Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 30/04/2024

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

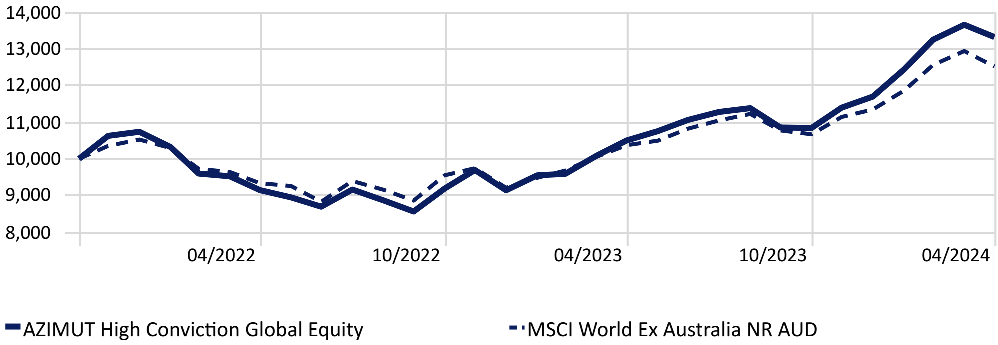
Latest Performance*

	1-mth	3-mths	6-mths	1-yr
AZIMUT High Con Global Equity	-2.46	7.11	22.89	26.89
MSCI World Ex Australia NR AUD	-3.26	5.56	17.34	20.71

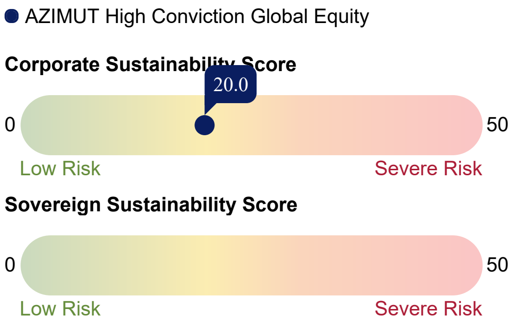
Investment Approach

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
7.1 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: 30/04/2024

	%
JPMorgan Chase & Co	5.60
Alphabet Inc Class A	5.18
Microsoft Corp	4.91
Apple Inc	4.61
ASML Holding NV	4.45
Costco Wholesale Corp	4.20
Taiwan Semiconductor Manufacturing Co Ltd ADR	3.87
Toyota Motor Corp	3.77
NVIDIA Corp	3.68
UnitedHealth Group Inc	3.63

Equity Sectors

Portfolio Date: 30/04/2024

Basic Materials	2.32
Consumer Cyclical	12.62
Financial Services	18.60
Real Estate	0.00
Consumer Defensive	7.71
Healthcare	13.79
Utilities	3.32
Communication Services	6.83
Energy	3.70
Industrials	8.88
Technology	22.22

Regional Exposure

Portfolio Date: 30/04/2024

North America	64.40%
Latin America	0.00%
United Kingdom	0.00%
Europe Developed	26.23%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	3.89%
Asia Developed	4.00%
Asia Emerging	1.48%

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 month of April was marked by a higher degree of uncertainty on the geopolitical front and limited visibility on the path of monetary policy normalisation. The unexpectedly high inflation numbers in the US are suggesting that the last mile of the fight against inflation is proving to be increasingly arduous, thus leading the markets to re-evaluate the outlook for monetary policy worldwide. This climate caused government bond yields to rise and weighed on bond prices. Uncertainty also triggered some profit-taking in the global equity markets, where volatility jumped to levels seen back in October. Hence, whilst the US market was also one of the main losers, the global earnings reporting season was generally a stabilising factor.

Looking at the macro picture, the underlying growth momentum in the US - albeit robust - appears to have weakened somewhat, while inflation remains sticky. GDP growth in 1Q 2024 slowed to 1.6% (from 3.4% and below consensus), the slowest pace since the second quarter of 2022. Similarly, the PMI indices (Manufacturing and Services) and other data such as Consumer confidence were worse than expected. Looking at prices, the CPI increased in March by 3.5% from 3.2% in February, while the change in the Core index was 3.8%. The PCE price index, used to deflate consumer spending, in the Core version followed by the Federal Reserve, also showed no signs of slowing in March remaining at 2.8% as in the previous two months, reinforcing the Federal Reserve’s cautious stance on rate cuts. The Eurozone is at a different point in the economic cycle. After a year of stagnation, various leading indicators point to a sustained economic recovery, and most of the data published in recent months have surpassed expectations. The composite PMI s Index was published at 51.4, compared with 50.7 estimated (50.3 in March). GDP in Q1 unexpectedly came in at 0.3%, inflation was unchanged (2.4% y/y), while the core reading fell to 2.7% (from the previous 2.9%). As far as China goes, PMIs confirmed a stalemate: the services index fell more than expected, similarly the manufacturing sector also slowed down, despite remaining positive overall, just above the 50 threshold.

Looking at Central banks, the Fed maintained an easing bias (a predisposition to cut rates) but better qualified it in terms of timing (reference to rate cuts “this year” was removed) and preconditions (recognition that further evidence is needed on the inflation front). At the same time, Governor Powell called it unlikely that a next move would be a hike, thus allaying fears. Against this backdrop the market has once again pushed back the start of monetary policy in the US (the first cut is now expected in September) and is predicting fewer interest rate cuts for a total of 150bps by the end of 2025, for an expected terminal rate at 4% (compared to 3% at the beginning of the year). In Europe the ECB will probably cut interest rate in June as long as there are no negative surprises on the inflation front. The timetable of interest rate reductions in the second half of the year remains uncertain. Markets project a deposit rate around 2.5% by end 2025, compared to 4% today.

The delay in the US easing cycle has triggered a widespread rise in government bond yields. The divergence of monetary policies between the two sides of the Atlantic has led to a further widening of the yield spread between 10-year Treasuries and Bunds. Expectations of fewer and slower interest rate cuts have had a major impact especially on shorter maturities pushing the 2-year US yield to its highest level since the beginning of the year (around 5%). The movement on the 2-year Bund was somewhat milder (nonetheless yields rose to around 3%, despite mostly unchanged rate cut expectations). The increased risk-off phase also brought some weakness on peripheral bonds, with the BTP-Bund spread touching 145bp vs Bund during the month (closing was back around 130bp area).

Credit spreads appeared to have exhausted their positive trend that has characterised the market since the beginning of the year, both in Europe and the United States. Spreads on high-grade segments have remained mainly range bound. In contrast, risk premiums on the high-yield bond segments, especially in Europe, have virtually cancelled all the tightening in place since the beginning of the year, also influenced by the instability in the Middle East. In addition, increased uncertainty has affected the primary market as well, where volumes have dropped significantly.

Looking at commodities, oil prices remained fairly strong (over $87/b), albeit down from the month's highs in the $93/b area, thanks to a possible de-escalation on the Israel-Palestine issue.

During the month the portfolio made a tactical decision to sell its position in Norfolk, a company we've maintained for over three years, and reinvest the funds into Caterpillar. This move reflects our confidence in Caterpillar's growth potential and better alignment with our investment goals. We believe this reallocation will optimise returns for our portfolio and position us for future opportunities. Among the best three performers for the month were Tencent, Alphabet and Kone, while among the worst three were Sherwin Williams, Home Depot and Microsoft. As of the end of month cash was roughly 2.75%.

Source: Morningstar Direct