Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/01/2024

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

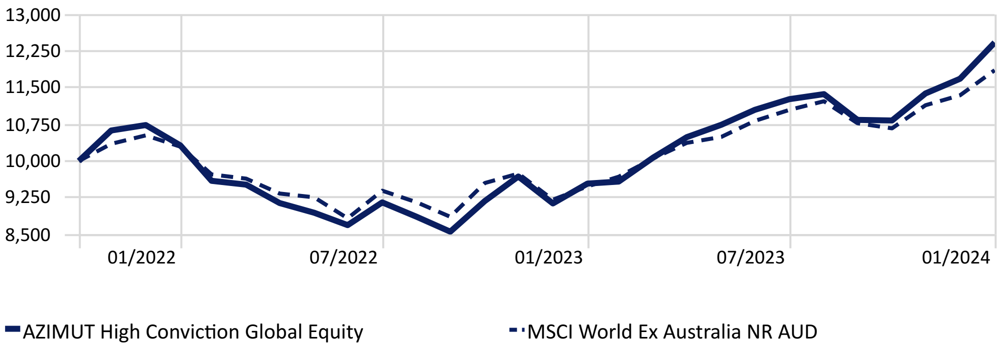
Latest Performance*

	1-mth	3-mths	6-mths	1-yr
AZIMUT High Con Global Equity	6.34	14.73	10.28	30.28
MSCI World Ex Australia NR AUD	4.52	11.16	7.35	25.09

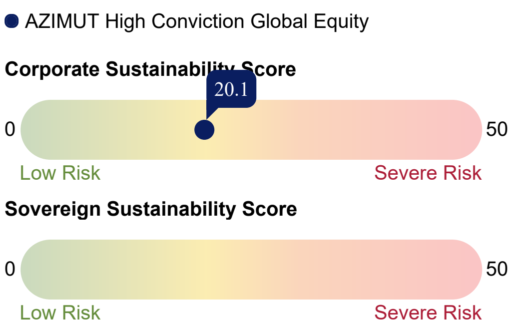
Investment Approach

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
8.9 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: 31/01/2024

	%
JPMorgan Chase & Co	5.01
Microsoft Corp	4.94
Alphabet Inc Class A	4.85
ASML Holding NV	4.80
Lvmh Moet Hennessy Louis Vuitton SE	4.75
Apple Inc	4.71
Toyota Motor Corp	4.49
Costco Wholesale Corp	3.93
Taiwan Semiconductor Manufacturing Co Ltd ADR	3.90
The Home Depot Inc	3.88

Equity Sectors
Portfolio Date: 31/01/2024

Basic Materials	2.45
Consumer Cyclical	13.52
Financial Services	18.77
Real Estate	0.00
Consumer Defensive	7.34
Healthcare	12.74
Utilities	2.59
Communication Services	6.38
Energy	3.84
Industrials	10.22
Technology	22.16

Regional Exposure
Portfolio Date: 31/01/2024

North America	61.82%
Latin America	0.00%
United Kingdom	0.98%
Europe Developed	27.17%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	4.63%
Asia Developed	4.02%
Asia Emerging	1.38%

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

The new year opened on a more cautious note after the latest Central banks' meetings tried to recalibrate market expectations on the timing of future rate cuts, stating that they need further confirmation on the downward price trajectory. The late 2023 euphoria on the stock markets has been dampened to some extent by a combination of factors, including some profit-taking, results from some of the Big Tech names which came in below expectations, as well as news about a U.S. regional bank that has once again turned the spotlight on the soundness of small and mid-sized banks in the U.S. due to their high exposure to commercial real estate.

Looking at the macro picture the US economy once again outperformed forecasts in Q4 by growing at an annualized rate of 3.3%, well above the 2% expected. No surprises on the inflation data front, with the PCE release matching expectations across the line, with just a small downside surprise on the YoY core reading (2.9% vs 3.0% expected). Looking at the most recent data flash PMIs surprised mostly to the upside, both in the US and Europe. The release showed a partial reversal of the diverging trend between manufacturing activity and services of the last few months, with the former recording more significant gains and returning in slightly expansionary territory in the US. The US labour market remained resilient: initial jobless claims fell to their lowest level in over a year, while retail sales came out stronger than expected and consumer confidence posted its highest increase since 2005 reinforcing the likelihood a soft-landing scenario with lower inflation. In January European inflation slowed less than expected (2.9% for the headline reading and 3,3% for the core), while consumer confidence fell unexpectedly underlining the extent to which inflation is weighing on household despite relatively significant wage increases in 2023.

Sentiment in China remained weak weighed by lower-than-expected official PMI data. Indeed, the manufacturing index fell to 49.2, down for the fourth month. Non-manufacturing services activity came in above 50, at 50.7, for the first time since October, even as construction growth fell to its lowest since October due to new concerns in real estate. The PBoC did not cut interest rates, while Premier Li Qiang touted the country's ability to achieve economic expansion without resorting to massive stimulus measures, discouraging hopes of increased political support.

Looking at Central banks the ECB left all policy parameters and formal guidance unchanged as widely expected. ECB president Christine Lagarde slightly dialled down the language on upcoming cuts in the latest press conference, remarking the data-dependent approach and, unlike in previous week's comments, making no explicit reference to the summer or any specific timeline. The FED held interest rates steady and expressed an openness to future rate cuts. However, Fed Chairman Jerome Powell dampened investors' hopes of a first rate cut in March.
The Bank of England has opened the door to interest rate cuts for the first time since the pandemic, confirming forecasts that inflation will fall to its target level in the spring, while in Japan the BoJ discussed the possibility of ending negative interest rates soon, emphasizing improving trends in wages and prices.

Government bonds decided to give a dovish interpretation to the latest Central banks' statements: while a pre-emptive cut as early as in March is not on the table, by expressing confidence on the inflation's trajectory they implicitly paved the way some action in April/May. Yield curves on both sides of the Atlantic were mostly affected by a bull steepening movement, with the short end outperforming and retesting the lows seen at the beginning of the month.

Looking at China, rates on government bonds fell to the lowest in 22 years on expectations of further stimulus from the PBoC. Japan's 10-year sovereign yield rose after Governor Kazuo Ueda said that the likelihood of rate hikes by the BoJ had continued to increase.

Credit markets overall confirmed the tightening trend initiated since late October with spreads at their lowest in almost two years. The marginal widening witnessed in the first few days of the year served to create better conditions to support the market in absorbing the extraordinary volumes of new issues during the month.

As far as currencies go, the dollar showed a mostly bullish trend (closing the month at 1.085 against the euro), only marginally affected by the Fed's decision to rule out a rate cut at its next meeting in March. The UK pound appreciated on the back of rates remaining at current levels for a long time to come, despite falling inflation. Looking at emerging currencies the Brazilian real showed some weakness after the BoB cut rates by 50bps (to 11,25%), suggesting further cuts at upcoming meetings. The yuan remained weak after disappointing macro data.

Relating to commodities, oil prices rose around 84$/b as OPEC+ signalled that production cuts would continue throughout the first quarter, and as risk sentiment picked up with the situation in the Middle East. Faced with instability in local real estate and stock markets. Chinese investors and households turned to gold, leading to record prices to above $2,000oz.

The reporting season highlighted a few interesting results among the stocks owned, such as Luis Vuitton and ASML. Regarding LVMH, the recent earnings release underscored its continued financial prowess and market resilience. The brand's ability to navigate challenging economic landscapes while maintaining growth reflects its strong business strategy and consumer appeal. The ASML result highlighted the company's position as a leader in the semiconductor industry. ASML's ability to consistently deliver strong financial results underscores its technological innovation and strategic partnerships within the semiconductor supply chain. As the demand for advanced chip manufacturing continues to rise, ASML is well-positioned to capitalize on this trend and drive further growth in the semiconductor market. Among the best three performers for the month were Nvidia, ASML and Toyota while the three main detractors were Tencent, Apple and Halma.

Source: Morningstar Direct