Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/03/2025

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

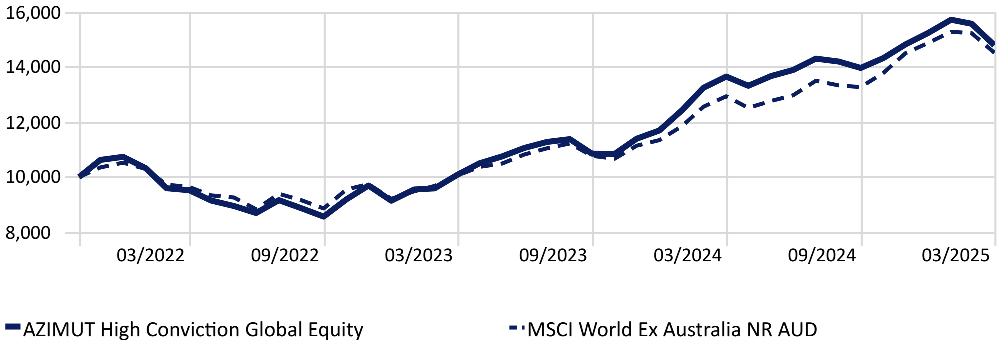
Latest Performance*

	1-mth	3-mths	6-mths	1-yr	2-yr	S.I.
AZIMUT High Con Global Equity	-5.04	-2.97	5.90	8.33	21.14	10.45
MSCI World Ex Australia NR AUD	-4.67	-2.41	9.42	12.25	20.20	10.70

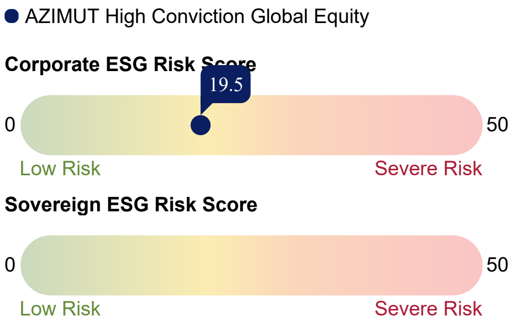
Investment Approach

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

4.8 Environmental
9.0 Social
6.1 Governance
0.0 Unallocated

Source: Morningstar Direct

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Top 10 Holdings

Portfolio Date: 31/03/2025

	%
JPMorgan Chase & Co	4.96
Apple Inc	4.95
Microsoft Corp	4.69
Alphabet Inc Class A	4.57
NVIDIA Corp	4.40
ConocoPhillips	4.21
Taiwan Semiconductor Manufacturing Co Ltd ADR	4.16
Costco Wholesale Corp	4.10
ASML Holding NV	4.02
Lvmh Moet Hennessy Louis Vuitton SE	3.87

Equity Sectors

Portfolio Date: 31/03/2025

Basic Materials	2.64
Consumer Cyclical	12.99
Financial Services	18.68
Real Estate	0.00
Consumer Defensive	6.80
Healthcare	11.48
Utilities	3.30
Communication Services	7.07
Energy	4.35
Industrials	9.73
Technology	22.95

Regional Exposure

Portfolio Date: 31/03/2025

North America	64.29%
Latin America	0.00%
United Kingdom	0.00%
Europe Developed	25.30%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	3.76%
Asia Developed	4.30%
Asia Emerging	2.36%

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

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Market Commentary

March has once again been characterised by nervousness due to the geopolitical crisis and renewed tensions between the USA and the EU regarding mutual trade tariffs, including a 25% levy on imported cars and auto-parts set to kick off as early as April 2. The situation remains very fluid with fears of negative repercussions for global growth at a time when expectations of higher inflation could slow the central banks easing process. On a more positive note, the unfavourable scenario of a trade war escalation has been countered by the recent fiscal policy developments in Germany. The approval of a massive defence plan and the new course of German debt represents a significant game changer in Europe. The EU Commission has adopted a massive support plan for the military industry called “ReArm Europe’ (approx. €800 billion over four years), which won't count towards the stability pact's deficit/GDP ratio (maximum 3%). In addition, the new German government agreed on the budget reform plan. The proposal aims to reform the debt brake rule and to create a fund endowed with €500 billion over 12 years for infrastructure. The removal of the debt brake, a budgetary rule provided for by the German Constitution since 2009, which limited the structural public deficit to 0.35% of GDP, should make it possible to exclude defence spending beyond 1% of GDP.

The economic uncertainty generated by announcements and measures by the current U.S administration is beginning to impact household confidence. During the month, soft data showed signs of weakness (essentially confidence indicators) in the presence of hard data numbers (consumption, production) that are still holding up well. The U.S. March flash PMI showed a welcome rebound in services activity (rising to 54.3 from 51.0). However, the positive momentum was tempered by weakening future output expectations, which approached cycle lows amid concerns over federal spending cuts, tariffs, and broader policy changes from the new administration. The manufacturing indicator reverted to contractionary territory (49.8) after two months of expansion. Euro Area PMIs remained resilient overall, as the composite PMI increased 0.2 to 50.4. This modest improvement was predominantly driven by manufacturing sector strength, which advanced to 50.7, while services activity moderated slightly, declining to 50.4. Turning to prices, the U.S. CPI slowed to 2.8% in February (compared with 3% in January). On the contrary, the core PCE index, the Fed's favourite measure of inflation, rebounded from 2.7% to 2.8%, mainly due to higher medical and service costs. Economic uncertainty is starting to affect the consumers: the University of Michigan's consumer confidence index fell to 57 in March, returning to its lowest level since November 2022, meanwhile long-term household inflation expectations, continued to rise. Early country specific CPI releases across Europe came in softer than expected, pointing to an aggregate number of 2.3%, unchanged from February. In China, the manufacturing PMI rose from 50.2 to 50.5, with the non-manufacturing PMI also up, confirming that the stimulus introduced by the government is supporting the economy. On the other hand, February’s consumer price index (CPI) fell 0.7%, dropping below zero for the first time in 13 months and below expectations of -0.4%. The decline in inflation was attributed to seasonal distortions and deflationary pressures, with a rare drop in food prices and a decline in service prices.

As far as central banks go, as widely anticipated, the ECB proceeded with the cut of the Depo to 2.5% and described current rates as "significantly less restrictive", suggesting that a pause in the easing cycle at the April meeting cannot be ruled out. The worsening outlook for the European economy, however, increases the likelihood that the ECB will intervene to support growth. The market continues to bet on two more 0.25% cuts between now and the end of the year. The Fed kept rates unchanged and tried to play down concerns about the impact of Trump's trade war on inflation, calling the inflationary effect of tariffs “transitory”. The growth outlook was revised from 2.1% to 1.7% for 2025, while the inflation outlook was raised from 2.5% to 2.8%. The most recent statements by Fed members confirm a climate of uncertainty that warrants a possible prolonged pause on rates.

The main theme in government bond markets has been curve steepening, driven by rising long-term yields in the U.S. and falling short-term yields in Europe. The longest end of the U.S. curve suffered the most, with the 30-year yield reaching 4.73%, while the spread versus the 10- year widened to levels last seen in September. The spread versus the 2-year widened even further, reaching 73bp, after expectations of Fed cuts linked to the negative impacts on growth from tariffs led to a drop in short-term yields back below 4%. The greater-than-expected tariff hikes on U.S. auto imports contributed to extending the steepening trend in the European curve as well pushing short-term rates lower, with the German 2-year yield dropping below 2%, the lowest level since December, suggesting a 50% chance of a third rate cut before the end of the year. The decline in the 10-year yield was more contained, with the yield back at 2.68% suffering from expectations of increased issuance linked to German fiscal spending. Peripheral and semi-core country spreads are holding up well; Italy’s spread remains stable at about 112 basis points, while France’s spread is under 70 basis points. Nonetheless, the surge in German Bund yields since the announcement of Germany’s massive new spending plan has spilled over to all eurozone government bonds, significantly raising borrowing costs for Italian debt.

Credit spreads have been on a rollercoaster ride since the beginning of March, following news on fiscal stimuli related to defence spending from the EU and Germany at first, and then the repercussions of the trade war. It is worth noting that the deterioration in sentiment was more evident on high-yield debt instruments, where spread widening has been in the range of 40 to 50 basis points. At present, the credit spreads in Europe are lower than in America due to the divergence of expected economic potential.

On the currency market, the euro/dollar cross lost ground, closing in the 1.08 area, on the back of the new tariff regime and upward pressures on inflation. The risk aversion sentiment generated by fears of a global slowdown continues to weigh on emerging currencies, favouring purchases on classic safe-haven currencies, particularly the yen. The U.K. pound showed some weakness after the February inflation figure came in lower than expected, paving the way for another rate cut at the May meeting. Finally, worth mentioning the fall of the Turkish lira after the arrest of Istanbul's mayor and street protests, against Erdogan's increasingly authoritarian regime.

Looking at commodities, the uncertainty fuelled by the global trade war continued to favour gold, which reached a new all-time high at $3,120, boosted by growing demand for safe-haven assets. On the energy front, oil rose on fears of a possible reduction in global supply after the United States announced tariffs on some countries buying oil from Venezuela. Conversely, gas fell on the prospect of a resumption of exports from Russia.

Source: Morningstar Direct

Market Commentary

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 UnitedHealth, Allianz and Enel. While among the worst three performing names were Novo Nordisk, Nike 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 3.25%) to be allocated.

Source: Morningstar Direct