Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 30/09/2025

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

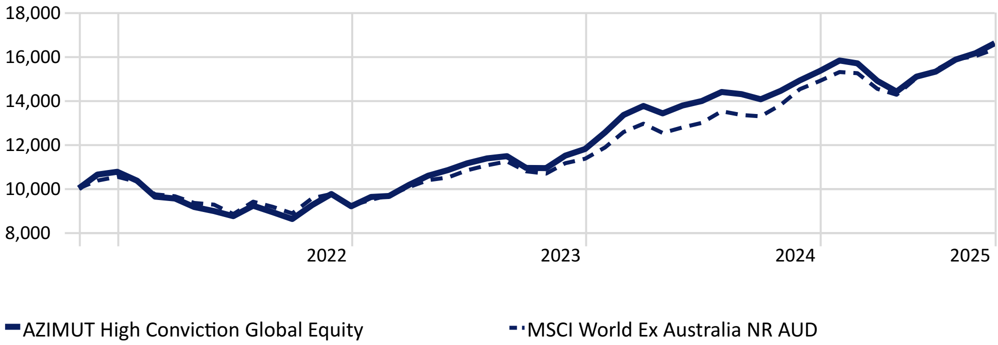
Latest Performance*

	1-mth	3-mths	6-mths	1-yr	2-yr	3-yr	S.I.
AZIMUT High Con Global Equity	2.81	8.43	11.50	18.14	23.25	24.50	12.34
MSCI World Ex Australia NR AUD	1.99	6.14	12.44	23.03	23.12	22.63	12.63

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

● AZIMUT High Conviction Global Equity

Corporate ESG Risk Score

Sovereign ESG Risk Score

ESG Pillar Score

5.3 Environmental

9.2 Social

5.8 Governance

0.0 Unallocated

Source: Morningstar Direct

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Top 10 Holdings

Portfolio Date: 30/09/2025

	%
Microsoft Corp	5.50
JPMorgan Chase & Co	5.00
NVIDIA Corp	5.00
Alphabet Inc Class A	4.75
Apple Inc	4.75
Taiwan Semiconductor Manufacturing Co Ltd ADR	4.50
ASML Holding NV	4.00
Costco Wholesale Corp	4.00
Amazon.com Inc	3.50
Bank of America Corp	3.50

Equity Sectors

Portfolio Date: 30/09/2025

Basic Materials	2.82
Consumer Cyclical	12.31
Financial Services	18.46
Real Estate	0.00
Consumer Defensive	6.67
Healthcare	8.72
Utilities	3.59
Communication Services	7.69
Energy	3.59
Industrials	8.97
Technology	27.18

Regional Exposure

Portfolio Date: 30/09/2025

North America	67.69%
Latin America	0.00%
United Kingdom	0.00%
Europe Developed	22.31%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	2.56%
Asia Developed	4.62%
Asia Emerging	2.82%

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

The third quarter closed on a strong note for equity markets lifted by strong US macro data and by the resumption of rate cuts by the FED. The quarter ultimately showed the market resilience in navigating a complex macroeconomic and geopolitical landscape.

Even the prospect of a US government shutdown had little impact, as markets largely shrugged off the risk, consistent with the past episodes, where impact, particularly when short lived, had been negligible. After a period of pause, tariffs have returned to the spotlight. President Trump has announced new tariffs starting on 1 October on certain categories of products (industrial machinery, medical devices, pharmaceuticals, trucks and furniture), though numerous exceptions are expected. For European and Japanese companies, the 15% cap will remain in place, thanks to existing trade agreements.

Macro data economic data in the US remained solid: Q2 GDP growth was revised to 3.8% (from previous 3.3%), led by private consumption and investments. After several weeks of volatility, the latest weekly jobless claim data showed a sharp decline, fuelling hopes of a potential rebound in September's unemployment numbers. This development is particularly significant, as markets have grown more cautious about the Fed's rate cut trajectory (stronger labour data could potentially tilt expectations towards a single 0.25% cut from the previously priced-in 0.50%). Looking at prices, the Fed's preferred measure of inflation (PCE), came in line with expectations (up from 2.6% to 2.7% year-on-year), while the core index remained unchanged at 2.9% year-on-year.

In the Eurozone, September confidence surveys confirmed the outlook for modest economic growth in the second quarter of the year. The impact of tariffs on activity appears to be so far limited. The Composite PMI index remained in moderately positive territory at 51.2. The manufacturing sector showed an unexpected deterioration (at 49.5) after a brief period of expansion in August. Sentiment deteriorated particularly in France, where the fall of the Bayrou government and uncertainty over the 2026 budget weighed heavily. This decline in confidence was also evident in the US manufacturing sector with the composite PMI still in expansion territory (53.6), despite slightly easing. Inflation in September came in line with expectations, at 2.2%. China's PMI indices for September provided a mixed picture. The official indices calculated by the National Bureau of Statistics (NBS) showed a contraction for the sixth month in a row in the manufacturing sector. The private indices published by Rating Dog sent out a more optimistic signal both for the manufacturing and services sectors. The divergence between the two surveys reflects the overweighting of export-oriented private companies in the latter, who are showing greater resilience.

As far as monetary policy goes, the FED cut its rates by 0.25%, as expected. This marks the resumption of rate cuts after a nine-month break. Powell stressed that the move reflects a risk-management decision amid a deteriorating labour market and potential upside risk to inflation from tariffs. Cautious comments from Board members highlight that the FOMC remains divided over its next steps. The economy is still running strong, inflation expectations are firmly anchored, hence further signs of a labour market slowdown will be needed to justify a continuation of monetary easing. In Europe inflation forecasts for year-end stand around 2%, broadly in line with the ECB's target and one reason why markets consider further rate cuts in 2025 unlikely.

Looking at government bonds, while market expectations for future Fed cuts initially remained largely unchanged in the aftermath of the meeting, subsequent data releases cooled investors' optimism about the pace of future rate cuts. In this context, short-term yields have resumed their rise, with the two-year note back at 3.60% from 3.50%, while the ten-year reached 4.13%. At the long end, the flattening trend continued, with the 5-30 year spread sliding again below 100 basis points. Movements in Europe have been pretty much contained. The German two-year yield remains anchored in a tight trading range around 2%, mainly following the US data, while the ten-year sits around 2.72%. The BTP-Bund spread widened once again, reaching 83 basis points, despite Fitch's recent upgrade of Italy to BBB+ with stable outlook. France, by contrast, continues to suffer the long-term impact of its downgrade by Fitch (from AA- to A+). France now ranks among the peripheral countries with a spread in line with Italy's and even exceed that of Spain and Greece.

Looking at the currency markets, the US dollar posted gains against all major currencies, supported by long-end Treasury yields holding firmly above 4% and economic data reaffirming the robust health of the US economy. Following the post-FOMC spike to 1.1919, the EUR/USD retraced to 1.1750, after the latest data has scaled back the extent of the Fed's expansionary move. The Pound remained under pressure after the Bank of England left rates unchanged (in line with consensus) and signalled that future cuts will be gradual and cautious. Following an initial depreciation that brought the Yen close to 150 against the dollar and 175 against the euro, the Japanese currency reversed course on expectations that the Bank of Japan will stay the course on monetary policy, driven by concerns over recent inflationary dynamics.

Looking at commodities, Oil prices fell, with Brent Crude down to 68$/b, following reports that OPEC+ is considering a further increase in production in November. Gold by contrast reached a record high of US $3842/oz (+46%YTD), amid central bank purchases and geopolitical tensions.

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

Among the best three names for the month were ASML, Alphabet and Caterpillar. While three of the poorest performing stocks for the month were SPGI, L'Oreal and Sherwin Williams.

During the month, we rebalanced a few positions without changing the overall sector exposure. As of the end of month, there is a cash buffer (approx. 2%) to be allocated.

Source: Morningstar Direct

Market Commentary

Company Overview: CAT US Equity – Caterpillar Inc.

Caterpillar operates with an integrated business model that combines the sale of machinery and engines with a growing component of services and spare parts, creating a mix capable of generating both cyclical growth and recurring high-margin revenues. The company is structured into three main divisions: Construction Industries, Resource Industries and Energy & Transportation. Over the last few years, the balance among these segments has shifted. Construction, historically the most relevant, has seen its weight decline from around 40% of total sales in 2022 to about 36–37% in 2024–2025, reflecting the weakness of private construction and only partial support from public infrastructure spending. Margins, which peaked in 2023, have since normalised toward 19–20%. Resource Industries, accounts for about 18–20% of sales and remains highly exposed to commodity cycles. It expanded strongly during the 2023 upturn in copper and iron ore but then retraced, with margins more volatile and structurally lower than those of Construction.

The real driver in recent quarters has been Energy & Transportation, which has increased from 32–34% of sales in 2022–2023 to nearly 40% in 2024–2025. This segment, which includes turbines, diesel and gas engines, locomotives and marine applications, has benefited from strong demand in oil & gas and power generation, combined with rising service and parts revenues. Margins have steadily improved from 16% to 20%, confirming the defensive profile of this division, which is now the main stabiliser of Caterpillar's overall profitability. The second quarter of 2025 confirmed the trend, with sales rising to $6.6 billion compared to $6.2 billion in the prior year and an operating margin of 19.8%, up from 18.7% a year earlier. Solid demand from energy, together with better pricing and cost control, allowed Caterpillar to compensate for the weakness in its more cyclical segments.

From a geographic standpoint, sales remain concentrated in North America, which accounts for roughly 53%, followed by EMEA at 20%, Asia Pacific at 17% and Latin America at 10%. Compared to 2020, when Asia Pacific represented almost a quarter of group sales, its weight has declined sharply, reflecting weaker Chinese demand and a shift of growth back toward the Americas and Europe. This rebalancing has reduced macro and regulatory risks and reinforced the central role of the US infrastructure cycle in supporting Caterpillar's revenues.

On the balance sheet side, the debt profile highlights notable stability. Despite the sharp rise in interest rates since 2022, interest expense has remained broadly flat. This is the result of long-term fixed-rate issuance, the use of hedging instruments, and the "match funding" approach of Caterpillar Financial, which aligns its liabilities with the loans it extends to clients and dealers. Leverage remains significantly below the sector average, fluctuating between 0.33x and 0.5x versus an industry average of 1.4x, confirming the strength of the balance sheet and leaving ample room for additional investment. Growth expenditures, calculated as the difference between capex and depreciation, show a clear upward trend. When annualised, the levels of the first half of 2025 already exceed the full-year figures of 2020 and 2021. This reflects Caterpillar's long-term strategy to expand services, digital capabilities and production efficiency, with the stated objective of doubling service revenues by 2030. The backlog continues to rise steadily, surpassing $37 billion at the end of June 2025, providing strong visibility on future sales.

In valuation terms, the stock reflects Caterpillar's ambivalent nature, at once cyclical and defensive. Year-to-date, the shares are up roughly 35%, outperforming the capital goods sector index, which has gained about 30% over the same period. Since 2021, the cumulative outperformance versus the sector exceeds 50%. While still correlated with US GDP, Caterpillar's results have been less volatile thanks to its diversified business mix and the growing importance of Energy & Transportation. On a five-year view, the stock trades at 23.9x earnings versus a historical average of 17.1x. Although below the 2021 peak at 28x, the current multiple sits well above the positive standard deviation of the mean, suggesting that the market is assigning a structural premium in recognition of the company's stronger and more balanced profile.

This premium does not necessarily signal overvaluation, but rather an acknowledgment of Caterpillar's ability to sustain profitability in a complex macro environment. For investors, the stock remains a strategic holding in the infrastructure space, but one that benefits from tactical money management. Trimming positions during phases of exuberance and reallocating capital during market pullbacks, especially as the cyclical parts of the business show signs of slowing in line with macro data. The offsetting strength of Energy & Transportation, however, continues to provide resilience and growth.

From a quantitative perspective, our proprietary Z-score model confirms this picture of stability. The latest readings show a Z-cross of 0.32 and a Z-momentum of 0.12, both in positive territory after two slightly negative prints. The combined score of 0.42 remains consistently above the benchmark, underscoring Caterpillar's profile as a stock that blends solid fundamentals with favourable momentum.

Source: Morningstar Direct