Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/05/2024

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

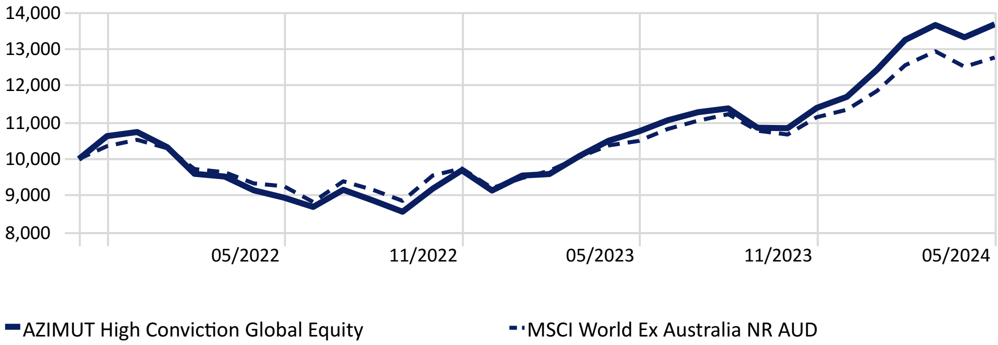
Latest Performance*

	1-mth	3-mths	6-mths	1-yr
AZIMUT High Con Global Equity	2.66	3.21	20.02	27.19
MSCI World Ex Australia NR AUD	2.02	1.67	14.62	21.70

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

● AZIMUT High Conviction Global Equity

Corporate Sustainability Score

0 — 20.0 — 50

Low Risk — Severe Risk

Sovereign Sustainability Score

0 — 50

Low Risk — Severe Risk

ESG Pillar Score

3.9 Environmental	8.8 Social
7.2 Governance	0.1 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: 31/05/2024

	%
JPMorgan Chase & Co	5.38
Alphabet Inc Class A	5.30
Apple Inc	5.11
ASML Holding NV	5.03
Microsoft Corp	5.02
NVIDIA Corp	4.74
Costco Wholesale Corp	4.43
Taiwan Semiconductor Manufacturing Co Ltd ADR	4.11
Lvmh Moet Hennessy Louis Vuitton SE	3.67
Toyota Motor Corp	3.47

Equity Sectors

Portfolio Date: 31/05/2024

Basic Materials	2.23
Consumer Cyclical	12.43
Financial Services	18.59
Real Estate	0.00
Consumer Defensive	7.76
Healthcare	12.18
Utilities	3.52
Communication Services	6.68
Energy	3.28
Industrials	8.72
Technology	24.62

Regional Exposure

Portfolio Date: 31/05/2024

North America	64.38%
Latin America	0.00%
United Kingdom	0.00%
Europe Developed	26.60%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	3.56%
Asia Developed	4.22%
Asia Emerging	1.25%

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.

Source: Morningstar Direct

Market Commentary

During the month of May markets have gradually adapted to the prospect of a less aggressive monetary policy than broadly anticipated. The fixed income markets experienced some weakness although major losses were mitigated by the confirmation from Central banks that the monetary easing expected for 2024 was not being challenged, but is only likely to be postponed, particularly in the United States. As far as equity markets are concerned, indices rose on the back of very positive corporate results in the United States and better-than expected results in Europe.

Looking at the economy, the latest macroeconomic data in the U.S. ended the run of lower-than-expected numbers, confirming the resilience of the economy, as witnessed by the drop in initial jobless claims and the sharp rise in PMI indices (PMI composite came in at 54.4 compared with 51.2 in April). Similarly, the preliminary data on durable goods orders for April was above expectations (0.7 percent, vs. -0.8 percent forecast), as well as the Uni of Michigan's sentiment index, which came in at 69.1 (above consensus 67.7 vs prior 67.4). After three upward surprises, US inflation cooled down to 3.4% (from 3.5%). Core inflation also rose by 3.6% (down from 3.8% in March). The core PCE index, which is considered a better inflation indicator than the overall PCE index, remained stable at 2.8% thus representing a step in the right direction for monetary policymakers.

Business activity in the Eurozone's private sector reached its highest level in a year, confirming the region's economic rebound. The composite PMI index reached a record level (52.3) in May, its highest in 12 months. While the service activity remained in expansionary territory, the manufacturing PMI index improved, although it remained in contraction zone for the 14th consecutive month. Eurozone inflation accelerated more than expected, with consumer prices rising by 2.6% (compared with 2.4% in April and an estimated 2.5%). Core inflation also exceeded expectations, accelerating to 2.9% in May from 2.7% in April and 2.7% forecast.

China's manufacturing PMI data provided by Caixin (which considers smaller and more export-oriented enterprises) grew more than expected, capturing a different situation from the official PMI (with a focus mostly on large, state-controlled companies), which on the contrary contracted in May (to 49.5 from 50.4 in April) putting at risk Beijing's 5%economic growth target for the year.

Regarding Central banks, the ECB is expected to cut interest rates on the 6th June for the first time since 2022 and ahead of the Fed. The outlook for the following months though is less clear given that wage gains and services inflation are proving difficult to manage. Markets are currently anticipating a pause in July, and a total of between 2 and 3 rate cuts in 2024. The Fed is not expected to change its monetary policy. During the month statements from different Fed members reinforced the idea that interest rates should remain higher for longer, due to the widespread uncertainty about the near-term disinflationary trend.

Increasing doubts about the Fed's easing path caused yields to marginally rise, especially on the short end with curves to flatten. The European bond markets ahead of the ECB's first cut closed the month at highs. The German 10-year reached 2.70%, while the 2-year remained at the upper end of the range (around 3.10%). Similarly, in the United States, yields closed just below their highs, only because of the downward revision of the consumption component of 1Q GDP. Finally, Japanese yields rose, with the 10-year at its highest in more than a decade, above 1%, with the market expecting, with a 80% probability, another rise in July.

Credit spreads of major investment grade indices both in Europe and the United States have traded within a handful of basis points at historically high valuation levels. The primary market has been characterized by high volumes across all categories of issuers.

Turning to currencies the divergence on the timing of rate cuts between the Fed and the ECB is weighing on the dollar which is trading again above 1.085 vs euro. The Yen continued to depreciate against major currencies despite the BoJ's attempts to encourage its appreciation and the rate differential between Japan and the U.S. The Yuan reached its lowest level since November versus the dollar, with the PBoC loosening its grip somewhat by letting the currency depreciate gradually. Worth mentioning is the sharp depreciation of the South African rand, after the governing party's (ANC) lost its majority at the latest election.

Looking at commodities, supply disruptions pushed nickel prices to all-time highs (21100 USD/ton). Oil prices fell marginally over the month ($80/b), as OPEC+ finalized a plan to restore some production in October, despite concerns on the demand outlook. On the contrary, TTF gas resumed trading back to 35eur/MWh on fears of supply shortages.

During May we made a tactical decision to sell our 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 optimize returns for our portfolio and position us for future opportunities. Among the best three performers during the month were Nvidia, Nextera and Apple. While among the worst three were ConocoPhillips, Toyota and Luis Vuitton. There were also a number of rebalancing trades without changing the overall sector exposure. As of the end of month we have a buffer of cash (roughly 2.75%) to be allocated.

Market Commentary

Stocks in Focus:

NVIDIA

Nvidia is a company that holds a dominant position in the AI chip market and is a leader in graphics processor technologies and GPU-accelerated computing. It currently has a market share of 90% in the GPU AI chip market and over 80% in the data centre AI chip market. Nvidia continues to innovate and surprise, with plans to launch the H200 chip in Q2 2024 and a new AI architecture, Rubin (R100), in 2026. In Q1 2025, Nvidia reported $26.04 billion in revenue, driven by its significant market share in data centres. The stock price has surged by approximately 190% over the past year (and is up 1000% since the 2022 bottoms), outperforming the S&P 500 by 163%. The upcoming 10-for-1 stock split on June 10, 2024, is expected to boost liquidity and attract more retail investors, likely driving the stock price even higher. As of today, NVDA is the most likely company to win the race to reach a $3 trillion market cap. The AI chip market's projected growth will benefit Nvidia, due to its market leadership and financial capacity, to invest in innovation, with the ability to diversify its supply across different sectors. Partnerships with major companies like Microsoft, Meta, Amazon, and Google ensure a reliable revenue stream. Although Nvidia's market position is a major growth catalyst, the company also has strong upside potential based on favourable market trends. Nvidia has an astonishing 57% profit margin and a better estimated P/E ratio than companies like Amazon or Costco. Surprisingly, Nvidia appears undervalued compared to the sector median. Overall, Nvidia is a strong investment with significant growth potential and unmatched innovation, making it a recommended stock for investors looking to capitalize on the AI market's growth.

APPLE

Apple has been relatively flat in terms of stock price performance, with a 2% increase since February compared to the S&P 500's 6% rise. Despite this, Apple's strong brand and pricing power remain intact, with new product launches and innovations expected to drive future growth. The upcoming WWDC 2024, the new AI-powered iOS releases, and the rumoured collaboration with OpenAI are seen as potential catalysts. Apple's fiscal Q3 2024 earnings report showed a 4.3% YoY revenue decline, but adjusted EPS slightly increased. The revenue dip is attributed to challenging macroeconomic conditions affecting product sales.

The company is also facing regulatory scrutiny and antitrust challenges, particularly in the EU and the U.S., which could impact its financial performance. Additionally, geopolitical risks and competition in China pose threats to its market position. However, Apple's strong brand loyalty and significant resources provide resilience against these risks. Apple has under-performed the broader market and its peers, but recent and upcoming technological shifts present new opportunities. The company's hardware remains in high demand, and its services segment continues to grow, insulated from AI disruption. The expected launch of the iPhone 16 and the continued expansion of services and wearables could drive future revenue and net income growth. Furthermore, Apple's ability to leverage its vast and optimized ecosystem for introducing AI capabilities and its significant cash reserves to fuel R&D and strategic acquisitions highlight its potential for sustained innovation. This positions Apple to capitalize on the AI revolution, potentially unlocking new revenue streams and solidifying its market leadership.

Source: Morningstar Direct