Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/10/2024

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

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.

www.azimutinvestments.com.au

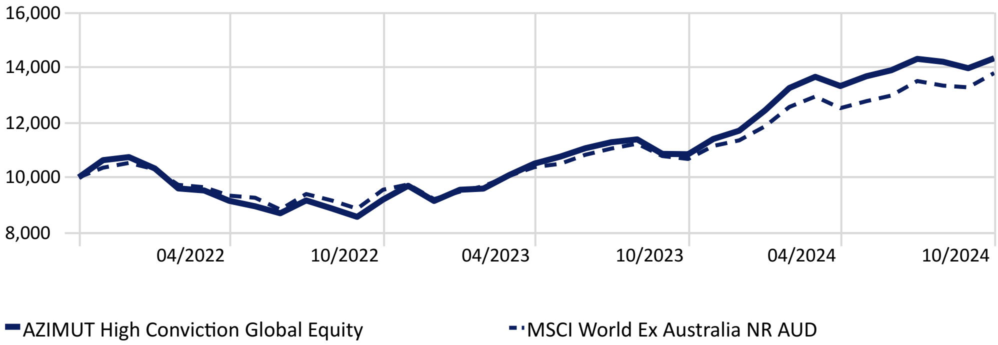
Latest Performance*

	1-mth	3-mths	6-mths	1-yr	2-yr	S.I.
AZIMUT High Con Global Equity	2.58	0.15	7.59	32.22	24.89	10.81
MSCI World Ex Australia NR AUD	3.92	2.14	10.20	29.31	20.19	10.35

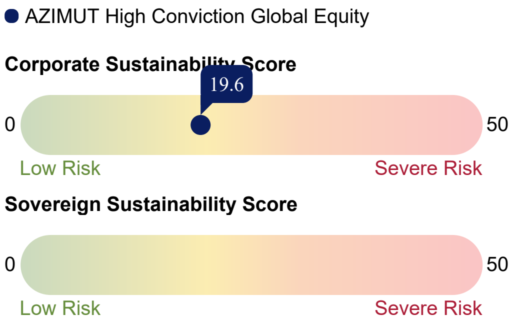
Investment Approach

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

9.0 Social

6.3 Governance

0.1 Unallocated

Source: Morningstar Direct

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Top 10 Holdings

Portfolio Date: 31/10/2024

	%
JPMorgan Chase & Co	5.31
Alphabet Inc Class A	5.23
Apple Inc	5.14
NVIDIA Corp	4.88
Microsoft Corp	4.69
Taiwan Semiconductor Manufacturing Co Ltd ADR	4.61
Costco Wholesale Corp	4.44
Lvmh Moet Hennessy Louis Vuitton SE	3.95
ASML Holding NV	3.93
Visa Inc Class A	3.64

Equity Sectors

Portfolio Date: 31/10/2024

Basic Materials	2.23
Consumer Cyclical	13.72
Financial Services	18.73
Real Estate	0.00
Consumer Defensive	6.84
Healthcare	11.96
Utilities	3.12
Communication Services	6.94
Energy	3.42
Industrials	9.14
Technology	23.88

Regional Exposure

Portfolio Date: 31/10/2024

North America	65.77%
Latin America	0.00%
United Kingdom	0.00%
Europe Developed	24.29%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	3.64%
Asia Developed	4.73%
Asia Emerging	1.57%

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 October was marked by rising bond yield in the United States, mainly due to data underlining the resilience of the American economy and Trump's rise in the polls and the likelihood of a generous deficit potentially generating a rise in inflation. These two factors led the money markets to cancel several rate cuts anticipated for 2025. Equity markets began the month on an upward trend, following figures confirming the dynamism of the US economy and initial third-quarter earnings releases that exceeded expectations. However, the positive trend came to a halt toward the end of the month after a rising disappointment over some Big Tech results, as well as fears over returns on mega investments in AI going forward.

Looking at the macro picture, the US economy continued to prove its resilience, with private job creation accelerating sharply in October and GDP growth coming out at an annualized rate of 2.8% in the third quarter. The first estimate of Eurozone GDP growth in the third quarter came in at 0.4% q/q, marking an acceleration on the 0.2% growth recorded in the previous quarter.

The euro area benefited from the rebound of the French economy boosted by this summer's Olympic Games, while Germany managed to escape recession thanks to an acceleration in growth (0,2%) against an expected contraction of -0.1%. There were few surprises in the US where data was broadly strong. Personal income and spending was in line with expectations or slightly better, while the labour market remained robust. Nonetheless some moderation is expected in the coming weeks due to the effects of the hurricane, whose impact is still difficult to estimate. In the euro zone the preliminary figures underline the fact that the economic situation remains gloomy. The manufacturing sector index rebounded more than expected in October, even though it has remained firmly anchored in the contraction zone for more than two years now. The services index fell slightly over the month, dropping to its lowest level since February. In the meantime, the price dynamic looks similar on both sides of the Atlantic. The Fed's favourite inflation measure, the PCE Price index, continued to decelerate in September, falling to 2.1% from 2.3% the previous month. Excluding food and energy, the underlying PCE index remained stable at 2.7%. In Europe, as expected, inflation rose after two months of decline (to 2% from the previous 1.7%), due to food and energy, while the core index remained unchanged (2.7%), in line with the previous month. China showed some tentative signs of recovery: the PMI composite rose to 50.8 in October (from 50.4) as a result of both the manufacturing component (50.1), back above the threshold of 50, and non-manufacturing (50.2 from 50).

As far as central banks go, not surprisingly, the ECB cut its key rates by 25bp, taking the deposit rate to 3.25%. The decision was supported by the slowdown in activity and inflation data, which is now expected to return to around 2% during 2025, earlier than previously estimated. However, the ECB is not committing itself to further monetary easing, as future decisions will depend on the data available at forthcoming meetings. The strength of the US economy, combined with Trump's rise in the polls led investors to temper their expectations in terms of monetary policy, anticipating only five rate cuts by the Fed between now and the end of 2025, compared with eight at the beginning of the month.

Bond markets delivered a negative performance in both Europe and the United States. The strength of the US economy and markets increasingly discounting a Trump victory pushed US bond yields higher. Against this backdrop, the US 10-year yield rebounded by 50bp to its highest level since July at 4.30%. The steepening of the US curve (10-year-2- year) moderated to 10bp at the end of October. In Europe, German 10-year bonds rebounded by 30bp to 2.40%. Sovereign risk eased slightly despite the deteriorating outlooks of two rating agencies, while the yield spread between German and French 10-years fell from 80bp to 74 bp.

Conversely, uncertainty over the UK Labor Government's proposed budget pushed 10-year Gilt yields from 4.0% at the start of October to 4.4% at the end. UK sovereign bonds have continued to fall in the wake of the 2025 Budget presentation. After Chancellor of the Exchequer Rachel Reeves' speech, the yield on British bonds has jumped by more than 30bp to 4.5%, reaching a one-year high.

In the currency market the dollar appreciated against most currencies on expectations of a Republican election victory and a still-resilient economy. The pound weakened on the announcement of the new budget that envisages an easing of fiscal austerity, while the yen gained some ground after BoJ Governor Ueda hinted that he did not like an excessively weak currency because of the repercussions this is having on prices, confirming the hypothesis of a possible rate hike as early as December. Oil currencies were weak. The Mexican peso and Norwegian krone in particular lost ground against the euro, weighed down by the mid-month correction in crude oil prices.

Turning to commodities Gold continued its upward trend, reaching $2,740, driven by the geopolitical context and continued gold purchases by certain central banks seeking to reduce their exposure to the dollar. Oil closed the month unchanged at $73 after hedge funds reduced their long positions in WTI to their lowest level for 14 years, accentuating the downward pressure due to weak demand, particularly in China, and the imminent increase in production decided by OPEC+.

Among the best three contributors for the month were Toyota, JPMorgan and Nvidia. While among the worst three were ASML, L'Oreal and Nike.

Source: Morningstar Direct

Market Commentary

Stock in Focus: TSMC

TSMC (Taiwan Semiconductor Manufacturing Company) is the world's leading contract semiconductor manufacturer, serving customers in a variety of industries, including High Performance Computing (HPC), smartphones, Internet of Things (IoT) and automotive. Its business model focuses on low-cost production of advanced chips for customers requiring the latest process technologies, such as 3nm and 5nm. The Taiwan-based company has become a crucial strategic player in the global semiconductor industry, supplying customers such as Apple, Nvidia and many other leading technology companies.

In the past years, TSMC has shown a generally sideways trend, except for a significant spike in 2021, when the stock reached USD 152. This period of stability changed dramatically toward the end of 2023, when the stock began an impressive rally, marking a +126% through October 2024 reaching the USD 194 mark (max USD 212.60 on October 17, 2024). This growth reflects increased demand for chips (which had already begun to be slowly glimpsed in the pandemic period), particularly for AI applications, and seems to indicate a new phase of consolidation for TSMC, in which semiconductors will be a key component going forward.

In Q3 2024, TSMC reported very strong results, with net revenues of NT$759.69 billion, a 12.8% increase over the previous quarter and a 39% increase over Q3 2023. This increase was largely driven by HPC and smartphone platforms, which account for 51% and 34% of total revenues, respectively, with notable growth in advanced process technologies such as 3nm, which alone accounts for 20% of total wafer revenues. Gross margin also increased substantially to 57.8%, while operating margin improved to 47.5%.

Geographically, TSMC maintains a strong exposure to the North American market, from which 71% of Q3 2024 revenues came, with significant demand growth in China and Asia Pacific as well. Recently, TSMC also announced an expanded partnership with Amkor to collaborate on advanced packaging technology in Arizona. This investment strengthens TSMC's ability to serve Western customers and mitigate geopolitical risks related to its Asian base of operations.

TSMC is in a strategic position due to the growing demand for advanced semiconductors for AI and IoT. With tensions between the U.S. and China, the company has become a key asset for Western economic and technological security, supported by investments in its Arizona facilities. TSMC's partnerships and geographic expansion reduce geopolitical risks, reinforcing its importance in the industry. With continued investment and advanced manufacturing capacity, TSMC is set to remain central to the global technology future.

Source: Morningstar Direct