

Navegar Diversified Fixed Income Portfolio (PROC08DFI)

Portfolio performance - December 2025

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	S.I. (% pa)
Portfolio Total Return	0.0	0.7	1.6	4.8	4.5
Benchmark*	-0.4	-0.2	0.5	3.8	3.2

Source: BT Performance history from 1 December 2022. Net of fund manager fees

*The Benchmark is the performance of the 50% Bloomberg Ausbond Composite 0+Y + 50% Bloomberg Global Aggregate TR Index (AUD Hedged)

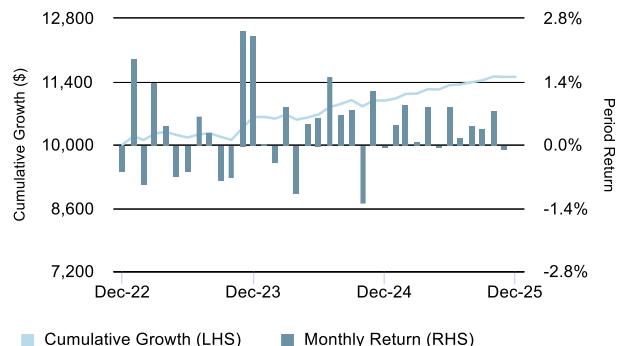
Market review

Fixed interest markets delivered mixed outcomes over the December quarter as divergent central bank policy paths and shifting yield dynamics shaped returns across regions. In the US, expectations for ongoing policy easing were reinforced by Federal Reserve rate cuts in October and December, alongside evidence of moderating inflation pressures and a gradual softening in labour market momentum. While shorter-dated yields declined in response to policy easing expectations, longer-dated yields edged higher late in the period. In contrast, Australian markets faced a more challenging environment, with firmer domestic economic data and persistent inflation pressures prompting the Reserve Bank of Australia to maintain a cautious stance. This led markets to further scale back expectations for near-term easing, placing upward pressure on local yields through the quarter.

Despite some late-quarter weakness, global bond markets generated modest gains overall. The 10-year US Treasury yield rose only marginally from 4.15% to 4.17% over the quarter, with curve steepening driven by higher yields at the long end. This environment supported the Bloomberg Global Aggregate Bond Index (hedged), which rose +0.7% over the three months. In Australia, yields moved sharply higher as policy expectations shifted. The 10-year Australian Government Bond yield rose from 4.30% to 4.74%, weighing on domestic bond performance and leaving the Bloomberg AusBond Composite 0+ Yr Index down -1.1% for the period.

Credit markets were relatively resilient despite heightened rate volatility. Credit spreads across both global and Australian markets tightened only marginally, meaning returns were driven primarily by underlying yield rather than spread compression. Globally, steady corporate fundamentals and continued demand for income supported performance, with the Bloomberg Global Aggregate Credit Index (hedged) up +0.8% and the Bloomberg Global High Yield Index (hedged) outperforming at +2.2%. In Australia, rising government bond yields weighed on credit returns, with the Bloomberg AusBond Credit 0+ Yr Index down -0.5% for the quarter, despite stable issuer fundamentals and ongoing investor demand for income-oriented assets.

Cumulative performance



Performance contribution (3 Months)

Leading Contributors

	3 Months
PIMCO Global Bond W	0.34%
Alexander Credit Income Fund	0.21%
Realm Short Term Income Fund	0.17%
Western Asset Enhanced Income A	0.13%
Janus Henderson Tactical Income	0.09%

Leading Detractors

	3 Months
Western Asset Aus Bd A	-0.23%

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

Portfolio Commentary

Fixed interest investments delivered mixed results across the portfolio, with credit-oriented strategies generally outperforming broader bond market exposure. **Alexander Credit Income (+1.4%)** was the standout performer, outperforming its cash benchmark through diversified credit exposures across corporate bonds, RMBS and ABS, alongside steady income generation from subordinated financial debt. **Western Asset Enhanced Income (+1.3%)** benefited from strength across domestic capital securities, with collateralised loan obligation exposures providing attractive carry and modest spread compression, while corporate hybrids contributed positively amid stable credit conditions.

Realm Short Term Income (+1.1%) gained from interest income across the portfolio, with securitised assets making the largest contribution as stable credit conditions and attractive yield premia supported returns. **Janus Henderson Tactical Income (+0.6%)** produced positive returns that compared favourably with the broader bond market drawdown, as carry and active sector positioning contributed positively, while modest interest rate exposure detracted as yields moved higher.

PIMCO Global Bond (+1.4%) performance was supported by exposure to emerging market local debt, US rates and mortgage-backed securities as spreads tightened. In contrast, **Western Asset Australian Bond (-1.2%)** tracked broadly in line with the local market, with modest corporate spread tightening providing some support, offset by a mild duration overweight as yields rose.

Portfolio structure

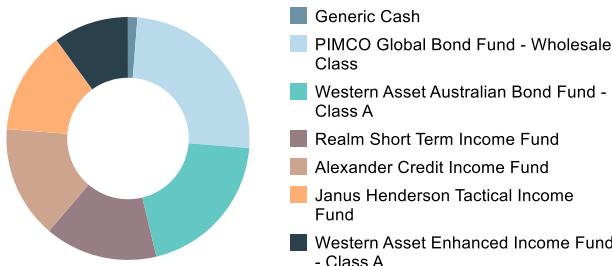
Holding	Weight
Fixed Interest	98.5%
Alexander Credit Income Fund	15.0%
Janus Henderson Tactical Income	13.8%
PIMCO Global Bond W	24.9%
Realm Short Term Income Fund	15.0%
Western Asset Aus Bd A	19.7%
Western Asset Enhanced Income A	10.0%
Cash	1.5%
BT Platform Cash	1.5%

Portfolio changes

	Current	Last Quarter	Changes
Fixed Interest	98.5%	98.6%	-0.1%
Bentham Global Income	0.0%	19.9%	-19.9%
Alexander Credit Income Fund	15.0%	0.0%	+15.0%
Realm Short Term Income Fund	15.0%	10.0%	+5.0%
Cash	1.5%	1.4%	+0.1%

Global investment-grade credit spreads remain extremely tight, supported by resilient corporate earnings and a lower default risk. Against this backdrop, Australian credit offers comparatively more attractive spreads, stronger liquidity, and a more efficient overall risk-return profile. Reflecting this preference, we exited **Bentham Global Income** and reallocated funds to introduce **Alexander Credit Income** and increase the allocation to **Realm Short Term Income**.

Asset allocation breakdown



Investment strategy/objective

Portfolio objective

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

Benchmark: 50% Bloomberg Ausbond Composite 0+Y + 50% Bloomberg Global Aggregate TR Index (AUD Hedged)

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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Morningstar

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