Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/01/2023

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

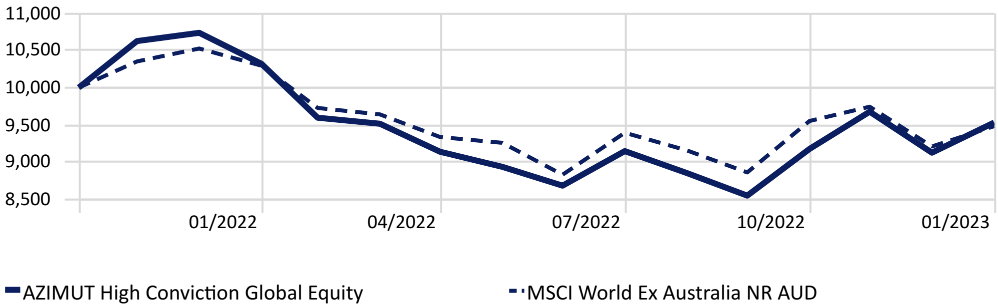
	1-mth	3-mths	6-mths	1-yr	Inception
AZIMUT High Con Global Equity	4.44	3.87	4.20	-7.66	—
MSCI World Ex Australia NR AUD	2.97	-0.72	0.94	-7.90	22.98

*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.

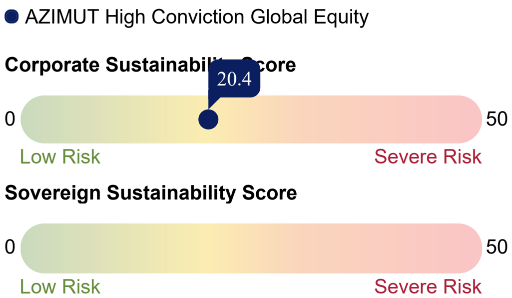
Investment Approach

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

4.1 Environmental
8.9 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: 31/01/2023

	%
Apple Inc	4.95
JPMorgan Chase & Co	4.76
Microsoft Corp	4.75
Alphabet Inc Class A	4.69
Bank of America Corp	4.39
LVMH Moet Hennessy Louis Vuitton SE	4.39
Toyota Motor Corp	4.26
Costco Wholesale Corp	3.82
ConocoPhillips	3.76
L'Oreal SA	3.76

Equity Sectors

Portfolio Date: 31/01/2023

Basic Materials	3.03
Consumer Cyclical	12.41
Financial Services	18.57
Real Estate	0.00
Consumer Defensive	7.85
Healthcare	13.49
Utilities	3.43
Communication Services	6.29
Energy	3.90
Industrials	11.02
Technology	20.01

Regional Exposure

Portfolio Date: 31/01/2023

North America	63.92%
Latin America	0.00%
United Kingdom	1.19%
Europe Developed	26.12%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	4.41%
Asia Developed	2.93%
Asia Emerging	1.43%

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.

Market Commentary - January

It has been a very solid start to the year across the board with financial markets supported by falling gas prices and the prospect of abating inflationary pressures on both sides of the Atlantic. The idea of an early conclusion to the hiking cycle, with lower terminal rates caused bond indices to return to levels very close to the highs of late November and equity indices in major developed countries to stage double-digit returns. As far as the outlook is concerned, the direction taken by Western economies has so far painted a less negative picture than previously expected.

Purchasing managers' indices have shown an improvement in confidence, while forward-looking indicators seem to signal that the economy's contraction is likely to be less severe and deeper than estimated a few months ago. The US economy grew better than expected in 4Q22 at 2.9% y/y (compared to 2.6% expected), while decelerating from 3Q22 (3.2% a/a), whereas the Eurozone defied expectations of a GDP contraction in 4Q22. Annualized growth came in at 0.1% vs expectations of -0.1% defying fears of a recession in Germany, partly due to lower energy prices.

Looking at the US, the latest ISM surveys have shown a downshift both in services and manufacturing. The manufacturing ISM has long flagged weakness in the sector but the surprise in December was that the services survey joined its counterpart in sub-50 territory. Similarly, the US Leading Index keeps painting a scenario of decelerating activity, while the PCE came in broadly in line with expectations. There was some better news from the Euro Area as the composite PMI came in at 50.2 (vs. 49.8 expected). The increase in the index was broad-based across sectors, with the services sector surpassing the 50 threshold for the first time since July.

In China, the removal of all zero-COVID restrictions has led to a considerable rebound in consumer activity while PMI indexes returned to expansion territory, driven by new orders component and prices. Consumer prices continued to trend lower during the month. In particular Eurozone headline inflation slowed in January (8.5% vs 9.2%), but core inflation remained at its high of +5.2%. A moderation in the core inflation components (particularly monitored by the ECB) will therefore be essential to confirm the ongoing disinflationary process.

Conversely, a higher-than-expected inflation figure was recorded in Japan, with consumer prices excluding food rising 4.3%, up from 3.9% in December. Central banks, focused on recovering their credibility, continued to rise benchmark rates, even if the magnitude of the hikes is decreasing, hence suggesting that they may soon bring the curtain down on this tightening cycle. The Bank of Canada was the first to signal a pause in the hiking process. The institution increased its benchmark rate by 25bps (to 4.5%) but signalled a willingness to pause in order to assess the effects on inflation of monetary policy.

The FOMC raised the funds rate target range by 0.25bps, as widely expected. The Committee anticipated that “ongoing increases in the target range will be appropriate” indicating that they expect to hike in 25bp increments going forward. The statement highlighted that job gains “have been robust” and that “recent indicators point to modest growth in spending and production”. The BoE delivered a 50bp hike as expected but provided a dovish surprise by signalling that the Bank is approaching the end of the tightening cycle. To finish, the ECB raised rates by 50bp in February but announced its intentions to hike by a further 50bp in March. The communication was, however, largely non-committal beyond March. After the speculation in recent weeks, the BoJ dismissed expectations of an imminent change in accommodative monetary policy by making no changes on either rates or the Yield Curve Control (YCC).

As regards currencies, the US dollar weakened due to lower interest rate differentials after the ECB has confirmed that it will continue its rate hike cycle. The Euro/USD cross broke the important resistance level set at 1.08, closing the month around 1.0865. Among the G10 currencies, the Norwegian krone was particularly weak in the wake of falling oil and gas prices. The GBP showed some weakness on the back of a more dovish BoE.

To conclude, the Japanese yen was strong after the inflation reading accelerated more than expected in January. On the commodities side, TFF gas prices collapsed to 58Eur/MWh, back at September 2021 levels (pre-war levels), on the back of forecasts of above-average temperatures for the period and with European stocks remaining high. Oil recovered ($85/b) from the month's lows after Russia signed a decree banning exports to countries that will implement 60$/b price cap starting Feb.1. The portfolio during the month dynamically managed the geographical and sectorial exposure, still preferring developed markets to emerging markets and quality companies with high return on capital. Among the best three names during January were Nvidia, Tencent and ASML. While among the worst three names were Waste Management, Roche and Nextera. Over the month positions were rebalanced without changing the overall sector exposure. As of the end of January cash had slightly increased to roughly 3.75%.