Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/07/2024

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

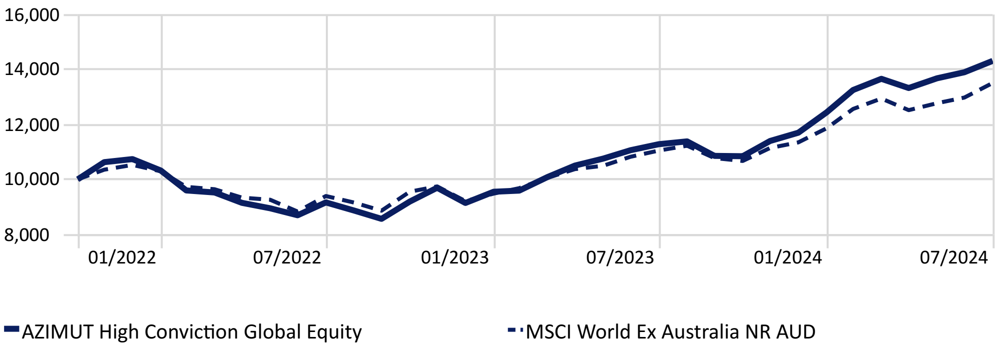
Latest Performance*

	1-mth	3-mths	6-mths	1-yr	2-yr	S.I.
AZIMUT High Con Global Equity	2.98	7.42	15.06	26.90	25.00	11.82
MSCI World Ex Australia NR AUD	4.08	7.88	13.89	22.26	19.92	10.49

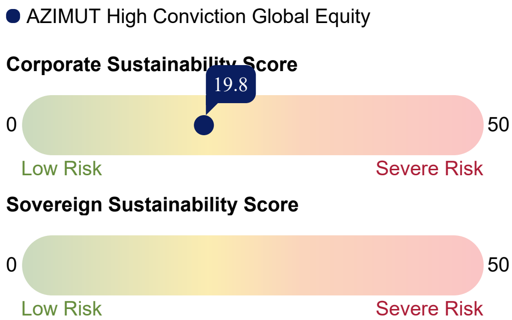
Investment Approach

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



Sustainability Score



ESG Pillar Score

4.0 Environmental

9.0 Social

6.4 Governance

0.1 Unallocated

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. Our parent company Azimut is Italy's largest independent asset manager listed on the Italian stock exchange. The group manages over AU$55 billion in assets globally including over AU$6 billion in multi-manager solutions.

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Source: Morningstar Direct

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Top 10 Holdings

Portfolio Date: 31/07/2024

	%
Apple Inc	5.75
JPMorgan Chase & Co	5.47
Alphabet Inc Class A	4.87
Microsoft Corp	4.81
NVIDIA Corp	4.31
ASML Holding NV	4.23
Taiwan Semiconductor Manufacturing Co Ltd ADR	4.13
Roche Holding AG	3.86
Costco Wholesale Corp	3.85
Toyota Motor Corp	3.78

Equity Sectors

Portfolio Date: 31/07/2024

Basic Materials	3.34
Consumer Cyclical	12.31
Financial Services	18.91
Real Estate	0.00
Consumer Defensive	6.64
Healthcare	13.51
Utilities	3.51
Communication Services	6.43
Energy	3.05
Industrials	8.59
Technology	23.71

Regional Exposure

Portfolio Date: 31/07/2024

North America	65.12%
Latin America	0.00%
United Kingdom	0.00%
Europe Developed	25.35%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	3.86%
Asia Developed	4.22%
Asia Emerging	1.46%

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

Several issues took centre stage during the month interrupting the positive sentiment in the markets. In France, the runoff election completely overturned the result of the first round, even though the stalemate does not seem to be resolved in the short term. In the United States, Biden's withdrawal from the race in favour of Kamala Harris helped reduce the uncertainty associated with the Democratic nomination, but in the background, however, fears related to U.S. policy are looming in the wake of Trump's statements on monetary and geopolitical policy. A rather disappointing quarterly earnings season, combined with fears of escalating trade tensions between China and the United States led to a sharp sell-off in US technology stocks. Meanwhile investors are starting to question the possibility that returns on AI investments will take longer than expected.

Looking at the macro picture in the United States, the economic calendar proved reassuring. The first release of Q2 GDP printed at 2.8% annualized well above market expectations and doubling the growth rate of the first quarter. Job markets remained resilient while PMI came in above expectations at a composite level. There were also positive readings for personal consumption. Recent data confirmed that inflation has resumed its downward trend after surging earlier this year: CPI index - which excludes food and energy costs - rose by 0.1% in June (vs. 0.2% in May), the slowest pace since August 2021.The year-on-year measure rose by 3.3% (vs. 3.4% in May), also the slowest pace in over two years. Similarly, the PCE price index came in at 2.5% y/y in June, a slight deceleration on the previous month's 2.6% and perfectly in line with consensus. Excluding volatile items, the Fed's preferred measure of inflation remained stable compared to May at 2.6%. The first estimate of second-quarter GDP growth in the Eurozone came in at 0.3% q/q, against a consensus of 0.2%. Overall, despite beating expectations, these preliminary figures confirm that the economic situation remains fragile. Indeed, the latest PMIs confirmed once more the difficulties experienced by the manufacturing sectors and they were well represented in the drop in the national IP. The manufacturing index came out at 45.6, extending a contraction that has been uninterrupted for two years now. At 51.9, the services index continued to expand, but fell by 0.9bp for the third consecutive month. The IFO business climate index for Germany fell to 87.0 in July from 88.6 last month. This is the third consecutive month of decline after the brief upturn in the first quarter of the year. This reading along with the erosion in industrial confidence shown by the PMI's should prompt the ECB to initiate further rate cuts. Turning to inflation the core CPI, excluding energy and food, came out at 2.9% in June, the same level as in May. In China, national PMI indices were almost in line with expectations, confirming the economy's stagnation and uninspiring outlook for the coming months.

Concerning monetary policy, the FED left rates unchanged, as widely expected, and opened the door for a cut in September if there are no surprises from inflation and data goes in the expected direction. In Europe, the ECB has decided to keep its key interest rates unchanged after an initial 25bp cut in June. Lagarde stressed that the central bank would not commit to a predefined rate-cutting path, and that it would remain data-dependent. Markets have not changed their outlook and expect almost two further rate cuts between now and the end of the year. The People's Bank of China surprised by cutting the cost of its one-year loans by 20bps to 2.3%, the most since April 2020, acting just days after cutting a key short-term rate in a sign of greater support for the economy. The BOJ raised its key rate to around 0.25%. This increase was not fully expected. The central bank also said it would reduce its monthly bond-buying pace to around 3 trillion yen.

In the currency market, the Dollar Index (DXY), which measures the dollar's strength against a basket of reference currencies, recorded a slight depreciation (1.082 vs euro). This reduction was partly due to the strength of the Swiss franc benefiting from a risk-off effect and a rebound of the Yen, fuelled by what appears to be an unwinding of carry-trade operations after the BoJ's decision to raise rates.

Regarding commodities, Brent oil registered its third consecutive week of decline, mirroring movements in risky assets. The European benchmark fell to slightly above 80$/b on fears of global economic slowdown, particularly China. Among precious metals, gold did benefit from its theoretical status as a safe-haven asset (+3% in July at 2.424$oz), amid geopolitical fears and the risk of escalating tensions in the Middle East.

Stocks in Focus: ROCHE

Roche Holding AG, one of the worlds' largest healthcare companies, operates through two main divisions: Pharmaceuticals and Diagnostics. The Pharmaceuticals Division focuses on oncology, immunology, and neuroscience, generating $49 billion in revenue in 2023. The Diagnostics Division covers Diabetes Care, Molecular Diagnostics, Professional Diagnostics, and Tissue Diagnostics, developing advanced solutions for personalized patient care, with a 2023 revenue of $15 billion.

After peaking in April 2022 due to high demand for COVID-19 products, Roche's stock fell significantly, dropping below 200 CHF by May 2024. This 32% decline was due to post-pandemic normalization, patent expirations, and increased competition. However, positive clinical trial results for the obesity drug CT-996 sparked a 29% recovery by August 2024.

In 2023, Roche reported group sales growth of 1% USD at constant exchange rates but a 7% decline in CHF due to the Swiss franc's appreciation. The Pharmaceuticals Division grew 6% at CER, driven by newer drugs like Vabysmo and Ocrevus, despite biosimilar competition. The Diagnostics Division saw a 13% sales decline mainly due to reduced COVID-19 test demand. Core EPS rose 6% to 18.57, missing investor expectations due to reduced tax benefits.

The first quarter of 2024 saw at 2% sales increase 15.3 billion CHF. By the second quarter, group sales grew 5% at CER to 29.848 billion CHF, with strong contributions from new product launches. The Pharmaceuticals Division excelled with key drugs like Ocrevus and Evrysdi, while the Diagnostics Division rebounded with 9% growth at CER.

Source: Morningstar Direct

Market Commentary

Roche’s pipeline remains strong, with developments like CT-996 revitalizing investor confidence. The company is investing heavily in R&D, focusing on oncology and neurology. Roche’s operating margin of 26.22% in 2023 outperformed the S&P Pharma sector average of 17.66%, demonstrating effective cost management. Despite a lower cash-to-total-debt ratio of 17.46% compared to the sector average of 40.26%, Roche’s strategic use of debt supports growth. Its free cash flow yield of 6.31% in 2023, higher than the sector average of 3.41%, indicates strong cash generation capabilities.

Overall, Roche has shown resilience, leveraging its innovative pipeline and strategic investments to maintain a strong competitive position. The company's robust performance in early 2024 and promising pipeline developments position it for sustained growth, ensuring Roche remains a formidable player in the healthcare sector.

Source: Morningstar Direct