Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/05/2025

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

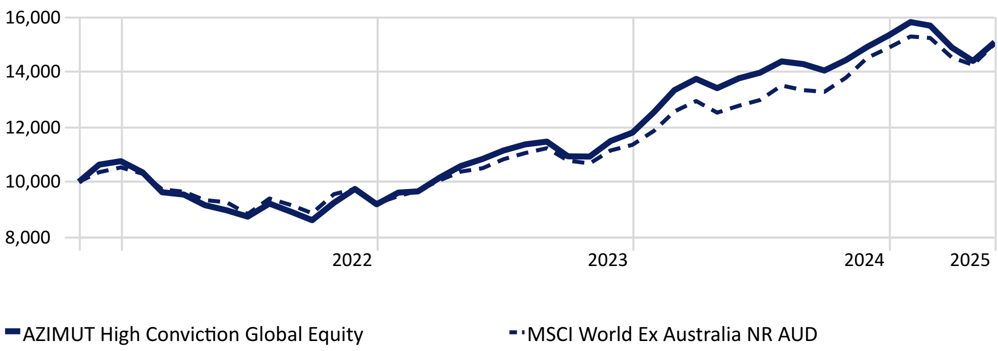
Latest Performance*

	1-mth	3-mths	6-mths	1-yr	2-yr	S.I.
AZIMUT High Con Global Equity	4.72	-3.86	1.14	9.53	18.00	10.52
MSCI World Ex Australia NR AUD	5.34	-1.43	3.51	17.60	19.64	11.22

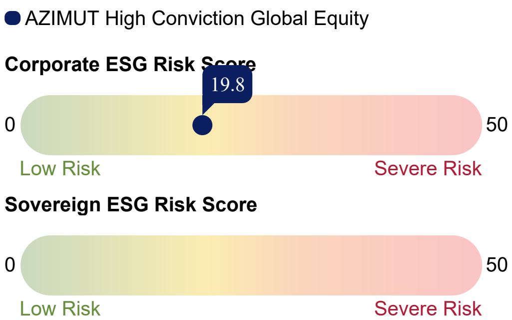
Investment Approach

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

5.3 Environmental
9.0 Social
6.0 Governance
0.0 Unallocated

Source: Morningstar Direct

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Top 10 Holdings

Portfolio Date: 31/05/2025

	%
Apple Inc	5.00
JPMorgan Chase & Co	5.00
Microsoft Corp	5.00
NVIDIA Corp	5.00
Alphabet Inc Class C	4.50
Taiwan Semiconductor Manufacturing Co Ltd ADR	4.50
ASML Holding NV	4.25
Costco Wholesale Corp	4.25
Caterpillar Inc	3.50
ConocoPhillips	3.50

Equity Sectors

Portfolio Date: 31/05/2025

Basic Materials	3.08
Consumer Cyclical	12.31
Financial Services	18.21
Real Estate	0.00
Consumer Defensive	6.92
Healthcare	9.49
Utilities	3.59
Communication Services	7.18
Energy	3.59
Industrials	9.23
Technology	26.41

Regional Exposure

Portfolio Date: 31/05/2025

North America	66.92%
Latin America	0.00%
United Kingdom	0.00%
Europe Developed	22.82%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	3.08%
Asia Developed	4.62%
Asia Emerging	2.56%

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 tariff saga took a new turn during the month. After Trump raised tariffs on EU imports to 50% starting June 1 (then delayed to July 9 after a phone call with EU Commission President Von der Leyen), the U.S. Court of International Trade opened a new front in the saga, ruling all reciprocal tariffs imposed by Trump on April 2 illegal. The ruling was immediately suspended on appeal following challenge of the administration that now has the option to take the case to the Supreme Court. The immediate effect will merely be to add another layer of uncertainty, effectively freezing negotiations with trade partners. To cast a shadow on the outlook is the anticipated fiscal deterioration stemming from Trump's policy agenda in the coming years. While financial markets have so far shown relative resilience, it is becoming increasingly clear that the narrative of U.S. exceptionalism is being questioned, weighing on investor appetite for U.S. assets.

In the U.S., macro data continue to show resilience in the real economy despite deteriorating sentiment reflected in confidence surveys. PMI indices rose sharply in both manufacturing (52.0) and services (53.7). However, manufacturing data reveal persistent uncertainty, with a contraction in export orders and employment for the second month due to higher costs. The core PCE index, the Fed's preferred measure of inflation, continued to slow in April, falling from 2.7% to 2.5% in line with consensus forecasts. The overall index slowed to 2.1% from 2.2% as expected. In Europe, preliminary PMI indices for May showed a deterioration in the economic situation with the index falling to 49.5. While the manufacturing PMI rose for another month to 49.4 (from 49 in April), the services index fell unexpectedly from 50.1 to 48.9, returning to contraction for the first time since November 2024. The disinflation trend has been confirmed by the May reading, with the price index falling from 2.2% to 1.9% year-on-year, and the core indexes hitting new lows for more than three years. Turning to Japan, inflation remained at 3.6% for the second month, the lowest level since December 2024. Core inflation, however, jumped to 3.5%. This is the highest rate in 2 years and fuels expectations for further rate hikes by the BoJ.

As far as central banks go the prospect of a Fed rate cut has moved further out, as reiterated in the minutes of the latest meeting, where FOMC members expressed concerns over potentially persistent inflation. On the contrary, easing of wage pressures in the eurozone reinforces the ECB's optimism that it will achieve its 2% inflation target. A 0.25% interest rate cut at June's meeting now seems almost certain, which would bring the deposit rate down to 2%.

Looking at government bonds, the U.S. Treasury market already volatile in recent weeks following multiple announcements and executive orders by President Trump, had to cope with the gradual loss of safe-haven status for Treasuries, further underscored by the recent Moody's downgrade. Tensions on U.S. debt was triggered by a disappointing 20-year Treasury auction with investors demanding higher yields, particularly in response to an agreement within the Republican Party to advance President Trump's massive fiscal stimulus plan. Against this backdrop, the yield on the 30-year bond has climbed above 5%, surpassing the October 2023 peak of 5.14% and reaching levels not seen since 2007. Pressure on the long end of the curve also impacted Japanese yields when a 20-year government bond (JGB) auction also went poorly, with yields rising to their highest level since 2000, dragging up 30- and 40-year yields as well. The widespread steepening of the curve has then somehow paused following reports that Japan's finance ministry is considering reducing long-term bond issuance. Conversely, eurozone government bonds showed no signs of stress on the longer maturities. The German 10-year bund closed around 2.50% and the Italian 10-year at 3.48%, a level last seen in February. Italian government bonds continued to outperform all other European sovereigns, with the BTP-Bund spread consistently falling below the psychological 100 basis points threshold, supported by Moody's recent positive outlook on Italy.

In the currency markets, the dollar remained under pressure amid ongoing uncertainty surrounding trade policy and recent tensions between the U.S. executive branch and the judiciary. For the first time this month, the euro-dollar exchange rate climbed back to 1.1450 before closing the month slightly lower at 1.1390. The yen continued to strengthen against major currencies, supported by rising long-term interest rates and inflation data that reinforce expectations of a still hawkish BoJ. Meanwhile, the yuan remains locked in a tug-of-war with the dollar, with the USD/CNY breaking below the key support level of 7.2.

Oil continues to trade on the lower bound of its trading range (US$64/b) mainly due to speculation about a potential production increase by OPEC+.

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 Nvidia, Microsoft and Caterpillar. While among the worst three names were TermoFisher, ConocoPhillips and Apple.

Source: Morningstar Direct

Market Commentary

We rebalanced a few 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.

Bank of America (BAC US) is one of the largest U.S. and global banking groups, operating across multiple business lines including consumer banking, investment banking, wealth management, and capital markets. Its business model is highly diversified, with a strong retail foundation and a global footprint in corporate and institutional services. The balance between interest income and fee-based revenues, along with a solid capital structure, has consistently been a core strength, making BAC a systemic player in the U.S. financial system.

From a stock performance perspective, BAC traded sideways for a prolonged period before peaking at US$49 in January 2022. The stock then dropped sharply to around US$25 by October 2023—levels not seen since the COVID crash—due to recession fears, aggressive Fed rate hikes, and unrealised losses on its bond portfolio. From that low, the stock began a gradual and solid recovery, reaching approximately US$47 ahead of the “Liberation Day” event (April 2025), before settling around US$44 as of early June 2025. The rebound has been supported by improving macro sentiment, a more dovish Fed outlook, and renewed investor confidence in the banking sector.

From a fundamental standpoint, Bank of America has shown strong resilience despite a challenging environment. For the last twelve months ending March 2025, adjusted net revenues reached US$103.5 billion, with net income of US$27.8 billion—up from the 2023 trough. Adjusted EPS came in at $3.39, with expectations for $3.64 by year-end 2025. Profitability, however, still reflects cautious provisioning. Loan loss provisions have risen to nearly US$6 billion, more than double 2022 levels, due to increased vigilance on credit cards and commercial real estate. Despite this, the Tier 1 Common Equity Ratio remains strong at 11.8%, confirming a well-capitalised balance sheet.

Commercially, BAC has seen consistent loan growth (from US$953 billion in 2021 to over US$1.117 trillion), while deposits have remained relatively flat, reflecting tighter competition for funding amid high rates. The combination of volume growth, macro stabilisation, and gradual improvement in net interest margin has helped BAC recover lost ground during the monetary tightening phase.

In conclusion, Bank of America is undergoing a phase of rebuilding and stabilisation. A return of confidence in the banking system, coupled with solid earnings, operational efficiency, and favourable positioning in a potential rate-cutting cycle, suggests further upside potential. With recovering profitability, robust capital buffers, and a well-balanced exposure across retail and corporate businesses, BAC remains a key name to watch in the U.S. financial sector.

Source: Morningstar Direct