Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 30/04/2025

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.

www.azimutinvestments.com.au

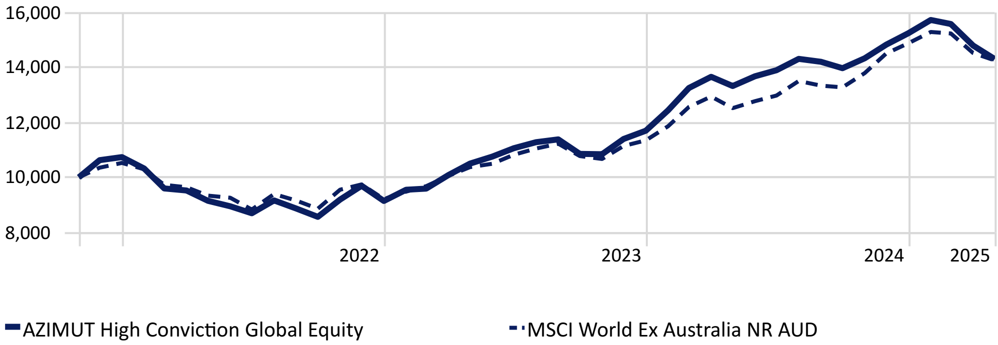
Latest Performance*

	1-mth	3-mths	6-mths	1-yr	2-yr	S.I.
AZIMUT High Con Global Equity	-3.31	-9.03	-0.18	7.39	16.73	9.10
MSCI World Ex Australia NR AUD	-1.84	-6.76	3.35	13.89	17.25	9.83

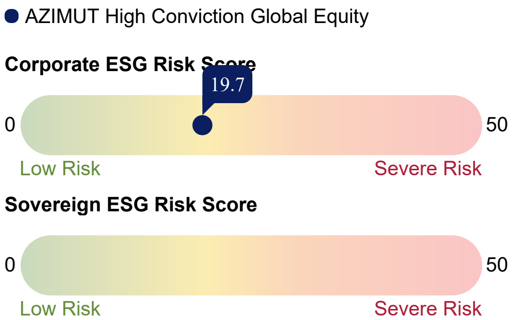
Investment Approach

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



ESG Risk Score



ESG Pillar Score

5.0 Environmental
9.3 Social
6.1 Governance
0.0 Unallocated

Source: Morningstar Direct

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Top 10 Holdings

Portfolio Date: 30/04/2025

	%
Microsoft Corp	5.35
Alphabet Inc Class A	5.08
JPMorgan Chase & Co	4.96
Apple Inc	4.78
NVIDIA Corp	4.63
Costco Wholesale Corp	4.21
ASML Holding NV	4.12
Caterpillar Inc	4.06
Taiwan Semiconductor Manufacturing Co Ltd ADR	3.96
Toyota Motor Corp	3.86

Equity Sectors

Portfolio Date: 30/04/2025

Basic Materials	2.72
Consumer Cyclical	12.99
Financial Services	17.64
Real Estate	0.00
Consumer Defensive	6.91
Healthcare	11.63
Utilities	3.40
Communication Services	7.39
Energy	3.79
Industrials	10.02
Technology	23.50

Regional Exposure

Portfolio Date: 30/04/2025

North America	64.88%
Latin America	0.00%
United Kingdom	0.00%
Europe Developed	24.92%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	3.97%
Asia Developed	4.07%
Asia Emerging	2.16%

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

In April, financial markets continued to be driven by the relentless flow of news on the trade front, reacting erratically to a mix of announcements, deadlines, threats, concessions and the unpredictable policy of the U.S. Administration. After weeks of intense volatility, confidence in U.S. assets began to recover toward the end of the month following President Trump’s denial of any intention to remove Powell and his renewed openness to negotiations with China (a 90-day postponement as well as various exemptions).

The de-escalation phase helped stabilise markets that had previously been unsettled - not only in equities and the dollar, but also in U.S. Treasuries, which had seen their traditional risk-free status come into question. Despite a partial rebound in risky assets following the Liberation Day announcements on April 2, uncertainty and unpredictability remain elevated with no agreement yet reached with any key trade partners. The first signs of impact are becoming evident in the current earnings seasons, as rising tariffs begin to pressure profit margins. As a result, some companies are refraining from issuing forward guidance, highlighting the continued lack of visibility.

On the macroeconomic front following a series of confidence surveys that pointed to some weakness in the U.S. economy, the first data to confirm the negative effects of tariffs were Q1 GDP and the GDP Price Index. Both surprised: GDP contracted by 0.3% q/q (previously 2.3%), while prices accelerated to 3.7%, highlighting the potentially stagflationary effects of the tariff measures. A breakdown of the GDP components shows that the front-loading of imports (5.03%) was the main drag, also boosting inventories (2.25%), while final consumption grew by 2.30%, an effect that may fade in the coming quarters. Also surprising to the upside was the Fed’s preferred inflation measure, Core PCE, which rose to 3.5% versus the 3.1% expected. The labour market remains buoyant despite the loss of tens of thousands of federal jobs. April's employment report will have to confirm or deny this trend in-order to dictate the pace of the Fed's next decisions.

In the euro area in Q1 GDP grew by 0.4% q/q (1.2 % y/y) from a previous 0.2%. Among the major economies Spain and Italy did better than Germany and France. The escalation of trade tensions, as well as the associated uncertainty, represents a downside risk to activity in the coming months, as anticipated by the confidence surveys in April. The PMI composite index fell to 50.1: the manufacturing sector showed signs of stabilisation, while the services index fell back into contraction to 49.7 vs 51 the previous month).

Inflation data for April came in above expectations (2.2% headline and 2.7% core), the rise was mainly driven by services, reflecting a temporary effect linked to Easter-related tourism demand. China sank into deflation in March -0.1%. Last month, the CPI had already fallen below zero to -0.7% for the first time in over a year. The prolonged decline in prices also reflects the weakness of domestic consumption despite the initial stimulus efforts deployed by the authorities in recent months.

As far as central banks go, the ECB announced a further 0.25% cut in interest rates, bringing the deposit rate to its lowest level in two years (2.25%). The decision was motivated by the continued decline in inflation. At the same time, the ECB is concerned about the impact of the U.S. trade war which could affect growth in the Eurozone and create uncertainty for households and businesses. Following this statement the market now expects between two and three rate cuts this year, with the end-of-year rate expected to be 1.5%. Tensions over the tariffs continue to pose a challenge for the FED, which has stated it needs time to evaluate the evolving trade policies and their impact on growth and inflation (two areas that could potentially come into conflict given the Fed’s dual mandate). Meanwhile, the rates markets are anticipating that the Fed will cut rates in June and three more times in H2 2025 due to a high risk of recession.

It was a very erratic month on the U.S. bond market, with a sharp rise in rates at the start of the month following the announcement of tariffs, which led investors to sell U.S. assets, including Treasury bonds. The 10-year Note saw one of their biggest weekly rises in yield since 1990 surging to 4.50% reflecting a crisis of confidence that briefly undermined its status as a safe-haven asset. Trump's pressure on the Fed to cut rates was also a source of volatility, as these moves were seen as a challenge to the Fed's independence. Trump subsequently confirmed that Powell would remain in place, which helped to stabilise the markets.

In Europe bond markets remained more stable. German government bonds benefited from the weakness in Treasuries and the ECB’s dovish stance. Indeed, expectations for ECB rate cuts increased, pushing short-term yields to new lows (around 1.70% for the 2-year Schatz), driven by a significant reduction in inflation expectations. The risk-on sentiment triggered by Trump's latest statements also helped narrow the spread between Treasuries and Bund, bringing it back to 173bps from a recent peak of 194bps. Similarly, the BTP-Bund spread tightened to 112bps, supported by the unexpected rating upgrade by S&P.

Source: Morningstar Direct

Market Commentary

On the currency market, Trump's campaign to delegitimise Chairman Powel caused the dollar to plunge to its lowest level since the summer of 2022, in a context of heightened uncertainty over trade policy and concerns about the independence of the U.S. central bank prompting investors to retreat from the U.S. currency. The EUR/USD then partially recovered, closing the month at 1.135. The dollar also dropped to its lowest level since last September against the JPY falling below 140 USD/YPY, before rebounding to 142. The fragility of the UK economy compounded with Trump's trade policies weighed on the Pound, which weakened both against the dollar and euro. The Chinese yuan depreciated to a 19-month low, before recovering to the 7.27 area, a trend that seems to confirm the PBoC's intention to allow a gradual depreciation of the currency to avoid market disruptions.

The high volatility generated by Trump's protectionist escalation has been reflected in commodities. Gold hit a new all-time high during the month at US$3,501, rising by over 6% over the month as-a-result of U.S. uncertainty and continued purchases by central banks in several countries to reduce their dollar reserves. Conversely, oil fell sharply to a four-year low ($63/b for Brent), notably due to a rise in production by OPEC+ countries and the risk of a slowdown in the global economy.

The portfolio during the month dynamically managed the geographical and sectorial exposure, still preferring developed markets to emerging markets and quality companies with high return on capital. Asian exposure is represented via the overweight in Europe in particular through companies generating revenues in Asian markets.

Among the best three names during the month were L'Oreal, Kone and Microsoft. While among the worst three names were ThermoFisher, ConocoPhillips and LVMH.

We rebalanced a few of the positions without changing the overall sector exposure. As of the end of month, we have a buffer of cash (roughly 3.00%) to be allocated.

Source: Morningstar Direct