Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/08/2023

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

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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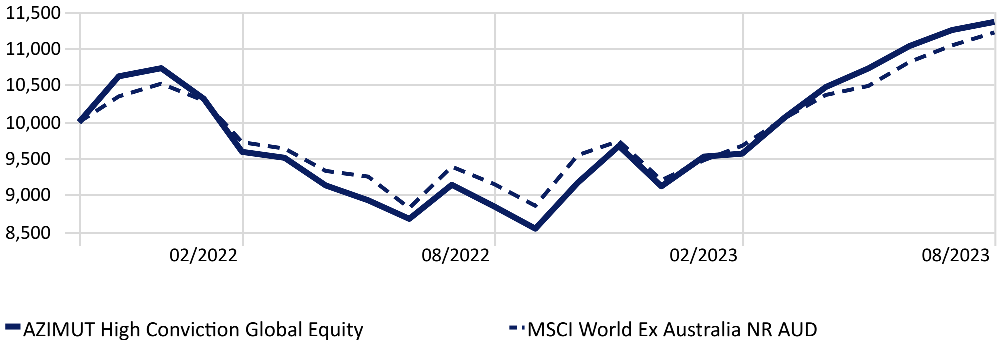
Latest Performance*

	1-mth	3-mths	6-mths	1-yr
AZIMUT High Con Global Equity	0.99	5.92	18.79	28.48
MSCI World Ex Australia NR AUD	1.60	6.96	15.97	22.62

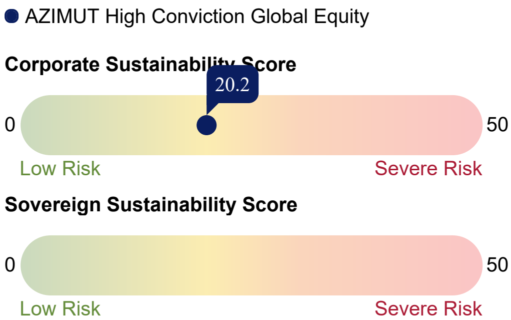
Investment Approach

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
8.9 Social
7.4 Governance
0.0 Unallocated

Source: Morningstar Direct

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Top 10 Holdings

Portfolio Date: 31/08/2023

	%
Alphabet Inc Class A	5.74
Apple Inc	4.97
JPMorgan Chase & Co	4.61
Toyota Motor Corp	4.54
Costco Wholesale Corp	4.39
Microsoft Corp	4.37
ConocoPhillips	4.22
ASML Holding NV	4.08
LVMH Moet Hennessy Louis Vuitton SE	4.06
The Home Depot Inc	3.83

Equity Sectors

Portfolio Date: 31/08/2023

Basic Materials	2.60
Consumer Cyclical	12.85
Financial Services	18.54
Real Estate	0.00
Consumer Defensive	7.25
Healthcare	13.73
Utilities	2.94
Communication Services	7.59
Energy	4.36
Industrials	9.74
Technology	20.39

Regional Exposure

Portfolio Date: 31/08/2023

North America	63.01%
Latin America	0.00%
United Kingdom	1.13%
Europe Developed	25.87%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	4.69%
Asia Developed	3.65%
Asia Emerging	1.66%

Important information

*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.

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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Source: Morningstar Direct

Market Commentary - August

The month of August was marked by some nervousness in major stock markets as a result of renewed concerns on China's real estate sector and central banks that seem reluctant to put an end to their tightening cycle since inflation, despite generally falling, still remains above target This has continued to keep bond yields under pressure. Markets continue to expect a "soft landing" scenario for the developed economies. Indeed, the latest string of data, especially in the U.S., are showing signs of weakness, although less than expected, whereas weak macroeconomic data from China, heavily affected by the real estate crisis, will presumably have a bigger impact for the Eurozone, as the region is more dependent than the U.S. on trade relations with China.

US data was mixed during the month, depicting a scenario of a slowing but resilient economy. PMI fell significantly, underscoring a deceleration in activity. The manufacturing Index fell 1.6% to 50.4 in August, as manufacturing continued to contract and services activity slowed. US activity in general expanded at its slowest pace for six months, moving closer to stagnation amid sluggish demand. Activity in the services sector slowed to its weakest pace in six months, and new orders in services deteriorated. Job vacancies (JOLTS job openings) fell more than expected in July to their lowest level for more than two years, providing further evidence that labour demand is cooling.

The PMI for the Eurozone fell to 47 as services followed the industrial sector into a phase of slowdown. Activity in the services sector contracted for the first time since the end of 2022. The figures are particularly dire in Germany (the IFO index was below expectations at Its lowest level since October2022), where overall activity contracted at the fastest rate since the first wave of the pandemic brought the economy to a halt in May 2020. These worse-than expected figures have prompted markets to anticipate a pause in the ECB' s interest rate hike over the next year.

US CPI remained moderate in July. For the second consecutive month, the monthly variation was broadly in line with the Fed's target of 0.2%m/m. Year-on-year, headline inflation rose by 3.2%, while core inflation decelerated to 4.7% (from 4.8% in June). In Europe CPI rose by 5.3%YoY, while the underlying component (excluding food and energy) was also reported at 5.3%, in line with expectations, below the 5.5% published in July, a reassuring sign. In China, the prolonged downturn in real estate, falling exports and weak consumer spending are weighing on demand and hence prices. For the first time since Nov 2020 both consumer and producer prices contracted at the same time suggesting China entered deflation. Against this backdrop the equity markets tumbled and the yuan came under pressure as investors started to worry about the consequences of a default by major real estate developer Country Garden. At the end of the month Investors reacted positively to the announcement of a fiscal stimulus, which had been expected for months, and the news that China's largest banks are preparing to cut interest rates on existing mortgages and deposits. These measures are part of an effort by Beijing to stimulate consumer spending and inject more funds into the financial system.

At the Jackson Hole symposium Central Banks emphasized the progress achieved in fighting inflation but reiterated that it is too early to declare victory, suggesting the prospect of further interest rate hikes. Both Powell and Lagarde confirmed the need to anchor future monetary policy to macro data in the coming months, thus maintaining a data-dependent approach. In Europe the ECB, which is determined to keep interest rates higher for longer, to achieve a rapid return of inflation to the medium-term objective of 2%. This comes at a time when the economy remains sluggish. The Chinese authorities are stepping up their efforts to support the financial markets, following the falls in the equity markets and the yuan. The PBoC lowered the benchmark 1-year loan prime rate by10bps to3.45%, (less than the -15bp expected) but did not lower the 5-year rate, which remained at 4.2%, disappointing given that this rate is the basis for calculating mortgage rates.

Global government bond yields rose in the aftermath of the Jackson Hole meeting but then showed some signs of moderation after Eurozone’s PMI and the latest US labour market report. In Europe, the rally was also triggered by the words of influential ECB member Schnabel, who opened to the possibility of a pause in the rate hike path in light of the uncertainty of the present economic environment. The 2y U.S. Treasury after reaching 5.08% with a clearly bear flattening curve move, closed the month back at 4.85%. Similarly in Europe it was mainly the short end that reacted with the 2y Bund above 3%, compared to the 10-year fairly stable compared to last month around 2.5%. Looking at currencies the central bankers’ rhetoric "higher for longer" rates continues to support the dollar despite. recent signs of weakness in the U.S. economy. Against this backdrop, the Eur/USD cross moved back to 1.08, gaining two points since the beginning of the month.

On the emerging front, we point out the yuan’s depreciation after the PBoC reduced the amount of foreign currency deposits that banks are required to hold as reserves. Also worth noting is the rally of the Turkish lira after the Central Bank surprised the market with a rate hike of as much as 750bp (compared to the expected 250bp) bringing the benchmark rate to 25% from the previous 17.5%. Turning to commodities natural gas prices have jumped by 48% since the beginning of August, following the return of the heat wave in Europe and after Chevron said it had been warned that strikes at its LNG plants in Australia will begin on 7 Sept. Brent crude oil prices strengthened ($87/b), after Saudi crude oil exports (as well as Kuwaiti) plummeted to the lowest since March 2021, confirming producers efforts to limit supply and keep prices high.

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. Asian exposure is represented via the overweight in Europe in particular through companies generating revenues in Asian markets. Among the best three names during August were Novo Nordisk, Nvidia and Toyota. While among the worst three names were Bank of America, Kone and Norfolk.

Source: Morningstar Direct