Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/05/2023

Investment Objective:
The portfolio aims to achieve a return of 2%p.a. in excess of the MSCI World Ex Australia Index, over the medium to long term (before fees).

Asset Class:
Global Equities

Currency:
Unhedged

Number of Holdings:
15-35

Minimum Suggested Timeframe:
5 years

Estimated Total Cost:
HUB24 (AZS007): 0.7175% p.a before transaction costs and platform fees
Mason Stevens: 0.635% p.a. before transaction costs and platform fees

Minimum Initial Investment:
$50,000

Latest Performance

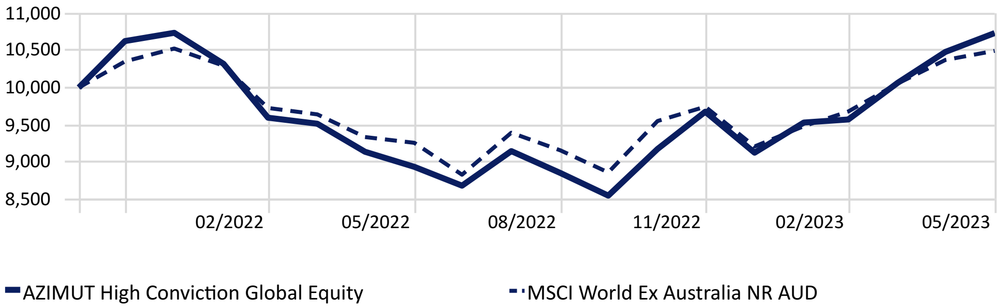
	1-mth	3-mths	6-mths	1-yr
AZIMUT High Con Global Equity	2.42	12.15	10.94	20.15
MSCI World Ex Australia NR AUD	1.18	8.43	7.72	13.37

*Past performance is not a reliable indicator of future performance. Performance is calculated before taxes, model management and platform fees and after underlying investment management fees. For full details of fees please refer to the relevant platform offer documents. Performance is notional in nature and an individual investor's actual performance may differ to the that of the model portfolio. Investment performance is shown from 1/11/2021 and represents modelled performance only and assumes income received is reinvested.

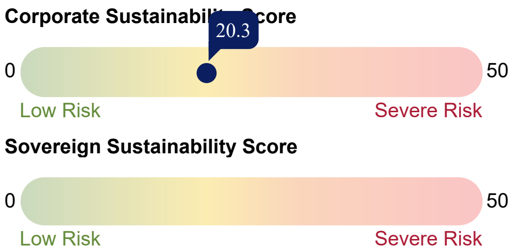
Investment Approach

The portfolio employs a combination of top down and bottom-up analysis. The process seeks to exploit market trends, strength of trends and potential turning points to make statistically favourable decisions. The portfolio strategy is based on identifying stocks with the highest expected risk adjusted returns in the current market conditions. This view is obtained through a combination of top down and bottom-up analysis and leads the portfolio to exhibit different styles and factors depending on market conditions. Both fundamental as well as quantitative approaches are applied which helps filter the stock universe.

$10,000 invested over time



Sustainability Score



ESG Pillar Score

3.8 Environmental	8.8 Social
7.3 Governance	0.0 Unallocated

AZ SESTANTE

AZ Sestante is a specialist investment consultant focused on designing and managing a range of multi-manager model portfolios via SMAs, MDAs, and fund of funds. Our parent company Azimut is Italy's largest independent asset manager listed on the Italian stock exchange. The group manages over AU$55 billion in assets globally including over AU$6 billion in multi-manager solutions.

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Source: Morningstar Direct

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Top 10 Holdings

Portfolio Date: 31/05/2023

	%
Apple Inc	5.34
Alphabet Inc Class A	5.28
JPMorgan Chase & Co	4.61
Costco Wholesale Corp	4.59
Microsoft Corp	4.52
ASML Holding NV	4.37
iShares Core Cash ETF	4.32
LVMH Moet Hennessy Louis Vuitton SE	4.27
Toyota Motor Corp	3.79
The Home Depot Inc	3.71

Equity Sectors

Portfolio Date: 31/05/2023

Basic Materials	2.32
Consumer Cyclical	12.31
Financial Services	18.82
Real Estate	0.00
Consumer Defensive	7.56
Healthcare	13.31
Utilities	3.13
Communication Services	7.13
Energy	3.81
Industrials	10.85
Technology	20.76

Regional Exposure

Portfolio Date: 31/05/2023

North America	63.37%
Latin America	0.00%
United Kingdom	1.28%
Europe Developed	26.14%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	3.96%
Asia Developed	3.64%
Asia Emerging	1.60%

Important information

The Morningstar Historical Corporate Sustainability Score is a weighted average of the trailing 12 months of Morningstar Portfolio Corporate Sustainability Scores. Historical portfolio scores are not equal-weighted; rather, more-recent portfolios are weighted more heavily than older portfolios. Combining the trailing 12 months of portfolio scores adds consistency while still reflecting portfolio managers' current decisions by weighting the most recent portfolio scores more heavily.

ESG pillar scores are displayed as a number between 0 and 100 with most scores range between 0 and 25. It is the asset-weighted average of the company environmental, social, governance risk scores for the covered corporate holdings in a portfolio. The scores measure the degree to which a company's economic value may be at risk driven by environmental, social, and governance factors. The risk represents the unmanaged risk exposure after taking into account a company's management of such risks.

Source: Morningstar Direct

Market Commentary - May

During the month, market performance was affected by the outcome of negotiations between the Biden administration and the Republican Party over the debt ceiling deal, as well as uncertainty related to the next moves by central banks. The impasse over the U.S. debt ceiling was, as per tradition, overcome in extremis, with U.S. President Biden signing the bill that suspends the debt ceiling thus avoiding a payment default just two days ahead of a wave of new issuances to replenish the Treasury General Account. Looking at macro data, PMI indices for services and manufacturing activities released for Europe and the US confirmed the divergence between manufacturing and the service sector. Services activity (representing the largest share of GDP for both zones) remains resilient. The US PMI rose from 53.6 to 55.1 in May while it fell slightly for Europe from 54.1 to 53.3. The picture is completely different for manufacturing, which fell to 44.6 for Europe (from 45.8 in April) and 48.5 for the US (from 50.2 in April).

This divergence is a common feature across the globe and is reflected in the inflation dynamics everywhere thus complicating the monetary policy choices of central banks. The better-than expected U.S. labour market data, in terms of jobs created, point in the same direction and captures two salient features, some of which have emerged as trends already in other macro data, namely, a healthy service sector against a wage dynamic that remains relatively subdued.

Turning to inflation, the US CPI index slowed to 4.9%yoy in April, below expectations of 5%, showing that the Fed 's restrictive monetary policy continues to have an effect on the US economy. The core consumer price index nevertheless came out in line with expectations and remains above the general index at 5.5%. Inflation in the Eurozone has fallen further than expected, reaching its lowest level since the invasion of Ukraine. CPI rose by 6.1% in May, compared with 7.0% in April. Core inflation fell from 6.3% in April to 5.6% in May. To finish on a less positive note UK’s inflation surprised to the upside (8.7% from 10.1% vs expectations of 8.2%), showing an acceleration in the core index (6.8% vs expectations of 6.2%) bringing a bloodbath in the gilt market. The China's Caixin manufacturing index (which measures the activity of small and medium-sized companies mostly export-oriented), as opposed to the national PMI index (which covers mainly large state-controlled companies) unexpectedly rose to 50.9 in May 2023 from 49.5 in April restoring confidence in the Chinese economy.

Looking at the Central Banks, the situation remains very fluid. Divergences within the FOMC suggest the possibility of a June pause to better assess the impact of the banking stress. This will not prevent the Fed tightening with a rate hike in July.
In Europe, despite the latest inflation figure, "there is no clear evidence that core inflation has peaked," Lagarde said, clarifying that the ECB still has room to raise interest rates to sufficiently restrictive levels. Even though the central bank is leaning toward further hikes in the short term, the remaining increases will be "relatively marginal" because most of the work has been completed. Markets is expecting two more 25bp hikes in the next two meetings and a monetary easing in the first quarter of 2024. The sticky inflationary dynamic in the UK is the opposite leading to an uptick in BoE hike expectations. Regarding the fixed income markets, the persistence of inflation, at least at core levels, expressed in the Fed and ECB surveys, led to a rise in yields, especially on shorter maturities, with a further flattening of the curves. The movement eased towards the end of the month after the release of the European inflation number and the idea that the US tightening cycle might be closed to the peak. On the currency side the unexpected slowdown of inflation in the major European economies led to a depreciation of the euro as the dollar showed a widespread strength against the G10 currencies, closing the month vs euro slightly below 1.07. The dollar was strong also against emerging currencies, with the South African Rand hitting new lows in the wake of the ongoing energy crisis and political difficulties. New lows also for the TRY after the outgoing President Erdogan was re-elected for another five years. Turning to commodities the unexpected contraction in China's manufacturing PMI weighed on several commodities, including oil, which is also suffering from weakening physical demand, as shown by the positive slope of the curve (contango), as expressed by the Brent and WTI futures curve.

Among the best three names during May were Nvidia, ASML and Alphabet while among the worst three names were Tencent, Thermo Fisher and Kone. As of the end of May cash was at roughly 3.75%.

Source: Morningstar Direct