

# Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report  
As of 31/12/2025



## 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](http://www.azimutinvestments.com.au)

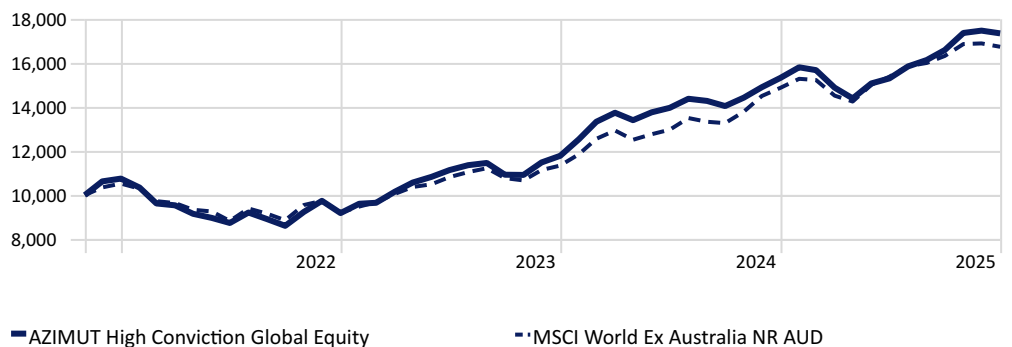
## Latest Performance\*

	1-mth	3-mths	6-mths	1-yr	2-yr	3-yr	S.I.
AZIMUT High Con Global Equity	-0.71	4.57	13.38	13.20	21.34	23.65	12.77
MSCI World Ex Australia NR AUD	-0.90	2.55	8.85	12.53	21.50	22.08	12.51

## 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.

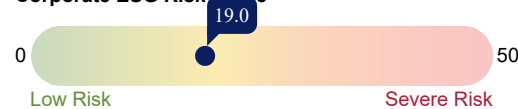
## \$10,000 invested over time



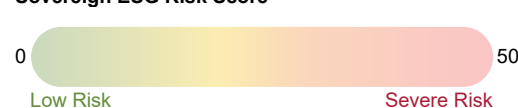
## ESG Risk Score

● AZIMUT High Conviction Global Equity

### Corporate ESG Risk Score



### Sovereign ESG Risk Score



## ESG Pillar Score



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## Top 10 Holdings

Portfolio Date: 31/12/2025

	%
Microsoft Corp	5.50
JPMorgan Chase & Co	5.00
NVIDIA Corp	5.00
Alphabet Inc Class A	4.75
Apple Inc	4.75
ASML Holding NV	4.50
Taiwan Semiconductor Manufacturing Co Ltd ADR	4.50
Amazon.com Inc	3.75
Lvmh Moet Hennessy Louis Vuitton SE	3.75
Bank of America Corp	3.50

## Equity Sectors

Portfolio Date: 31/12/2025

	%
Basic Materials	2.55
Consumer Cyclical	12.76
Financial Services	18.37
Real Estate	0.00
Consumer Defensive	6.38
Healthcare	8.67
Utilities	3.57
Communication Services	7.65
Energy	3.57
Industrials	8.93
Technology	27.55

## Regional Exposure

Portfolio Date: 31/12/2025

	%
North America	66.84%
Latin America	0.00%
United Kingdom	0.00%
Europe Developed	23.21%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	2.55%
Asia Developed	4.59%
Asia Emerging	2.81%

## 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 50 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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## Market Commentary

Equity markets ultimately continued their upward trend in December for the ninth consecutive month. However, the month was highly volatile, with significant dispersion between sectors and regions. Markets were nevertheless reassured by the Fed's rate cut and the resilience of the U.S. economy. On the same note, the new year opened with a continued positive momentum in risky assets, despite the U.S. intervention in Venezuela, once again underscoring how financial markets remain primarily focused on macroeconomic dynamics and corporate earnings rather than geopolitical developments.

The release of third-quarter U.S. GDP data reassured markets about the robust growth potential registering a solid quarterly expansion of 4.3% after the already strong 3.8% growth in Q2, despite the drag from tariffs. Consequently, growth accelerated to 2.3% YoY from 2.1% YoY, beating estimates made earlier in the year. Preliminary December PMI readings pointed to a mild moderation in business confidence across both the manufacturing and services sectors. Nonetheless, both indices remain in expansionary territory, signalling a continued recovery in economic activity. Looking at the labour market, non-farm payrolls for October and November showed a combined downward revision of 41,000 jobs, while the unemployment rate rose above expectations to 4.6%. These figures, however, were impacted by the longest government shutdown in history, as a result, labour market indicators continue to send mixed signals and are likely to require several months to fully normalise. Inflation, by contrast, surprised to the downside, both in the headline component (2.7% vs expectations of 3.1%) and in the core measure (2.6% vs 3.0% expected). PMI indices sent mixed signals about activity in the Eurozone. The data showed a slight deterioration in activity both in the manufacturing (from 49.6 to 48.8) and services sectors (from 53.6 to 52.4). The deterioration in purchasing managers' sentiment was mainly driven by Germany, where both indices fell. EU inflation remained close to target. December inflation showed a positive surprise both in the core measure (2.3% vs the previous reading of 2.4%) and in the headline figure, which fell to 2.0% from 2.1%.

As far as central banks go, as expected, the FOMC cut rates by 25 basis points bringing them to a range of 3.50% to 3.75%, and announced monthly purchases of \$40 billion in Treasury bills for a limited period. As expected, the rate decision was not unanimous and, for the first time since 2019, registered three dissenting votes. The updated projections showed upward revisions to growth and lower inflation estimates. Powell described the current level of rates as close to neutral and signalled a shift toward a "wait and see" stance. Against this backdrop the market is anticipating two rate cuts, the first of which is highly likely in April. The ECB kept interest rates unchanged for the fourth consecutive meeting. Growth forecasts were revised up for the next two years, while on the inflation front, the new projections signal confidence in a medium-term stabilisation around the 2% target. Overall, the message points to a rather extended pause in the rate cycle. The Bank of England cut its policy rate by 25 basis points (to 3.75%), as expected. The decision, however, confirmed a clear split in the council. On the contrary, the Bank of Japan raised its policy rate to 0.75% (the highest level since 1999), in line with expectations, suggesting room for additional hikes should market conditions allow.

During the month, government bonds highlighted divergent patterns across major global economies. In the U.S., expectations for further Fed rate cuts in 2026 have driven a bull steepening of the Treasury yield curve with the two-year yield falling to 3.46% and the ten-year to 4.13%, respectively. Long-term European bonds instead faced upward pressure given France's difficulties in reaching a consensus on the 2026 budget in a divided Assembly. Discussions are set to continue next year, while in the meantime a special law will be passed to manage ordinary expenditures. The politic situation pushed the 10-year OAT yield above 3.60%, while the spread remains slightly above 70 basis points, in a context of upward pressure also on the German 10-year (2.85%) and 30-year (3.47%) yields. The Italian 10-year, however, kept its spread unchanged, with the BTP-Bund at 70 basis points, equivalent to a yield of 3.11% (from 3% at the beginning of the month). JGB yields climbed, exceeding 2%, their highest level since 1999.

In the currency markets, the euro managed to consolidate last month's gains and after a brief attempt to break level of 1.18, closed the year just above 1.17. The Bank of Japan's rate hike and even more hawkish tones from Governor Ueda regarding the next steps in monetary policy were unable to reverse the yen's trend, which continued to weaken against all major currencies. The cross USD/JPY continued to climb, reaching a high of 157.40.

Looking at commodities, oil prices are trading near their yearly lows, with Brent crude having dipped below \$60 per barrel, on expectations of a sizable production surplus in 2026 and after the recent developments in Venezuela. Despite recent profit-taking, precious metals have remained close to recent highs, with gold around \$4,330/oz and silver near \$72.80/oz.

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 three best performing stocks during the month were Toyota, Roche and ConocoPhillips. While among the worst three performing names were Costco, Essilor Luxottica and NextEra.

During the month we rebalanced a few positions without changing the overall sector exposure. As of the end of month, we have a buffer of cash (roughly 2.5%) to be allocated.

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## Market Commentary

### Company Overview: HD U.S. Equity – Home Depot Inc

Home Depot operates a large-scale home improvement retail model focused on the sale of building materials, tools and home-related products to both DIY customers and professional contractors, supported by an integrated network of physical stores, digital channels and centralised logistics. A key driver of the business model is the growing focus on the professional customer, which benefits from higher average tickets, repeat purchasing and more predictable demand, supporting revenue stability even during housing slowdowns.

On a revenue base of approximately \$166bn LTM, the product mix is well diversified, with core categories such as building materials, lumber, appliances, plumbing, electrical and indoor/outdoor garden each contributing roughly 4–8% of total sales, limiting dependence on any single category. Importantly, the LTM product breakdown remains broadly in line with the three-year historical average, indicating stable demand rather than temporary post-pandemic distortions.

From a geographic perspective, revenues are highly concentrated in the United States, which accounts for over 90% of total sales, while international exposure, mainly Canada and Mexico, remains limited. While this concentration increases sensitivity to U.S. housing dynamics, it also reflects a deliberate focus on scale, operational efficiency and margin stability, reinforcing Home Depot's profile as a focused, cash generative operator with resilient returns across the cycle.

Home Depot's valuation reflects a year of muted equity performance despite resilient fundamentals. In 2025, the stock declined by approximately 11.5%, underperforming the broader market and lagging a slightly positive performance in the Consumer Discretionary sector. This underperformance appears primarily driven by macro headwinds rather than company-specific deterioration, as elevated interest rates and weak housing turnover continued to weigh on investor sentiment toward home improvement retailers.

Despite solid operating results, the normalisation of margins and the absence of near-term growth catalysts limited valuation expansion. Market leadership in 2025 remained concentrated in AI-driven and high-growth segments, reducing relative demand for mature, cash-generative quality names such as Home Depot.

From a valuation perspective, signals appear broadly neutral. Both the self-relative Z-score and the cross-sector Z-score currently stand close to zero, indicating that the stock is trading near fair value relative to both its own historical valuation range and sector peers. Importantly, this suggests that downside risk from valuation compression appears limited, while upside potential would likely depend on improving macro visibility and housing stabilisation.

Overall, Home Depot remains a high-quality compounder with strong cash generation and returns on capital, even if it has not been a market leader in the current environment. At current valuation levels, the stock may benefit from a rotation back toward quality and defensive growth, supporting a balanced and constructive medium-term risk-reward profile.