Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 30/11/2024

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

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

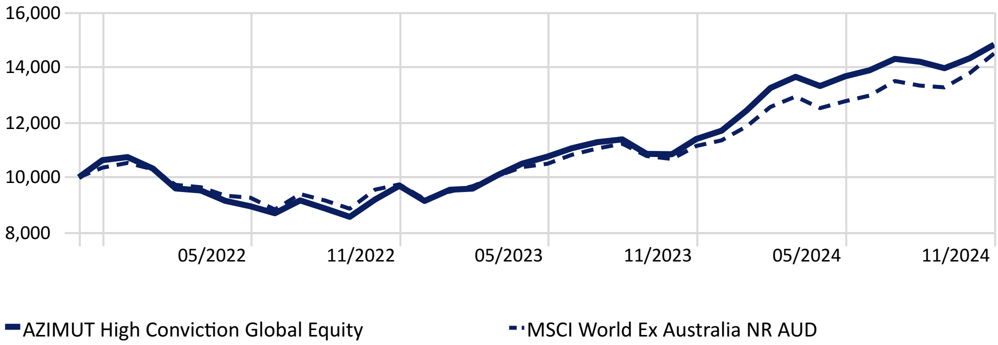
Latest Performance*

	1-mth	3-mths	6-mths	1-yr	2-yr	S.I.
AZIMUT High Con Global Equity	3.46	4.40	8.43	30.14	23.70	11.76
MSCI World Ex Australia NR AUD	5.18	8.79	13.61	30.23	22.04	11.92

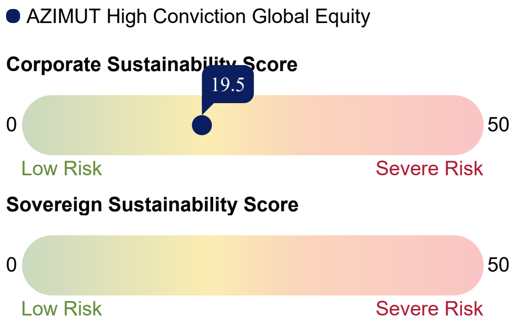
Investment Approach

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

4.1 Environmental
9.0 Social
6.3 Governance
0.0 Unallocated

Source: Morningstar Direct

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Top 10 Holdings

Portfolio Date: 30/11/2024

	%
Apple Inc	5.35
Alphabet Inc Class A	5.06
Microsoft Corp	5.00
JPMorgan Chase & Co	4.96
Costco Wholesale Corp	4.54
NVIDIA Corp	4.52
Taiwan Semiconductor Manufacturing Co Ltd ADR	4.32
ASML Holding NV	4.10
Lvmh Moet Hennessy Louis Vuitton SE	3.70
UnitedHealth Group Inc	3.68

Equity Sectors

Portfolio Date: 30/11/2024

Basic Materials	2.33
Consumer Cyclical	13.19
Financial Services	17.59
Real Estate	0.00
Consumer Defensive	7.02
Healthcare	12.61
Utilities	3.21
Communication Services	7.01
Energy	3.71
Industrials	9.27
Technology	24.06

Regional Exposure

Portfolio Date: 30/11/2024

North America	65.76%
Latin America	0.00%
United Kingdom	0.00%
Europe Developed	24.42%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	3.59%
Asia Developed	4.46%
Asia Emerging	1.77%

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

November was marked by the US elections, which were the determining factor in asset performance. The scale of the Republican victory, with majorities in both houses of parliament and the White House, should enable President Trump to implement much of his program, particularly the policy of deregulation and tax cuts. Against this backdrop, US risky assets delivered positive performance, massively outperforming other regions affected by sluggish growth, the risk of higher customs duties and a trade war. In the meanwhile, the political situation in Europe has deteriorated, with by-elections imminent in Germany, while in France the absence of an agreement in Parliament over the budget has been causing concern about the risk of a financial crisis.

Looking at the macro picture the latest data confirmed the cyclical divergence between the US and the euro area, where downside risks for the economy between the end of 2024 and the beginning of 2025 have increased. In the US, the second estimate of GDP growth was maintained at an annualised rate of 2.8% for Q3. Although this represents a deceleration on the 3% recorded in the previous quarter, the pace remains high, particularly in relation to other advanced economies currently experiencing stagnation. Growth in the world's leading economy continues to be driven by business investment and household consumption. More recently, the US flash composite PMI reached its highest level in 31 months in November, at 55.3 (vs 54.1 previously), boosted by hopes of lower interest rates and more business-friendly policies from the new Trump administration. The PMI Services index came out at 57, while manufacturing remains below 50 (at 48.8), although stabilising. Economic statistics continued to disappoint in the Eurozone with both manufacturing and services PMIs falling more than expected in November. In both France and Germany, the service sector is contracting, while industry remains in crisis, with the manufacturing PMI penalised by the slowdown in global demand and sluggish investment.

Economic confidence will likely continue to be affected by the growing uncertainties on the geopolitical front, with the resurgence of trade tensions with the USA and China, as well as domestic difficulties (political risk in France and Germany). Turning to the inflation dynamic the core PCE price index, the Fed's favourite inflation measure, rebounded slightly to 2.8% in October from 2.7% the previous month. The European CPI index accelerated slightly in November, rising from 2% to 2.3%, in line with expectations. This rebound, anticipated by the ECB, is essentially linked to the dissipation of base effects on energy prices, which have hitherto been the main contributors to disinflation. Excluding energy, food, alcohol and tobacco, core inflation remained stable at 2.7% for the third month in a row. China's economy showed signs of stabilisation in October following a recovery in consumption. Moreover, the Caixin index of industrial buyers was published at 51.5, the highest level since June and above the expected level of 50.6 and 50.3 in October.

As far as central banks go following Trump's victory, markets tempered their expectations in terms of monetary policy, anticipating only three rate cuts by the Fed between now and the end of 2025. After the cut in November post the US election (Fed funds were cut from 5% to 4.75%), the market is anticipating a further 25bp cut in December with a 60% probability. Against a backdrop of sluggish growth in Europe, expectations are high for a further rate cut in December (the probability of a 50bp cut have risen, although 25bp remains the most likely scenario).

In the currency market the dollar continued to appreciate against a backdrop of diverging monetary policies between the Fed and other central banks. The greenback hit a new year low at 1.0420 against euro on the back of a dovish ECB and sluggish European growth. The risk of tariffs against China, Mexico and Canada announced by Trump had negative repercussions on the currencies of these countries. The Japanese Yen is the only currency to have appreciated against the dollar since the presidential elections (below 150), on the back of Ueda's statements that the BoJ might be close to raising its benchmark rate.

Turning to commodities, the month ended with a clear winner, cryptocurrencies. Bitcoin came close to US $100k on the expectation of a possible deregulation and a direct support from the US administration. Gold fell after hitting a high and ended the month at US $2,650 on the idea of lower geopolitical risks, while Brent crude remained stable around US $74/b, on potential oversupply and weak Chinese demand.

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, in particular, through companies generating revenues in Asian markets.

Among the best three names during the month were Bank of America, JPMorgan and Costco. While among the worst three names were Toyota, Roche and L'Oreal.

We rebalanced a few positions without changing the overall sector exposure. As of the end of month, we have a buffer of cash (roughly 3.00%) to be allocated.

Source: Morningstar Direct

Market Commentary

Stock in Focus: COSTCO

Costco Wholesale Corporation has established itself as one of the leading global operators in the wholesale warehouse sector, thanks to a unique business model based on membership subscriptions and the sale of large-quantity products at competitive prices. With a network of over 860 warehouses and a portfolio of 128 million members, the company offers a diversified assortment ranging from groceries to electronics, household items, and luxury goods, blending high quality and affordable prices. This balance is made possible by economies of scale and a highly efficient operational model, which enables Costco to negotiate favourable terms with suppliers and pass on the savings to its customers.

In recent years, Costco's performance has been remarkable, with the stock achieving significant growth between 2020 and 2024, including a 32% increase during the first year of the pandemic and a 55% increase in 2021, driven by the company's ability to adapt to lockdown conditions and capitalise on the surge in demand for consumer goods. While 2022 saw a 20% decline due to macroeconomic challenges, Costco continued to demonstrate resilience with stable EBITDA margins, averaging 4.5%, even during complex periods. In 2023, the stock rebounded with a 44% increase, and the impressive 52% recorded through November 2024 highlights not only the strength of the company's fundamentals, but also the resilience of the U.S. economy, where Costco generates a significant portion of its revenue. This result reflects the still robust spending capacity of American households, supported by a strong labour market and steady consumption patterns, despite a backdrop of elevated interest rates and inflation in certain categories.

Financially, Costco closed its most recent quarter with $58.4 billion in revenue, supported by an operating profit of $2.16 billion and a stable operating margin of 3.7%. The net income was also solid, reaching $2.35 billion for the quarter, representing growth both compared to the same period in 2023, when it stood at $1.30 billion (+81%), and to the 2022 annual net income of $5.8 billion. These figures underscore Costco's ability to sustain steady growth, reflecting effective business management and strong demand in its core market.

Costco's strategic approach is built on a unique product mix, with a selection of approximately 4,000 SKUs covering a wide range of categories, ensuring unparalleled diversification. The offering includes both everyday items and premium goods, supported by its private label Kirkland Signature, which represents a significant portion of sales due to its particularly competitive value-for-money proposition. This model allows the company to attract a broad and loyal customer base, while maintaining consistent growth.

Recently, Costco announced expansion plans that include new openings in Asia and Europe, strengthening its global positioning. At the same time, the adoption of advanced technologies for inventory management and continuous improvement in operational processes are contributing to greater efficiency and cost reductions.

Source: Morningstar Direct