Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 30/09/2024

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

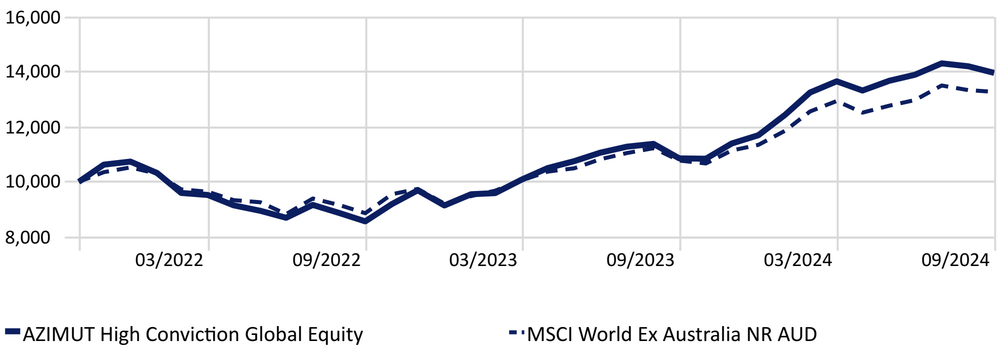
Latest Performance*

	1-mth	3-mths	6-mths	1-yr	2-yr	S.I.
AZIMUT High Con Global Equity	-1.69	0.49	2.25	28.67	27.73	10.13
MSCI World Ex Australia NR AUD	-0.47	2.30	2.58	23.21	22.42	9.18

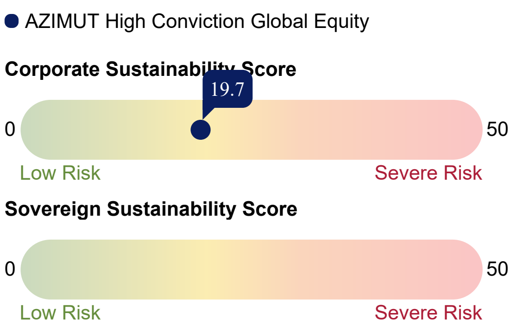
Investment Approach

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

3.9 Environmental
8.8 Social
6.3 Governance
0.0 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.

www.azimutinvestments.com.au

Source: Morningstar Direct

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Top 10 Holdings

Portfolio Date: 30/09/2024

	%
Apple Inc	5.14
Alphabet Inc Class A	4.91
JPMorgan Chase & Co	4.86
Microsoft Corp	4.82
ASML Holding NV	4.69
Lvmh Moet Hennessy Louis Vuitton SE	4.44
Costco Wholesale Corp	4.37
NVIDIA Corp	4.33
Taiwan Semiconductor Manufacturing Co Ltd ADR	4.07
The Home Depot Inc	3.44

Equity Sectors

Portfolio Date: 30/09/2024

Basic Materials	2.30
Consumer Cyclical	14.37
Financial Services	17.88
Real Estate	0.00
Consumer Defensive	7.14
Healthcare	12.31
Utilities	3.22
Communication Services	6.72
Energy	3.19
Industrials	9.19
Technology	23.68

Regional Exposure

Portfolio Date: 30/09/2024

North America	64.29%
Latin America	0.00%
United Kingdom	0.00%
Europe Developed	26.34%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	3.51%
Asia Developed	4.18%
Asia Emerging	1.68%

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 month of September was primarily driven by slowing, though not worrying, macro numbers and inflation converging towards central banks' long-term targets. After several negligible attempts to revive the economy, the Chinese authorities have decided to support growth with a major fiscal and monetary stimulus which is the largest support plan in years. The “bazooka” arsenal of measures announced sparked a massive rebound in the Asian continent. European stock markets also benefited from this turnaround, particularly those sectors most exposed to exports with China, such as luxury stocks, but also automobiles and raw materials. Against this backdrop, equity and bond markets delivered positive returns, enabling them to close the month at new annual highs.

Looking at the economy signs of deteriorating growth intensified for the eurozone with both new orders and the employment component worsening, while inflationary pressures eased further. PMI indices continued to show negative activity signals with the PMI composite dropping into recessionary territory (48.9) for the first time since the beginning of the year. Moreover, the ECB recently revised down its growth forecasts for next year due to weak domestic demand, with retail sales volumes falling since June 2022. Without an upturn in consumer confidence, economic growth in the Eurozone is likely to remain weak over the coming quarter. Meanwhile, inflation fell to 1.8% for the first time since 2021. These lower-than-expected figures reinforce expectations that the ECB could accelerate its easing policy after cutting rates twice this year. In the United States some indicators seem to hint at a mild moderation in the economic activity. The focus is now on the labour market where data provided mixed indications in the latest weeks. In the meantime, GDP for the second quarter confirmed an annualized growth of 3%, accelerating from 1.6% in the first quarter. The new measure shows a smaller contribution from consumption, which nonetheless remains the main driver of growth, buoyed by falling inflation that is restoring consumer purchasing power for the consumer. As a matter of fact, retail sales remained at their highest level as household income continued to rise thanks to the contribution of the wage component. The PCE index (the Fed's preferred inflation measure) came in at 2.2% (down from 2.5%), while the PCE Core which was expected to be stable at 2.6%, rose to 2.7%.

In China, PMI indices indicated that activity in the services sector lost further momentum in September and contracted marginally in the manufacturing sector. The recent measures announced by the Chinese authorities should enable growth to regain sufficient momentum to meet the government's 5% growth target for 2024.

As far as central banks go, the Fed has cut rates by 50bps (against an expectation of 25bps) in an effort to recalibrate the policy stance rather than a sign of concern about the health of the labour market. The Fed's decision reinforces expectations of a soft landing for the US economy. On the other hand, the Fed has tempered future rate cut expectations (notably an additional 50bps between now and the end of the year), as the US economic situation remains resilient. Looking at the eurozone, intensifying signs of economic weakness and recent inflation numbers have led the market to predict almost with certainty a rate cut at the next ECB meeting in October.

In the currency market, the sharper-than-expected Fed move prompted the dollar to update its lows vs euro at 1.12. After the sharp appreciation since mid-July, the yen stabilized not far from its highs helped by the BoJ process of monetary normalization in order to exit negative rates. The yuan continued to be strong (below 7 vs. the dollar) reflecting, along with the stock markets, the measures implemented by the authorities to counter the crisis in the real estate sector and revitalize the economy.

Finally, oil prices remained under pressure despite Beijing's initiatives to boost its economy and after the Financial Times revealed that Saudi Arabia was ready to abandon its goal of $100 a barrel to regain market share. Brent fell by -9% over the month to $72/b. Gold continued to climb, setting consecutive new records due to declining bond yields and the geopolitical backdrop. The precious metal closed the month at $2,640 an ounce, rising by 28% since the beginning of the year.

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 Home Depot, Kone and Tencent. While among the worst three names were Toyota, Novo Nordisk and ASML.

Source: Morningstar Direct

Market Commentary

Stocks in focus: ROCHE

Home Depot, Inc. is the largest home improvement retailer in the world, with a strong presence in the U.S., Canada, and Mexico. Founded in 1978, the company serves both DIY customers and professional contractors, offering a wide range of products and services, including specialized consultations and installations. Its omnichannel strategy, which integrates physical and online sales, has allowed Home Depot to remain resilient in a rapidly evolving retail environment. Customers can purchase online with in-store pickup or home delivery options, which has been key in maintaining high levels of customer engagement.

Despite a significant price drop from its peak of around $420 in December 2021 to a low of $250 in July 2022 (a 55% decline), Home Depot continued to generate strong revenues and profits. In 2022, revenues reached $151.2 billion, with a net income of $17.1 billion. By 2023, the company maintained this robust performance, posting revenues of $157.4 billion and a net income of $15.1 billion. One of the key highlights is that Home Depot consistently maintained an operating margin around 15%, demonstrating the company’s ability to manage costs effectively and sustain profitability even in challenging conditions.

In the first half of 2024, Home Depot has continued to show resilience despite macroeconomic pressures. For the second quarter, revenues reached $43.2 billion, with a 15.1% operating margin and net income of $4.6 billion. Though comparable sales were down 3% due to higher interest rates and economic uncertainty, the company’s strategic investments in technology and its efficient supply chain helped maintain its financial strength. The resilience of this company's fundamentals has allowed it, from the lows of July 2022, to record +56%, reaching the $407 mark, moving ever closer to its December 2021 highs.

Home Depot’s ability to withstand economic cycles is closely tied to its exposure to the U.S. housing market. Even during times of rising mortgage rates and slowing home sales, demand for home renovations remained strong, as homeowners opted to improve their existing properties rather than face higher purchasing costs. The expansion of its B2B segment, bolstered by acquisitions like SRS Distribution, provided a stable source of revenue, less sensitive to fluctuations in consumer demand.

Efficient inventory management and adaptability have allowed Home Depot to stay competitive in pricing and manage costs effectively, contributing to its strong margins. In summary, Home Depot has proven to be a largely countercyclical company, capable of navigating economic downturns due to its strong business model, sustained demand in the home improvement sector, and the resilience of the U.S. housing market, which has supported the company even during challenging times.

Source: Morningstar Direct