Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/10/2022

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

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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Latest Performance

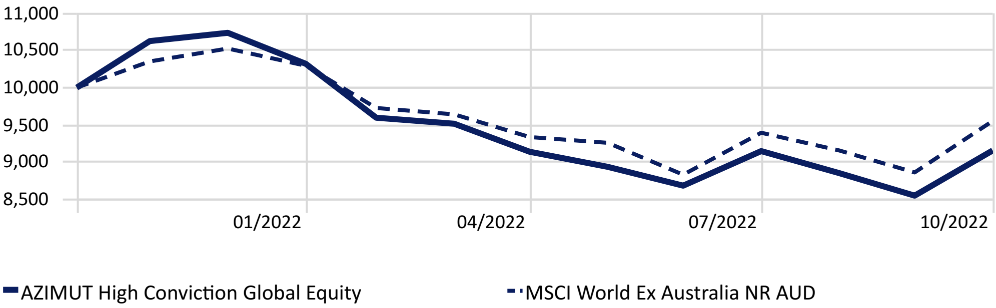
	1-mth	3-mths	6-mths	1-yr	Inception
AZIMUT High Con Global Equity	7.11	0.09	0.19	—	—
MSCI World Ex Australia NR AUD	7.81	1.68	2.31	-4.33	23.87

*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.

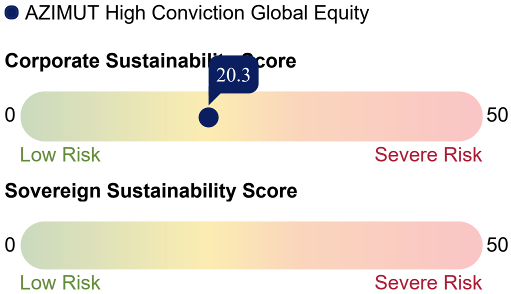
Investment Approach

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

4.2 Environmental
9.0 Social
7.5 Governance
0.0 Unallocated

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Top 10 Holdings

Portfolio Date: 31/10/2022

	%
JPMorgan Chase & Co	5.00
Apple Inc	4.89
LVMH Moet Hennessy Louis Vuitton SE	4.60
Alphabet Inc Class A	4.52
Microsoft Corp	4.42
Bank of America Corp	4.31
Toyota Motor Corp	4.27
Allianz SE	4.20
Costco Wholesale Corp	4.18
ConocoPhillips	3.97

Equity Sectors

Portfolio Date: 31/10/2022

Basic Materials	3.01
Consumer Cyclical	9.18
Financial Services	19.06
Real Estate	0.00
Consumer Defensive	8.30
Healthcare	13.78
Utilities	4.06
Communication Services	5.60
Energy	4.12
Industrials	11.34
Technology	21.55

Regional Exposure

Portfolio Date: 31/10/2022

North America	61.72%
Latin America	0.00%
United Kingdom	1.08%
Europe Developed	29.53%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	4.42%
Asia Developed	2.34%
Asia Emerging	0.91%

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.

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Market Commentary - October

During the month of October market sentiment improved linked to the perception that central Banks might be more sensitive to the issue of growth and therefore keener to raise rates at a slower pace than previously expected, in order to avoid damage to the economy and systemic risks to the financial system. This belief has gradually consolidated in the wake of the intervention of the BoE as well as the outcome of the meetings of the RBA, Bank of Canada and the ECB.

The US and European equity markets recovered from their mid-October lows. The overall positive trend has been supported also by an overall positive earning season and the resumption of Us buybacks. The UK saga has come to an end with the firing of the former Finance Minister and the abrupt reversal in fiscal policy.

On the macro front, the eurozone PMI has surprised on the downside showing a contraction not only in manufacturing (46.4%) but also in services (48.2), suggesting that the higher levels of real rates are starting to impact the system. Add to this a eurozone CPI figure that printed much higher than expected. Consumer prices jumped to 10.70% y/y (versus 9.9% y/y in Sept), its highest level since 1988. Not only did the headline number continue to be driven up by energy and food costs, but also the underlying gauge that excludes those two elements ticked up to a record. Hopes of a material softening in inflationary pressures were once again misplaced. The latest US macro data has painted a mixed picture. In particular, house prices, as shown by the Case Shiller index, recorded the largest monthly decline since March 2009 (-1.3%m/m). Additionally, consumer confidence showed some sign of deterioration.

The US CPI delivered another upside surprise and its core component marking 6.6% y/y, a new multidecade high. The strength was concentrated on the services side, with core services prices jumping 0.8%, the largest monthly gain since 1982. Persistent inflation and tight labour markets are getting in the way for policymakers to undertake an easing in financial conditions.

Ugly PMI data in China (weighed down by the zero-Covid policy) means the PBOC are likely to provide more stimulus once the new leadership team at the CB settles in.

With regard to monetary policy, the second consecutive 75bp hike from the ECB was followed by a relatively dovish communication from Lagarde, who flagged that “substantial progress in withdrawing monetary policy accommodation” has been made and refrained from indicating any exact timeline for the beginning of QT. Going forward the size of future rate increases will depend on the inflation outlook and the evolution of the economy, including higher risk of recession.

The Fed delivered a fourth-straight 75bp hike as expected, pushing the fed funds rate to 3.75-4.0%. Powell hinted that the FOMC will likely raise the funds rate to a higher peak than it previously projected by noting that recent data point in that direction and that there is significant uncertainty about what level of the funds rate is sufficiently restrictive. The BoJ reached a unanimous decision at the 27-28 October monetary policy meeting to retain its current monetary accommodation centred around yield curve controls (YCC).

Powell's remarks led to a marked rise in US yields (both in nominal and real terms), with the movement eventually extending to European yields as well (although more muted). The 2y Treasury sold off on the back of Fed’s policy statement reaching new highs at 4.65% while the 10y yield rose to 4.17%.

With respect to currencies the dollar sold off on the Fed statement and snapped back to 0.98 against the euro. The sterling staged a nice rebound (best currency among the G10) after the appointment of Sunak. Looking at the emerging currencies the PBoC has thrown in the towel and is now guiding the Rmb on a gentle path of depreciation against USD and Rmb Index. Bazilian real inched higher after Bolsonaro recognized defeat and has opened to the institutional transition.

As far as commodities go, oil showed a marginal appreciation on the back of low diesel inventories and likely higher demand by Chinese refineries. TTF gas has also rebounded to 130 €/ Mwh helped by the lengthening of the European authority interventions (not before November 24) and due to the different opinions on the technicalities to be used in the emergency plan.

The portfolio during the month dynamically managed the geographical and sectoral exposure, preferring developed markets to emerging markets and quality companies with high return on capital. Some of the best performers in October were ConocoPhillips, JPMorgan and Bank of America. While among the worst performers were Tencent, Taiwan Semiconductor and L’Oreal. We have reduced technology exposure selling Salesforce, while we increased Discretionary adding Home Depot due to a higher return on invested capital and lower beta. We maintain a positive outlook on financials companies since the interest rate movement did not reflect in the performance of Financial names, we expect strength in the sector relative to the benchmark.

As of the end of October we have cash (roughly 3%) to be allocated in the future.