Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/01/2025

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. Our parent company Azimut is Italy's largest independent asset manager listed on the Italian stock exchange. The group manages over AU$187 billion in assets globally including over AU$2.1 billion in multi-manager solutions in Australia.

www.azimutinvestments.com.au

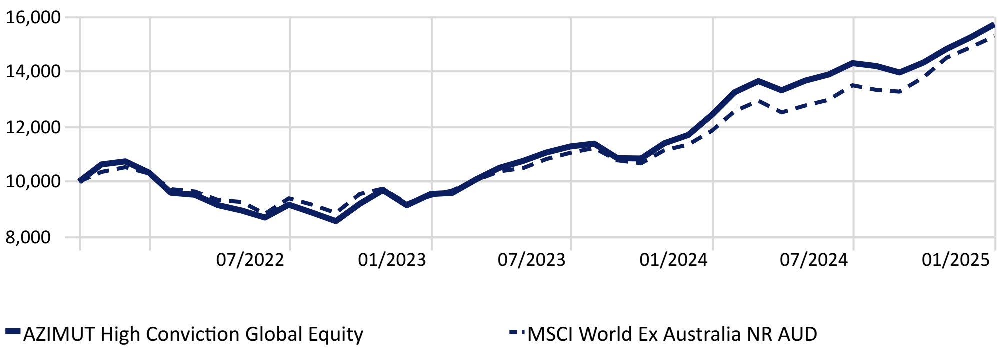
Latest Performance*

	1-mth	3-mths	6-mths	1-yr	2-yr	S.I.
AZIMUT High Con Global Equity	3.14	9.72	9.89	26.45	28.35	13.18
MSCI World Ex Australia NR AUD	2.74	10.85	13.22	28.94	27.00	13.11

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.

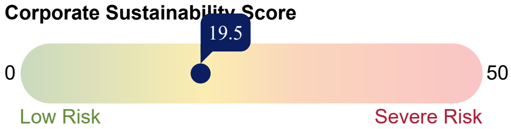
$10,000 invested over time



Sustainability Score

● AZIMUT High Conviction Global Equity

Corporate Sustainability Score



Sovereign Sustainability Score

ESG Pillar Score

4.5 Environmental	9.0 Social
6.2 Governance	0.0 Unallocated

Source: Morningstar Direct

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Top 10 Holdings

Portfolio Date: 31/01/2025

	%
JPMorgan Chase & Co	5.49
Alphabet Inc Class A	5.07
Apple Inc	4.95
Microsoft Corp	4.83
Costco Wholesale Corp	4.68
Taiwan Semiconductor Manufacturing Co Ltd ADR	4.56
Lvmh Moet Hennessy Louis Vuitton SE	4.10
ASML Holding NV	4.02
NVIDIA Corp	3.93
Caterpillar Inc	3.76

Equity Sectors

Portfolio Date: 31/01/2025

Basic Materials	2.68
Consumer Cyclical	13.31
Financial Services	18.46
Real Estate	0.00
Consumer Defensive	7.23
Healthcare	11.92
Utilities	3.01
Communication Services	6.99
Energy	3.71
Industrials	9.70
Technology	23.00

Regional Exposure

Portfolio Date: 31/01/2025

North America	65.54%
Latin America	0.00%
United Kingdom	0.00%
Europe Developed	24.45%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	3.55%
Asia Developed	4.71%
Asia Emerging	1.75%

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

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Market Commentary

Beside the latest economic data and the first central Banks' meetings, markets were mainly focused on the decisions from the new U.S. Administration. Indeed, President Trump has already moved on with the implementation of several points of his electoral program. Trump signed executive orders imposing a 25% tariff on Canada and Mexico, as well as a 10% levy boost on existing tariffs on China, as of 1st February. Europe is currently under observation but may soon follow. Yields were broadly unchanged, supported by lower-than-expected growth and inflation, while equity markets experienced a spike in volatility. The balance however, especially for European indexes was largely positive. European stocks showed a relative strength compared to U.S. stocks, supported by a better-than-expected earnings season and benign guidance from the ECB. Stock markets were negatively impacted by the sell off of the tech sector, after the unveiling of a new Chinese generative AI model - DeepSeek - perceived as competitive in terms of both power and, above all, development cost compared to leading U.S. models.

Looking at the economy, data signalled stagnation for the Eurozone towards year end (zero growth in Q4, 0.9%yoy). These numbers marked a clear contrast to the U.S, where GDP, although lower than expected, grew by 2.3% (vs exp 2.5%), with a strong contribution from private consumption. On a more positive note, eurozone manufacturing PMIs although still in contraction territory, came in above expectations in France and Germany, and more generally for the eurozone (46.1) helped by a rebound of new orders. The services sector, for its part, only slightly fell over the month, while remaining in the expansion zone. Overall, the composite PMI index for the Eurozone as a whole, unexpectedly returned to expansion territory, at 50.2 (vs 49.7 exp and 49.6 in December), suggesting that a low point has been reached for activity. In the U.S., on the contrary, the services sector, which has been the driver of the economy so far, deteriorated more than expected (52.8 from 56.8), casting shadows on the future, although only a confirmation from the ISM index (scheduled for the first week of February) may cast doubts on the sector's resilience. In the U.S, the December inflation report was in the spotlight. While the headline number indicated an acceleration to 2.9% (from 2.7% in November), the core index rose by 3.2%yoy (vs 3.3% in November), reaching its lowest level since April 2021. Inflation in the eurozone matched expectations, with the headline rising to 2.4% (from 2.2%), while the core remained stable at 2.7%. The uptick was mainly due to a rise in the energy component in a context where the services sector remained resilient (4% from 3.9%). Chinese activity remained weak as reflected by the decline in both PMI, manufacturing and services. The composite index fell to 50.1, just above its contraction level. The unexpected deterioration in Chinese purchasing managers' confidence levels is a wake-up call for the state of the economy and the urgent need for economic stimulus. Worth noting, however, that GDP in Q4 accelerated to 5.4%, bringing the figure for the whole year up to the 5% target set by the government.

As far as central banks go, the ECB lowered its key interest rates by 25bps, in line with market expectations. This unanimous decision brings the deposit rate to 2.75%, the lowest level in two years. Lagarde, declared that the key rate was still restrictive, suggesting that further cuts could be expected. Indeed, the market is counting on three further rate cuts by the end of the year. Conversely, the latest FOMC meeting, kept its key rate unchanged (in a range of 4.25% to 4.50%) and explained that it was in no hurry to resume rate cuts. The Fed continues to maintain a data dependent approach, while taking time to assess how Trump's policies on immigration, tariffs and taxes might impact inflation. June is the most likely date for the first rate cut, for a total of two cuts this year. The BoJ raised as expected its reference rate by 25bps and to the highest since 2008. Higher inflation forecasts and hence a more hawkish stance increase the possibility of future hikes.

On the currency market, the euro-dollar closed pretty much unchanged. After failing to break 1.0540, the euro lost strength again, closing at 1.038. The pound remained weak, weighed down by public deficit issues. The yen strengthened after Governor Ueda suggested that the BoJ has no preconceptions about the pace of rate hikes. The Mexican peso was particularly nervous (as high as 20.78) in the wake of the new tariffs imposed by Trump.

Looking at commodities after rising as high as $83/b in mid-January, oil reset its gains by closing back down to $77/b, not far from the beginning of the month. Trump's "threat" to lower the cost of energy along with the rise in U.S. reserves and the possibility of a truce in the Russia-Ukraine conflict are all factors weighing on oil prices. Gold continued to rally ($2.796/oz), recording its first new all-time high since late October 2024. The Trump effect continues to support the Bitcoin, although it closes the month below its highs (127k USD).

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 Termofisher, JPMorgan and LVMH. While the worst three names were Nvidia, Apple and Microsoft.

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

Source: Morningstar Direct

Market Commentary

Stock in Focus: LVMH Moet Hennessy Louis Vuitton SE

LVMH Moët Hennessy Louis Vuitton is the world's leading luxury goods company, with a diversified portfolio spanning fashion and leather goods, wines and spirits, watches and jewellery, as well as perfumes and cosmetics. The Group operates through multiple divisions, including Fashion & Leather Goods, Wines & Spirits, Perfumes & Cosmetics, Watches & Jewellery, and Selective Retailing, managing iconic brands such as Louis Vuitton, Christian Dior, Fendi, Bulgari, Hennessy, and Sephora. This diversification allows LVMH to mitigate risks associated with individual markets or segments, ensuring a solid global presence.

In 2023, LVMH delivered exceptional financial results, reporting €86.2 billion in revenue, reflecting 13% organic growth compared to the previous year. Operating profit reached €22.8 billion, marking an 8% increase. All business divisions, except Wines & Spirits, contributed positively to this performance. In particular, the Fashion & Leather Goods segment saw 14% organic growth, driven by brands such as Louis Vuitton and Christian Dior. Geographically, Europe, Japan, and the rest of Asia recorded double-digit organic growth, demonstrating strong global demand for the Group's luxury products.

Between 2022 and 2023, LVMH's stock experienced an impressive +68% rally, reaching approx. the €900 per share threshold. This surge was fuelled by the perception that inflation was transitory and by significant consumer savings accumulated during the pandemic, both factors that favoured luxury spending. However, after reaching its peak, the stock underwent a correction, dropping by approximately 28%, before rebounding strongly thanks to 2023's robust financial results, which showed no signs of weakness.

In 2024, LVMH faced significant headwinds. Revenue declined by 2% year-on-year, reaching €84.7 billion, while operating profit dropped by 14% to €19.6 billion. Almost all divisions saw profit declines, with Wines & Spirits down 36% and Perfumes & Cosmetics decreasing by 6%. The Fashion & Leather Goods division, the Group's largest, reported a 3% drop in revenue and a 10% decline in profits. These results reflect a challenging economic and geopolitical environment, characterised by slowing demand in key markets such as China and a broader consumer spending slowdown in the luxury sector.

Despite these challenges, at the beginning of 2025, LVMH's stock showed signs of recovery, climbing back above €750 per share. This rebound is attributed to the resilience of the U.S. market, the prospects of an economic recovery in Europe, and anticipated stimulus measures in China. Additionally, Morgan Stanley upgraded LVMH's rating from "equal weight" to "overweight," citing improving sector dynamics and positive outlooks for key brands such as Louis Vuitton, Tiffany, and Bulgari.

Source: Morningstar Direct