Navegar Diversified Fixed Income Portfolio (PROC08DFI)

Portfolio performance - June 2026

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	S.I. (% pa)
Portfolio Total Return	0.7	2.0	2.2	3.8	4.4
Benchmark*	0.7	2.0	1.8	2.2	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)

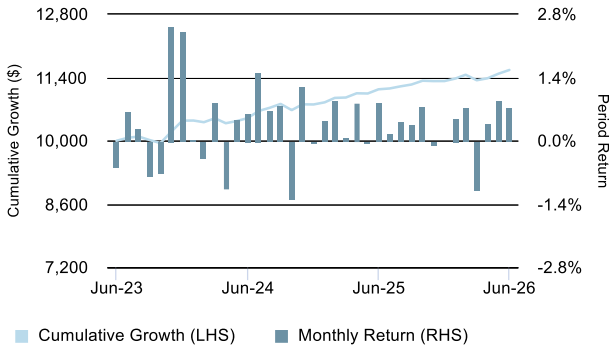
Market review

Fixed interest markets rebounded over the June quarter as market conditions stabilised following the weakness experienced in March. The Reserve Bank of Australia (RBA) increased the cash rate by 0.25 percentage points in May, marking its third consecutive rate increase, before signs of slowing economic activity later in the quarter reduced expectations for further policy tightening. The RBA left rates unchanged in June while maintaining a cautious stance. The US Federal Reserve also left interest rates unchanged throughout the quarter, while signalling that inflation remained above target and price stability remained its primary focus. Geopolitical tensions also eased following the signing of a memorandum of understanding between the US and Iran late in the quarter, helping to reduce concerns around energy prices and inflation. While the agreement provided a more supportive backdrop for financial markets, the situation remains fragile.

Australian fixed interest outperformed over the quarter as government bond yields declined from elevated levels, supporting bond prices. The 10-year Australian Government Bond yield fell from 4.97% to 4.72%, lifting the Bloomberg AusBond Composite 0+ Yr Index by +2.6%. Global bond markets also delivered positive returns, although gains were more modest as US Treasury yields edged higher over the period. The 10-year US Treasury yield increased from 4.32% to 4.47%, with the Bloomberg Global Aggregate Bond Index (hedged) returning +1.5% over the three months.

Credit markets remained resilient over the quarter, supported by steady corporate fundamentals and improving investor sentiment. Corporate bond spreads remained broadly stable, allowing investors to benefit from attractive income levels across credit markets. The Bloomberg Global Aggregate Credit Index (hedged) rose +1.1%, while the Bloomberg Global High Yield Index (hedged) outperformed with a gain of +3.8% as investor appetite for higher-yielding assets strengthened. In Australia, the Bloomberg AusBond Credit FRN 0+ Yr Index also returned +1.1%, benefiting from relatively high short-term interest rates while corporate bond spreads remained broadly unchanged.

Cumulative performance



Performance contribution (3 Months)

Leading Contributors

	3 Months
Western Asset Aus Bd A	0.68%
PIMCO Global Bond W	0.65%
Alexander Credit Income Fund	0.21%
Western Asset Enhanced Income A	0.19%
Janus Henderson Tactical Income	0.18%

Leading Detractors

None

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

Portfolio Commentary

Fixed interest delivered solid gains over the quarter. **Western Asset Australian Bond (+2.8%)** was the standout performer, with a modest duration overweight and favourable positioning across corporate credit and semi-government holdings driving strong returns. **PIMCO Global Bond (+2.3%)** also performed well, supported by overweight exposure to securitised assets and favourable duration positioning across the Eurozone.

Western Asset Enhanced Income (+1.8%) delivered a strong income return driven by spread compression and running yield across major bank and structured credit holdings. **Janus Henderson Tactical Income (+1.8%)** posted a positive return supported by modest duration positioning and resilient carry across high-quality Australian and higher-yielding credit. **Realm Short Term Income (+1.5%)** generated solid income from securitised credit exposures alongside a meaningful contribution from global holdings. **Alexander Credit Income (+1.4%)** benefited from a rally in credit markets and material tightening in Australian credit spreads.

We strongly recommend that potential investors read the product disclosure statement or investment statement.

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Portfolio structure

Holding	Weight
Fixed Interest	**98.4%**
Alexander Credit Income Fund	14.8%
Janus Henderson Tactical Income	10.2%
PIMCO Global Bond W	28.9%
Realm Short Term Income Fund	10.1%
Western Asset Aus Bd A	24.2%
Western Asset Enhanced Income A	10.2%
Cash	**1.6%**
BT Platform Cash	1.6%

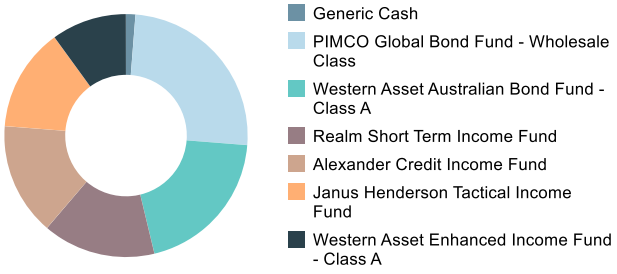
Portfolio changes

While the elevated yield environment presents challenges, it also creates an opportunity to build income-generating bond portfolios without taking excessive interest rate or credit risk. Global government bond yields are near their highest levels in two decades and, once AUD hedging is included, global fixed income offers an attractive all-in yield. Given the strong relationship between starting yields and forward three-year returns, current conditions present a compelling entry point. Domestically, Australian bonds remain attractive, with yields above 5%, and are well positioned to outperform if economic growth slows and interest rates decline.

For an Australian investor, active managers can dynamically manage currency risk and exploit valuation differences across global bond markets, where passive typically cannot. This flexibility is especially valuable in global duration strategies where interest-rate cycles, central bank policy, and inflation paths diverge significantly across regions.

In line with this, we increased the allocation to active bond managers **Western Asset Australian Bond** and **PIMCO Global Bond**. This was funded by trimming credit allocations **Realm Short Term Income**, **Janus Henderson Tactical Income** and **Western Asset Enhanced 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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Evidentia Group

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Evidentia is a boutique asset consultant that works with select private wealth practices to design, build, implement and manage tailored investment portfolios. The portfolios are tailored to meet advice strategies. Evidentia's investment team is experienced across all major asset classes.

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