



# Navegar Conviction Australian Equity Portfolio Update March Quarter 2026

## 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	-8.14%	-3.04%	-6.29%	5.97%	8.03%	7.56%	8.11%
Benchmark*	-7.30%	-2.04%	-2.91%	11.59%	9.43%	8.46%	8.40%
Excess Return	<b>-0.84%</b>	<b>-1.01%</b>	<b>-3.38%</b>	<b>-5.62%</b>	<b>-1.40%</b>	<b>-0.91%</b>	<b>-0.29%</b>

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

This was a busy quarter. On the geopolitical front, President Trump began the year by ordering the Venezuelan regime's decapitation, with President Maduro and his wife snatched by military action and taken to the US. Trump followed this up with renewed threats to takeover Greenland, but the most significant action was the combined US/Israeli attacks on Iran which began at the end of February.

Iran retaliated with strikes on Gulf State energy production infrastructure and closed the Strait of Hormuz. The subsequent disruption to commodity production and shipping – and potential second and third order impact at a micro and macro-economic level - dominated markets in March.

Continued attacks and deadlines, bellicose Iranian responses, and threats of escalation to critical infrastructure, saw market sentiment oscillate and extremely volatile markets with sometimes large intra-day swings.

Meanwhile, fears over the impact of AI on business models and margins persisted and saw the global software sector – and other industries seen as at risk - remain under pressure. This also prompted concern over the software exposure in private credit funds, exacerbated as a US company halted redemption requests in one of its funds.

President Trump announced Kevin Warsh as his nominee for next Chair of the Federal Reserve on the last day of January. His track record quelled some fears around the outlook for monetary policy and Fed independence.

Finally, the US Supreme Court struck down the legal basis for part of the Trump Administration's tariffs, prompting uncertainty around their ongoing reconfiguration and the possibility of refunds.

The net effect was the S&P 500 fell -4.6% in Q1, with weakness concentrated in March. The S&P/ASX 300 was off -2.0%, an outcome which suggests that on balance, the market still expects a cessation to hostilities relatively soon and the resulting disruption to be brief.

The inflationary pulse saw the RBA hike rates twice – and strike a hawkish tone on the need for tighter policy to bring inflation back into the target range.

Brent crude rose 94.5% for the quarter, finishing at US\$118 per barrel, while coal rose 32.5%. Gold finished up 8.1%, but only after seeing sharp falls on the back of Warsh's nomination and the Iran conflict. Aluminium was up 13.5% on supply disruption, while iron ore (+0.4%) and copper (-1.6%) ended largely flat.

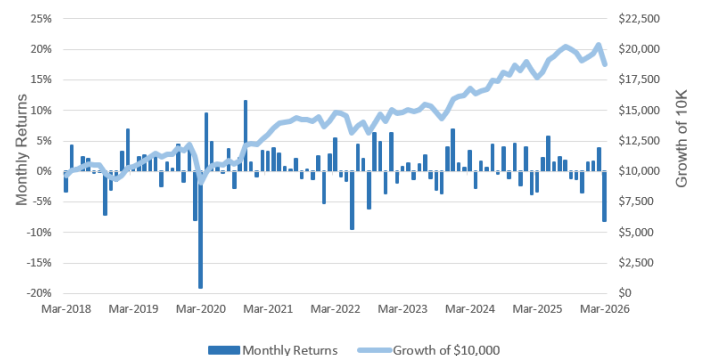
Energy (+36.1%) did best, with strength across the oil/LNG producers, the fuel refiners and distributors, and the coal miners as the market started to contemplate substitutes. Woodside Energy (WDS, +52.7%), Santos (STO, +31.8%), Whitehaven Coal (WHC, +20.0%), Yancoal (YAL, +69.7%) and Viva Energy (VEA, +27.8%) all surged.

Utilities (+10.3%) also held up relatively well on the view that they would also benefit from higher energy prices. Origin Energy (ORG) gained 10.5% and pipeline company APA Group (APA) 10.9%.

Information Technology (-27.2%) continued to endure the global rotation away from software on concerns that AI would severely disrupt their target markets and outlook for growth. Xero (XRO) fell -34.1%, Wisetech (WTC) -44.4% and Life360 (360), -44.0%. Data centre company NextDC (NXT, -9.7%) held up relatively well, as did Technology One (TNE, -4.0%)

Health Care (-16.8%) underperformed on a stark rotation away from growth, coupled with some disappointment around the result from CSL (CSL, -17.4%) and Cochlear (COH, -34.3%).

## 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 finished behind the index in Q1. Its balanced construction, designed to help manage market shocks, meant that material changes in the portfolio's thematic positioning were not required in an environment of elevated market stress and volatility.

The resource exposure via BHP, Rio Tinto, Santos, and Lynas Rare Earths was beneficial.

The portfolio's more defensive positions such as Telstra and QBE Insurance also helped amid March's volatility.

The surge in oil prices and refining spreads dragged on the underweight in Woodside Energy and the overweight in Qantas, although there was some offset to this via the overweights in Santos. The prospect of a higher fuel bill is a headwind for Qantas, however it does have offsetting factors, such as the higher demand for routes to Europe that bypass the Middle East, as well as the ability to adjust capacity and prices elsewhere.

AI-related fears saw positions in Xero and Seek also underperform. We maintain conviction in the fundamental outlook for these companies and view the competitive moat as being stronger than is currently implied by the market's largely indiscriminate sell-down.

## Performance contributors

### Best 5 Performers (3 months)

Code	Name	Value Added
STO	Santos Limited	0.53%
RIO	Rio Tinto Limited	0.35%
BHP	BHP Group Ltd	0.34%
LYC	Lynas Rare Earths Limited	0.32%
TLS	Telstra Group Limited	0.31%

Underweight positions are in *italics*.

### Worst 5 Performers (3 months)

Code	Name	Value Added
WDS	<i>Woodside Energy Group Ltd (not held)</i>	-0.89%
XRO	Xero Limited	-0.84%
SEK	Seek Limited	-0.59%
QAN	Qantas Airways Limited	-0.52%
CSL	CSL Limited	-0.48%

Underweight positions are in *italics*.

## Best contributors to performance (3 months)

### Overweight Santos (STO, +31.8%)

The surge in energy prices saw oil/LNG producer Santos rise. At a company level, the company continues to ramp up the newly-commissioned Barossa project as it transitions from a capex-heavy period to one of greater free cash flow. During March it announced the decision to progress with the Moomba Central Optimisation Project, in partnership with Beach Energy, which aims at achieving \$600 million in capex and opex savings for STO's assets in South Australia's Cooper basin.

### Overweight Rio Tinto (RIO, +12.4%)

Resilience in commodity prices and market rotation buoyed RIO in Q1. Its CY25 result was in-line with expectations and the dividend was maintained at a 60% payout ratio. Production guidance was previously released, but new CY26 cost guidance disappointed slightly for both iron ore and copper – the former in part reflecting the stronger AUD. That said, CY26 EPS changes were minimal. The company also announced that it would not pursue the proposed merger with Glencore following a month of negotiations.

### Overweight BHP (BHP, +12.9%)

Market rotation and commodity price strength saw BHP outperform. BHP beat H1 expectations, with a US\$4.3bn sale of a silver stream at Antamina the key positive surprise. Financials were a touch better, mostly on higher copper earnings, and the dividend was a comfortable beat at a 60% payout ratio versus consensus at 53%. BHP also provided incremental detail on all its copper growth options. While these come with material price tags, it represents an acceleration of growth. Vicuna is the most important, with a potential final investment decision (FID) at the end of CY26.

## Worst contributors to performance (3 months)

### Underweight Woodside Energy (WDS, +52.7%)

The surge in energy prices saw oil/LNG producer Woodside rise. Its FY25 result, while largely pre-announced, saw a better than expected tax outcome and helped fuel a higher dividend. We continue to prefer Santos within the oil/LNG sector, as production ramps up from recent developments and the company inflects from high capex to high free cash flow. The position in Santos helped offset the drag from Woodside.

### Overweight Xero (XRO, -34.1%)

Xero hosted an AI and Melio Demo Day where they reiterated near-term guidance and confirmed Melio breakeven targeted by 2H FY28, ahead of market expectations for ~FY30. This implies ~10% upside to consensus FY28 EBITDA, although the market has been slow to give XRO credit for this given the software disruption fears that currently exist. The AI strategy appears well thought out and is being executed with reasonable uptake from customers. XRO plans to start AI monetisation in FY27 via a mixture of bundling, add-ons and consumption. We believe that XRO is better placed than market fears to benefit from this generational shift.

### Overweight Seek (SEK, -38.6%)

Seek delivered a good 1H FY26 result demonstrating the benefit of prior investment in platform and capability. The Australia/NZ delivery was strong with yield growing +17%, but also taking market share and hirers being attracted to the platform in a modestly declining volume environment. The Asia business is also mostly tracking in the right direction. Costs are well controlled. Guidance was upgraded to the top of the range for both revenue and EBITDA which places the mid-point ~1% above consensus. While the result was strong, concern over the impact of AI on its market position and the broader market for jobs weighed on the stock.



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## Navegar Conviction Australian Equity Portfolio Update – March Quarter 2026

### Securities added / Sold to Zero during the quarter

Security name

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New buy in Light & Wonder (LNU)

## 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
STO	Santos Limited
QBE	QBE Insurance Group Limited
QAN	Qantas Airways Limited
GMG	Goodman Group
NST	Northern Star Resources Ltd
ALL	Aristocrat Leisure Limited
XRO	Xero Limited
NEM	Newmont Corporation
MQG	Macquarie Group, Ltd.
WBC	Westpac Banking Corporation
NXT	Nextdc Limited
TNE	Technology One Limited
S32	South32 Ltd.
SCG	Scentre Group
MPL	Medibank Private Ltd.
DOW	Downer EDI Limited
ORI	Orica Limited
LNW	Light & Wonder, Inc.
RMD	ResMed Inc.
LYC	Lynas Rare Earths Limited
SEK	Seek Limited
CGF	Challenger Limited
IAG	Insurance Australia Group Ltd
AMC	Amcor PLC
MIN	Mineral Resources Limited
MTS	Metcash Limited
BXB	Brambles Limited
NEC	Nine Entertainment Co. Holdings 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 Pental Institutional Limited ABN 17 126 390 627 AFSL No. 316455 (“Pental”) as investment manager to provide research and portfolio construction services in respect of the Portfolio. Pental is a global investment management firm focused on delivering superior investment returns for its clients through active management.

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