

Navegar Diversified Fixed Income Portfolio (PROC08DFI)

Portfolio performance - March 2026

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	S.I. (% pa)
Portfolio Total Return	-1.1	0.2	0.8	3.5	4.2
Benchmark*	-1.6	-0.3	-0.5	2.2	2.8

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)

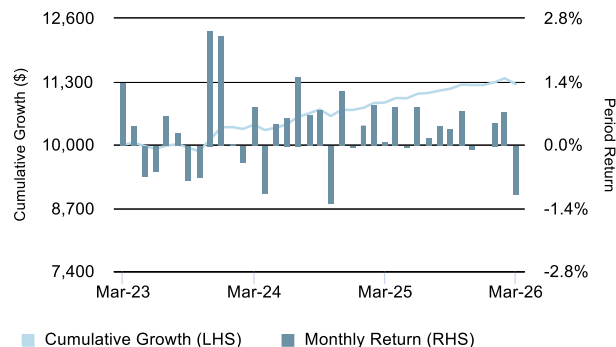
Market review

Fixed interest markets delivered moderately negative returns over the March quarter as rising government bond yields weighed on performance. Early in the period, market conditions were mixed, with modest yield increases in January followed by a temporary decline in February as weaker US economic data supported expectations for future policy support. However, conditions weakened in March as escalating conflict in the Middle East drove higher oil prices and renewed inflation concerns, contributing to a sharp rise in bond yields. Central bank policy remained a key influence, with the Federal Reserve holding rates steady while the Reserve Bank of Australia increased the cash rate twice during the quarter, reinforcing a more restrictive domestic policy backdrop and adding to upward pressure on local yields.

Global bond markets finished slightly lower for the quarter, with modest gains earlier in the period reversed as higher yields resulted in lower bond prices in March. The 10-year US Treasury yield increased from 4.17% to 4.32%, with most of the upward move occurring late in the period. This environment weighed on global bond returns, with the Bloomberg Global Aggregate Bond Index (hedged) down -0.3% over the three months. In Australia, government bond yields also moved higher, with the 10-year Australian Government Bond yield rising from 4.74% to 4.97%. The increase in local yields similarly weighed on domestic bond performance, leaving the Bloomberg AusBond Composite 0+ Yr Index down -0.3% for the quarter.

Credit markets were mixed, with global credit under pressure while Australian credit proved more resilient. Credit spreads widened across both global and Australian markets, indicating that investors demanded increased compensation for credit risk amid a more uncertain macroeconomic and geopolitical backdrop. This contributed to weaker global credit returns, with the Bloomberg Global Aggregate Credit Index (hedged) down -0.6%, while lower-quality segments underperformed, reflected in the Bloomberg Global High Yield Index (hedged) declining -1.0%. In contrast, Australian credit held up relatively well, with the Bloomberg AusBond Credit FRN 0+ Yr Index rising +1.0%, supported by its lower sensitivity to rising long-term yields and the benefit of higher short-term interest rates.

Cumulative performance



Performance contribution (3 Months)

Leading Contributors

	3 Months
Alexander Credit Income Fund	0.20%
Realm Short Term Income Fund	0.12%
Janus Henderson Tactical Income	0.10%
Western Asset Enhanced Income A	0.07%
BT Platform Cash	0.01%

Leading Detractors

	3 Months
PIMCO Global Bond W	-0.38%
Western Asset Aus Bd A	-0.09%

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

Portfolio Commentary

Fixed interest declined modestly as a late spike in bond yields, driven by oil price-led inflation concerns, weighed on government bonds. **Western Asset Australian Bond (-0.4%)** broadly tracked the market, with duration detracting despite some support from credit. **PIMCO Global Bond (-1.6%)** underperformed, as duration exposure weighed in the rising yield environment.

Short duration fixed interest exposure delivered resilient returns over the quarter. **Alexander Credit Income (+1.3%)** outperformed, supported by conservative duration positioning and consistent income. **Realm Short Term Income (+0.8%)** delivered a positive return, driven by strong income from short duration credit despite modest spread widening. **Janus Henderson Tactical Income (+0.7%)** and **Western Asset Enhanced Income (+0.7%)** generated solid returns, supported by credit selection and income, with some impact from duration.

Portfolio structure

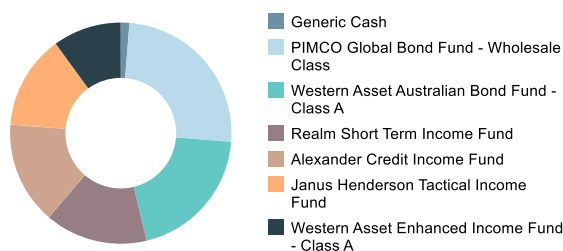
Holding	Weight
Fixed Interest	98.7%
Alexander Credit Income Fund	15.3%
Janus Henderson Tactical Income	13.8%
PIMCO Global Bond W	24.4%
Realm Short Term Income Fund	14.2%
Western Asset Aus Bd A	20.0%
Western Asset Enhanced Income A	11.1%
Cash	1.3%
BT Platform Cash	1.3%

Portfolio changes

The allocation to **Western Asset Enhanced Income** has been increased to 11%, with a corresponding reduction in **Realm Short Term Income** to 14%.

This change addresses a technical breach of the 10% minimum asset position under the Investment Advisory Agreement, following Western Asset Enhanced Income declining to 9.95%, while maintaining overall exposure to Diversified Credit and providing a buffer against further movement.

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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