# Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 30/09/2023

**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

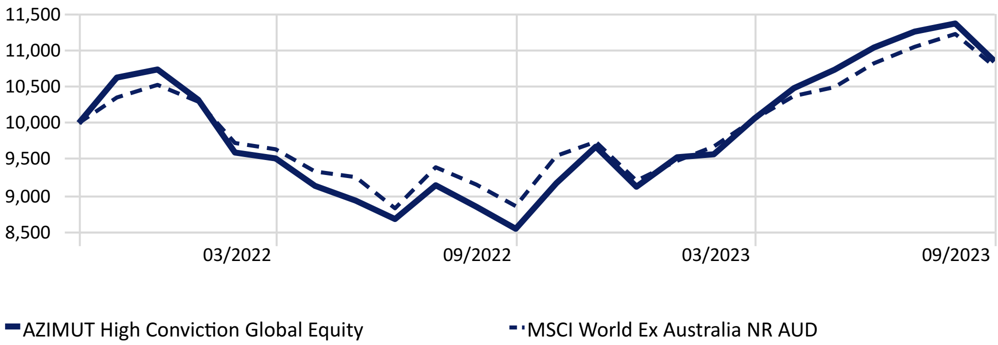
## Latest Performance*

| | 1-mth | 3-mths | 6-mths | 1-yr |
|---|---|---|---|---|
| AZIMUT High Con Global Equity | -4.57 | -1.71 | 7.81 | 26.96 |
| MSCI World Ex Australia NR AUD | -4.01 | -0.43 | 7.16 | 21.64 |

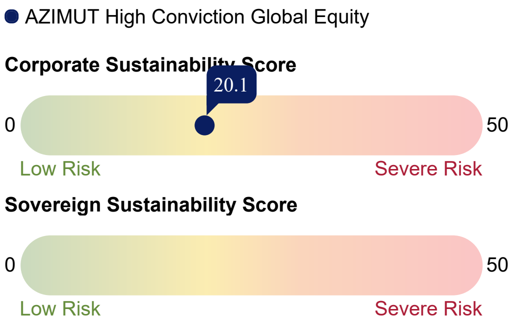
## Investment Approach

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 | 8.7 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.

Jacqui Veitch
Business Development Manager
M: 0497 695 459
E: Jacqui.Veitch@azsestante.com
Azimutinvestments.com.au

Source: Morningstar Direct

# Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 30/09/2023

## Top 10 Holdings

Portfolio Date: 30/09/2023

| | % |
|---|---|
| Alphabet Inc Class A | 5.80 |
| Toyota Motor Corp | 4.96 |
| JPMorgan Chase & Co | 4.80 |
| Apple Inc | 4.76 |
| Costco Wholesale Corp | 4.75 |
| ConocoPhillips | 4.48 |
| Microsoft Corp | 4.43 |
| ASML Holding NV | 3.85 |
| LVMH Moet Hennessy Louis Vuitton SE | 3.82 |
| The Home Depot Inc | 3.69 |

## Equity Sectors

Portfolio Date: 30/09/2023

| | |
|---|---|
| Basic Materials | 2.57 |
| Consumer Cyclical | 12.90 |
| Financial Services | 18.79 |
| Real Estate | 0.00 |
| Consumer Defensive | 7.62 |
| Healthcare | 13.59 |
| Utilities | 2.74 |
| Communication Services | 7.65 |
| Energy | 4.64 |
| Industrials | 9.69 |
| Technology | 19.80 |

## Regional Exposure

Portfolio Date: 30/09/2023

| | |
|---|---|
| North America | 63.15% |
| Latin America | 0.00% |
| United Kingdom | 1.04% |
| Europe Developed | 25.41% |
| Europe Emerging | 0.00% |
| Africa/Middle East | 0.00% |
| Japan | 5.13% |
| Asia Developed | 3.63% |
| Asia Emerging | 1.65% |





Source: Morningstar Direct

## Market Commentary - September

All eyes were once again on Central Banks whose “higher for longer” narrative fuelled a climate of general risk aversion which also contributed to the rally in commodities prices, particularly gas and oil, a real threat to price stability. Equity markets that had so far shown resilience began to show the first signs of fatigue, ahead of the quarterly earnings season that will start around mid-October. In the meanwhile, the U.S. avoided a federal government shutdown, while in China the real estate crisis continued to dominate after Evergrande failed to repay a yuan denominated bond. Looking at the economy, the run-up in rates is starting to impact the U.S. activity as well. US GDP for 2Q23 was revised slightly downwards, finally rising by 2.1% compared to the initial estimate of 2.2%. Consumption, the main driver of the US economy, grew at an annualized rate of 0.8% in the April-June period, heavily down from the initial estimate of 1.7%. Regarding the euro area, lower-than-expected data and monetary tightening effects are intensifying the downside risks for the economy. After a period of stagnant growth in the first part of the year, activity indicators continued to point to a contraction in the second half. Eurozone PMIs came out in contractionary territory for the fourth straight month. Services readings surprised to the upside at 48.4, maintaining a solid lead on manufacturing, that surprised to the downside at a discomforting 43.4. Conversely, US PMIs composite reading surprised to the downside – while still remaining in marginal expansionary territory at 50.1 – penalized by a miss in Services, at 50.2, while manufacturing held up better than expected and increased to 48.9.

Good news came from the inflation data. US core inflation, which excludes energy and food, measured by the PCE price index, rose by 0.1% in August. This was the slowest monthly increase since the end of 2020. Year-on-year, inflation decelerated from 4.2% in July to 3.9% in August. In Europe too, the deceleration continued. Eurozone core inflation moved to its slowest pace in a year, reinforcing the idea that the ECB might keep rates unchanged to assess the impact of its previous hike campaign. Core price gains, which also exclude energy and food, stood at 4.5% in September, down from 5.3% in August. In China, September PMIs showed a significant improvement in activity during the month with industrial PMIs also returning to expansion for the first time in six months. This comes after a raft of new policies were enacted over the past month and a half to reignite both consumption and real estate sales. Looking at Central Banks the ECB hiked rates 25bp, although it was quite a dovish hike with Lagarde indicating that ECB is done hiking for now. The key phrase in the statement was “Interest rates have reached levels that, if maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to the target”.

The FOMC decided to hold the target range for Fed Funds unchanged at 5.5% at its latest monetary policy meeting, as widely expected. While 2023's median dot was left unchanged, the real news however, was the trajectory of the dots that revised the benchmark rate upward by 50pb for the end of 2024 and 2025 (from 4.625% to 5.125%), providing a hawkish tilt to new projections. Global government bond markets were severely impacted by expectations of ‘higher for longer’ rates which translated into a significant reversal in the curve inversion (bear steepening). As a result, short term rates remained substantially unchanged whereas yields on longer maturity bonds posted increases up to 80bps. The 10-year U.S. yield climbed steadily above 4.5%, the highest level since 2007, while the German Bund reached 2.93%, a level not seen since 2010. The shockwave also hit the JGB’s, where the BoJ announced another extraordinary government bond purchase plan to stem rising yields. Credit spreads after testing the lower end of the range of the past six months, have shown signs of weakness also as a response to the repricing taking place on government bonds. As far as new issues are concerned, no particularly significant flows were observed, which suggests many issuers had preferred to anticipate their funding operations to avoid potentially volatile markets, ahead of the latest Central bank meetings.

Looking at currencies the central bankers’ rhetoric "higher for longer" rates continued to support the US dollar despite the recent signs of weakness in the U.S. economy. Against this backdrop, the EUR/USD cross moved back to 1.05, gaining three points since the beginning of the month. The yen continued to depreciate with the cross vs. dollar rising to its highest level since last October above 149. Emerging currencies came under pressure with the South African Rand particularly hit on the back of ongoing problems from China, a major trading partner. Turning to commodities, oil prices rallied last month (96$/b) on supportive Chinese data which indicated that the economy is escaping from recent doldrums. On the contrary, the strength of the dollar hurt precious metals, with gold breaking the level at $1880/oz.

Among the best three performers in the portfolio during September were Toyota, Costco and Conocophillips. While among the worst three detractors were Nextera, Nvidia, Halma. As of the end of month the portfolio held cash at around 2.25%.



Source: Morningstar Direct