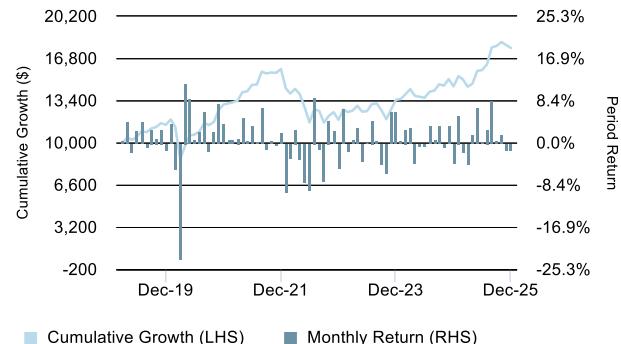
Australian shares underperformed global peers, with the S&P/ASX 200 Index declining -1.0% over the quarter. Domestic sentiment was shaped by persistent inflation pressures, prompting the Reserve Bank of Australia to maintain a cautious policy stance and reassess expectations for future rate cuts. Performance 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
Yarra Australian Smaller Companies	0.32%
Milford Dynamic Small Companies Fund	0.23%
Eley Griffiths Group Mid Cap B	0.12%
BT Platform Cash	0.01%

Leading Detractors

	3 Months
Ausbil Australian SmallCap	-1.60%
VanEck S&P/ASX MidCap ETF	-0.06%

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

Portfolio Commentary

Australian shares delivered mixed performance across the quarter, with strength in resources contrasting with weakness in financials and interest-sensitive sectors. **Milford Dynamic Small Companies** (+1.7%) performed in line with its small cap peers, as strength from gold and materials exposure was offset by weakness in information technology and growth-oriented small caps. **Eley Griffiths Group Mid Cap** (+0.5%) tracked broadly in line with the market, benefiting from resources and cyclical exposures while facing headwinds across growth-oriented and consumer-facing segments of the mid-cap universe.

Ausbil Australian SmallCap (-8.1%) significantly underperformed as a sharp rotation into resources and away from growth-oriented technology and consumer discretionary holdings outweighed selective gains elsewhere. In contrast, **Yarra Australian Smaller Companies** (+2.2%) outperformed, supported by strength in materials and industrials, particularly resource and recycling exposures. **VanEck S&P/ASX MidCap ETF** (-0.2%) tracked the midcap market.

Portfolio structure

Holding	Weight
Australian Shares	98.7%
Ausbil Australian SmallCap	19.8%
Eley Griffiths Group Mid Cap B	24.8%
Milford Dynamic Small Companies Fund	14.1%
VanEck S&P/ASX MidCap ETF	24.9%
Yarra Australian Smaller Companies	15.1%
Cash	1.3%
BT Platform Cash	1.3%

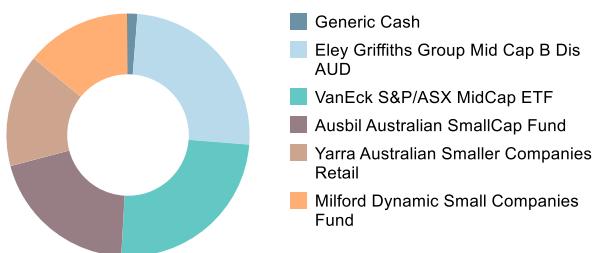
Portfolio changes

	Current	Last Quarter	Changes
Australian Shares	98.7%	98.8%	-0.1%
VanEck S&P/ASX MidCap ETF	24.9%	0.0%	+24.9%
First Sentier Australian MidCap Fd	0.0%	24.0%	-24.0%
Milford Dynamic Small Companies Fund	14.1%	0.0%	+14.1%
Yarra Australian Smaller Companies	15.1%	29.0%	-13.9%
Cash	1.3%	1.2%	+0.1%

We remain positive on Australian small caps, as expected rate cuts should improve funding conditions and support earnings growth. We favour Milford Dynamic Smalls for its nimble, macro-aware approach. While Yarra Smaller Companies has performed well, its higher mid-cap exposure provides less pure small-cap exposure. As a result, we trimmed **Yarra Australian Smaller Companies** and introduced **Milford Dynamic Small Companies**.

Shifting our small-cap exposure prompted a review of mid-caps, where consistent alpha has been hard to generate and First Sentier has underperformed over two years. To balance a more active small-cap allocation, we prefer a stable, efficient mid-cap index approach to anchor returns and avoid higher active fees. In line with this, we exited **First Sentier Australian MidCap** and introduced **VanEck Australian MidCap ETF**.

Asset allocation breakdown



Investment strategy/objective

Portfolio objective

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

Benchmark: S&P/ASX Mid-Small Cap Index.

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

Evidentia is Navegar's asset consultant and provides advice and guidance in relation to investment decisions for the portfolio.

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Morningstar

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