Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 30/06/2023

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

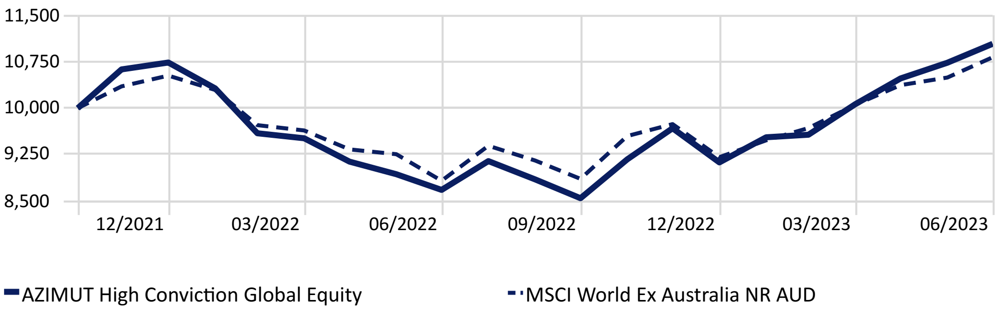
	1-mth	3-mths	6-mths	1-yr
AZIMUT High Con Global Equity	2.84	9.69	20.99	27.17
MSCI World Ex Australia NR AUD	3.12	7.63	17.53	22.59

*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.

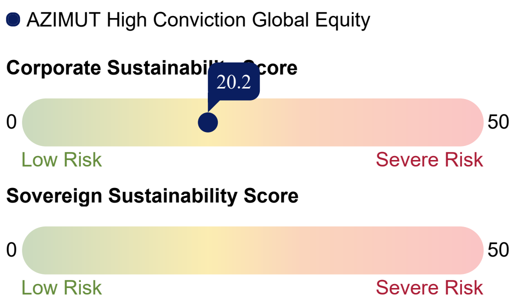
Investment Approach

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

3.9 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: 30/06/2023

	%
Apple Inc	5.52
Alphabet Inc Class A	4.87
JPMorgan Chase & Co	4.67
Costco Wholesale Corp	4.57
Microsoft Corp	4.43
LVMH Moet Hennessy Louis Vuitton SE	4.38
iShares Core Cash ETF	4.21
Toyota Motor Corp	4.19
ASML Holding NV	4.17
The Home Depot Inc	3.84

Equity Sectors

Portfolio Date: 30/06/2023

Basic Materials	2.56
Consumer Cyclical	12.96
Financial Services	19.06
Real Estate	0.00
Consumer Defensive	7.63
Healthcare	12.80
Utilities	3.07
Communication Services	6.70
Energy	3.78
Industrials	10.81
Technology	20.64

Regional Exposure

Portfolio Date: 30/06/2023

North America	63.59%
Latin America	0.00%
United Kingdom	1.17%
Europe Developed	25.73%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	4.37%
Asia Developed	3.52%
Asia Emerging	1.61%

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

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Market Commentary - June

If someone would have written the below points six months ago about a market outlook for the first half of 2023, few would have believed them. Several major US regional bank failures, a last-minute rescue of Credit Suisse by its historical rival and US credit default swaps exploding to 175 bps from 15bps on fears over the debt ceiling. The rest of the year is also unlikely to be a smooth ride – bottom-up analysts expect solid earnings growth despite a 'worsening' macroeconomic picture and current equity valuations leave limited room for waiting for a better entry point to emerge.

On the macro side, the final reading of the Eurozone GDP for Q1 2023 indicated a contraction of -0.1% Q/Q which follows a similar decline to Q4 2022. The Eurozone has thus entered a technical recession, despite the unemployment rate being at an all-time low and with the service sector booming. Despite these hopeful signs, the household consumption will likely remain constrained. At best, European growth will be anaemic, being forecast at 0.5% expansion this year, and 0.4% in 2024. Eurozone inflation has also been sticky this year – the HICP (Harmonized Index of consumer prices) is at 6.1% May Y/Y, down from 7.0% in April.

US inflation data was roughly in line with expectations, solidifying market expectations of a hawkish stance in the forthcoming FOMC meeting and a 25bp hike in July. The general index fell to 4.0% - a sharp reduction compared to 4.9% in April thanks to the energy component. On the other hand, core inflation remains anchored, 5.3% (against expectations of 5.2%) and a slight decrease compared to 5.5% in April. Surprising on the upside is the UK inflation which remained in line with the month in May (8.7%) but what was most surprising, is the acceleration of the core data (7.1% vs 6.8% previously) with the services component as the driving force. The data led to the BoE to intervene again by implementing a half percentage point rise to a rate of 5% on June 22nd.

In China, inflation was in line with expectations and close to zero (0.2% from 0.1%) while producer prices contracted more than expected (-4.6% Y/Y from -3.6% and vs -4.3% expected). The data reinforces expectations of a slowdown in global inflation and fuels the expectations of a short-term intervention by the BoC. Domestic spending is expected to increase however exports slumped 7.5% Y/Y in May, given the weak growth seen in developed economies. This weaker external demand could remain under pressure with net exports forecast to shrink in 2023/2024. Global GDP growth is anticipated to remain below trend, with the global economy predicted to expand just by 2.4%.

Looking at the Central Banks, in the US the FOMC committee held rates unchanged, as widely expected, but leaned toward a more hawkish stance in their forward guidance, signalling two additional 25bp hikes in 2023 (which would still be needed to bring inflation under control). In the EU, the ECB hiked 25 bps as anticipated and revised upward its expectation for headline and, mostly, core inflation. Moreover, in its press conference, President Lagarde signalled the likelihood of another hike in July. This would take the deposit rate to 3.75% and probably represent the top of this hiking cycle. China's central bank surprised the market by lowering its short-term interest rates for the first time since August 2022 - this was ahead of disappointing retail sales and industrial production figures for May. Expectations that the Bank of Japan will soon alter its dovish policy have pulled down debt yields and puts further pressure on the yen to weaken. If the BOJ is slow to respond, it faces the risk of having to make an abrupt change in the policy and interest rates could rise sharply. The unexpected hawkish outcomes of the Australian and Canadian bank meetings however had limited impact on the financial markets and on the forecasts relating to the forthcoming meetings of the FED and the ECB but these unexpected hikes by the Reserve Bank of Australia and the Bank of Canada could represent an early sign of how the persistence of inflation could lead central banks to retrace their steps.

Turning to commodities, oil has fallen again, approaching its annual lows at 72.1$/b for Brent. The main reasons for this fall are concerns over demand as Chinese growth is weaker than expected, and Europe and the USA are seeing their industrial sectors contracting, as reflected by manufacturing PMI levels below 50. As a risk mitigating asset, gold remains steady as the market weighed the prospect of further monetary tightening. Spot gold edged up 0.2% to 1,927.17 an ounce. Silver, platinum and palladium also rose.

On the Currency side, we point out the depreciation of the yen against the dollar and the euro. Japan's extremely loose monetary policy is causing the yen to sell off, in the wake of the continuation of the phase of widening the yield differential, especially on the short part of the curve. The slowdown in China is leading to capital outflows and a weaker yuan, which is now almost to its low for the decade against the dollar. MXN is up 0.2%, hovering in a tight 17.02-17.26/USD range with the lower bound marking the strongest peso level since 2015. The EUR/USD exchange rate remained steadily above 1.09.

Among the best three names during May were Toyota, Sherwin Williams and Nvidia. While among the worst three names were Alphabet, Roche and Halma.

Source: Morningstar Direct