Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/12/2022

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

Latest Performance

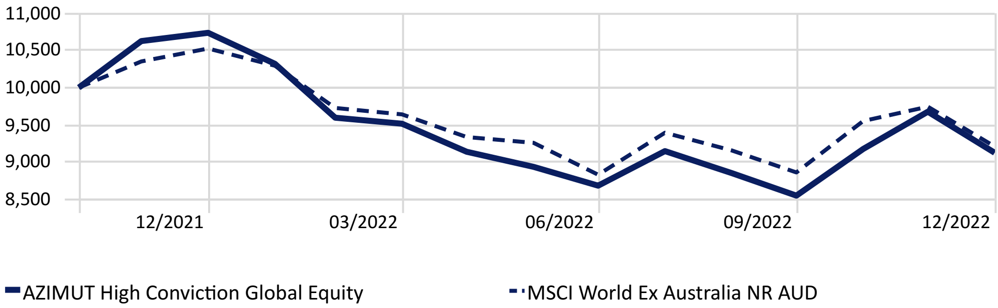
	1-mth	3-mths	6-mths	1-yr	Inception
AZIMUT High Con Global Equity	-5.71	6.75	5.11	-15.03	—
MSCI World Ex Australia NR AUD	-5.49	3.95	4.31	-12.52	19.43

*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.

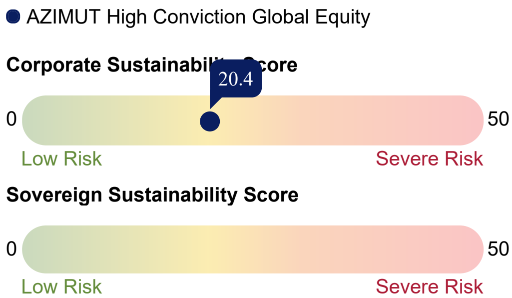
Investment Approach

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

4.0 Environmental
9.0 Social
7.4 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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Top 10 Holdings

Portfolio Date: 31/12/2022

	%
JPMorgan Chase & Co	4.91
Microsoft Corp	4.78
Alphabet Inc Class A	4.69
LVMH Moet Hennessy Louis Vuitton SE	4.67
Toyota Motor Corp	4.32
Apple Inc	4.32
L'Oreal SA	4.06
Bank of America Corp	4.02
Novo Nordisk A/S Class B	4.02
Visa Inc Class A	3.76

Equity Sectors

Portfolio Date: 31/12/2022

Basic Materials	3.31
Consumer Cyclical	12.22
Financial Services	19.49
Real Estate	0.00
Consumer Defensive	7.65
Healthcare	14.80
Utilities	3.72
Communication Services	6.20
Energy	3.50
Industrials	10.49
Technology	18.63

Regional Exposure

Portfolio Date: 31/12/2022

North America	62.37%
Latin America	0.00%
United Kingdom	1.16%
Europe Developed	28.14%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	4.48%
Asia Developed	2.51%
Asia Emerging	1.34%

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 - December

In December the focus was once again on Central Banks whose overall hawkish narrative have shifted market expectations higher on where rates will end in 2023. That said, the impact on the overall sentiment was somehow muted, since markets appeared far more interested in the recent signs of inflation moderation and the scenario of a milder slowdown in the economic activity that initially expected. This scenario was reinforced by China's decision to abandon the zero-Covid policy and fully reopen the economy. However, the initial optimism was somewhat dampened later in the month in the wake of the new jump in infections, pushing both stock and bond markets lower. The latest macro data confirmed the resilience of the US economy. The final 3Q GDP reading was revised upward (3.2% from 2.9%) mainly due to the contribution of consumption, which more than offset the decline in investment, while jobless claims grew less than expected, confirming the strength of the labour market.

The same cannot be said for the diffusion indices, such as the December PMI which showed further deterioration in both manufacturing and services, but with signs of improvement on the price component, which fell at the fastest pace since the outbreak of the pandemic in 2020. December confirmed the slowdown in inflation which fell to 7.1% y/y (down from 7.7% y/y in October). The core component was also lower than expected, at 6% y/y, thanks to the fall in car prices and health services, two of the major contributors to the index's rise in the past. In the eurozone the PMI also surprised on the upside, suggesting a lower- than- expected contraction in growth (especially in manufacturing) in the months ahead.

The composite index rose to 48.8 (from a previous 47.8), with widespread progress in manufacturing and services. The final November HICP print confirmed a material easing of consumer price inflation in the euro area, from 10.6% y/y in October down to 10.1% y/y in November. Meanwhile PMI in China slowed markedly in December weighed down by the spike in contagions. As far as monetary policy is concerned the Fed raised rates by 50bps to 4.25-4.5% as expected and signalled its intent to lift its policy rate to 5.0-5.25% in the first half of 2023. Changes to the FOMC statement were minimal thus confirming a hawkish stance, with Powell acknowledging some progress on the inflation front but at the same time reiterating the need to stay the course.

In the latest ECB meeting of the year, Christine Lagarde emulated Powell's performance by sounding extremely hawkish and removing any prospect of an imminent pivot. While the 50bps hike and the details about QT were in line with expectations, Lagarde's explicit mention of a "higher than currently priced terminal rate" combined with staff projections of a stubborn inflation took the market off guard. The BoJ surprisingly widened the tolerated trading band for 10y JGBs by 25bp, a sign that policy rates could be adjusted further in coming months. Following the hawkish central bank meetings, government bond curves staged a general rise in yields between 25 and 35bp. The trend has been magnified by the BoJ's unexpected decision, with the longer segment proving to be the most penalized. This has translated in a steepening of the curves in both the Eurozone and the US.

In relation to currencies, the bullish trend of the EUR/USD cross continued consolidating. The BoJ's move led to a strong appreciation of the yen, with the exchange rate vs. Euro trying to breach the 140 level. Among emerging currencies, there was strong appreciation for the Brazilian Real after the House approved the proposal to raise the budget deficit cap.

Looking at commodities, TTF gas closed the month around €75/Mwh (pre-war levels), on the back of higher average temperature and with European stocks at elevated levels. Oil recovered from the month's lows, after Russia signed a decree banning exports to countries that implement the $60/b price cap starting Feb. 1.

The portfolio during the month dynamically managed the geographical and sectorial exposure, preferring developed markets to emerging markets and quality companies with high return on capital. Three of the best performing names in December were Tencent, Novo Nordisk and Abbott whilst three of the worst were Alphabet, Nvidia and Costco. A number of positions were rebalanced over the month without changing the overall sector exposure and we continue to maintain a positive outlook on financial companies where we expect strength in the sector relative to the benchmark. As of the end of December cash is around 3.25%.