# Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/07/2025

AZ SESTANTE AZIMUT GROUP azimut

**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

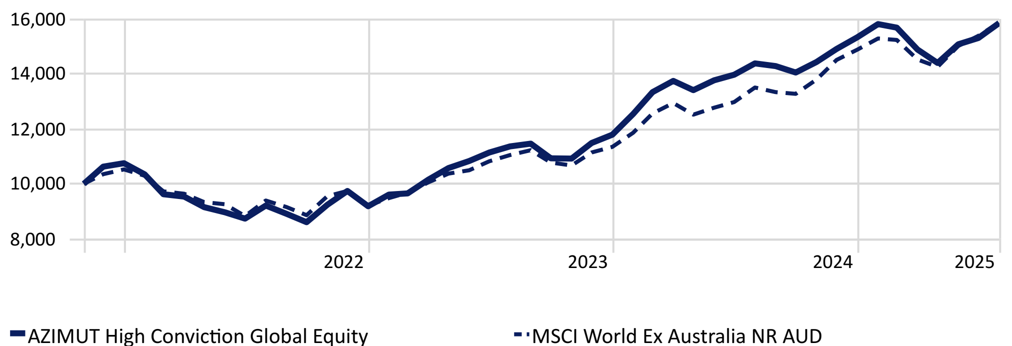
## Latest Performance*

| | 1-mth | 3-mths | 6-mths | 1-yr | 2-yr | S.I. |
|---|---|---|---|---|---|---|
| AZIMUT High Con Global Equity | 3.56 | 10.09 | 0.24 | 10.22 | 18.12 | 11.53 |
| MSCI World Ex Australia NR AUD | 3.12 | 11.29 | 3.77 | 17.49 | 19.85 | 12.36 |

## 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




AZIMUT High Conviction Global Equity
MSCI World Ex Australia NR AUD

## ESG Risk Score

● AZIMUT High Conviction Global Equity

**Corporate ESG Risk Score**

0 50
Low Risk Severe Risk

**Sovereign ESG Risk Score**

0 50
Low Risk Severe Risk

## ESG Pillar Score

5.2 Environmental
9.2 Social
6.0 Governance
0.0 Unallocated



Source: Morningstar Direct

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## Top 10 Holdings

Portfolio Date: 31/07/2025

| | % |
|---|---|
| Microsoft Corp | 5.50 |
| JPMorgan Chase & Co | 5.00 |
| NVIDIA Corp | 5.00 |
| Alphabet Inc Class C | 4.75 |
| Apple Inc | 4.75 |
| Taiwan Semiconductor Manufacturing Co Ltd ADR | 4.50 |
| ASML Holding NV | 4.00 |
| Costco Wholesale Corp | 4.00 |
| Amazon.com Inc | 3.50 |
| Bank of America Corp | 3.50 |

## Equity Sectors

Portfolio Date: 31/07/2025

| | |
|---|---|
| Basic Materials | 2.82 |
| Consumer Cyclical | 12.31 |
| Financial Services | 18.46 |
| Real Estate | 0.00 |
| Consumer Defensive | 6.67 |
| Healthcare | 8.72 |
| Utilities | 3.59 |
| Communication Services | 7.69 |
| Energy | 3.59 |
| Industrials | 8.97 |
| Technology | 27.18 |

## Regional Exposure

Portfolio Date: 31/07/2025

| | |
|---|---|
| North America | 67.69% |
| Latin America | 0.00% |
| United Kingdom | 0.00% |
| Europe Developed | 22.31% |
| Europe Emerging | 0.00% |
| Africa/Middle East | 0.00% |
| Japan | 2.56% |
| Asia Developed | 4.62% |
| Asia Emerging | 2.82% |

**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

Trade tensions eased as, after the deal with Japan, the US and European Union reached a deal Sunday evening, averting a potential trade war. Under the agreement, the EU will face a 15% tariff on most of its exports including automobiles, but broader punitive measures were avoided.

Despite the lack of details and despite the deal appears less favourable than expected for European goods, there is no doubt that recent tariff agreements (including those with Indonesia and the Philippines) represent a significant stride towards fostering a more favourable trade environment, removing a major source of uncertainty. The move buoyed global sentiment, with world equity indices and credit spreads tightening on the news. In addition, it seems that the US and China are likely to extend their current trade truce beyond the mid-August deadline, further supporting risk appetite.

The U.S. economy remains resilient, with Q2 GDP expanding 3% quarter-on-quarter beating expectations. The latest macro indicators have nonetheless provided mixed signals. Retail sales rose by 0.6% in June. This growth contrasts with the 0.9% decline in May, which had fuelled fears of a slowdown in U.S. consumption. The number of jobs created in July was lower than the consensus forecast, with 73k jobs created against an expectation of 104k. Above all, job creations in the previous months were revised downwards (by 258k for May and June), the biggest revision since 2020.

This correction depicts a less dynamic job market, even if the unemployment rate remained stable at 4.2%. The PMI manufacturing sector fell sharply to 49.5 returning to contraction showing a slowdown in production growth and new orders for the first time since December 2024. GDP growth for Q2 exceeded expectations in the eurozone (the bloc accelerated 0.1% against a consensus for stagnation), confirming the assessment of an improving economy. In the meanwhile, the PMI indices came in better than expected. The services sector rebounded from 50.5 to 51.2.

The manufacturing sector was in line with expectations, at 49.8 (a three-year high). The rebound in the European index reflects the prolonged upturn in confidence among manufacturers since the beginning of the year, although this remains dependent on the outcome of trade negotiations with the U.S. The impact of tariffs is beginning to be felt in U.S. inflation; the consumer price index (CPI) rose by 2.7% year-on-year in June, compared with expectations of 2.6%, and 2.4% in May. Excluding volatile items (energy and food), core inflation was in line with expectations, accelerating from 2.8% to 2.9% in June. European inflation remained stable at 2% year-on-year, and core indices also remained unchanged at their lowest level in over three years.

As far as monetary policy goes, the ECB kept its key interest rates unchanged (2%) for the first time in over a year. The ECB signalled a hawkish turn as President Lagarde downplayed near-term risks and dismissed concerns over projected inflation undershoots. She asserted that the ECB’s monetary stance is now "in a good place," implying reduced urgency for easing. In response, markets scaled back expectations for rate cuts, now pricing in fewer than one cut before mid-2026. In the U.S. the market is anticipating average rates of 3.9% in December, from 3.66% expected at the beginning of the month, which means less than two rate cuts this year.

The FED left interest rates unchanged for the fifth consecutive time. Its chairman reiterated that the U.S. central bank needed time to assess the impact of tariffs on inflation, which remains above the long-term target of 2%. Markets are now anticipating fewer than two rate cuts before the end of the year.

Looking at government bonds, the FED’s and ECB’s hawkish shift during the last meeting have led markets to scale back expectations of rate cuts both in Europe and the U.S. The resulting rise in front-end yields has flattened curves in both regions, although long-end yields in Europe have remained broadly unchanged. The 2-year Treasury yields resumed their rise, reaching 3.95%, while the 10-year declined to 4.38%, narrowing the 2y-10y spread to around 40 basis points. As uncertainty receded, peripheral government bonds outperformed German Bunds, notably the BTP-Bund spread briefly dropped below 80 basis points, its lowest level since 2010. The yield on the 30-year JGBs reached 3%, a level not seen since 2000 in a country long accustomed to deflation. The rebound in Japanese inflation to 3.3% and the risks that PM Ishiba's could resign as early as this month after suffering an election setback have led to this rise in yields, which were still at 1.6% at the beginning of the year.

In the currency markets the dollar has been volatile reflecting traders’ concerns over President Trump's aggressive stance, both on trade tensions and his clashes with the Federal Reserve. The dollar has staged a recovery following last week's corrective phase closing the month at 1.1423 USD/Euro, buoyed by the latest FOMC and the Q2 GDP report. The USD/JPY broke through 150, as the BoJ as expected left its benchmark rate unchanged at 0.50%, while reaffirming its outlook for growth and inflation in the second half of 2025.

Looking at commodities, oil remains at the upper end of its range (USD 72/b), likely supported by Trump's 10-day ultimatum to Putin to halt military operations in Ukraine as well as the agreement reached with the EU, which strengthens the outlook for stable demand. Gold is slightly down (USD 3295/oz) but remains the best asset class 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 a 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 Thermo Fisher, Nvidia and Caterpillar. While among the worst three names were Costco, ASML and Novo Nordisk.

During the month, 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 2.50%) to be allocated.



Source: Morningstar Direct

## Market Commentary

**Company Overview: TMO US Equity – Thermo Fisher**

Thermo Fisher Scientific is one of the world's leading companies in the life sciences and applied technologies sector, with activities spanning diagnostics, research, and biopharmaceutical manufacturing. The company operates through four main segments: Life Sciences Solutions, Analytical Instruments, Specialty Diagnostics, and Laboratory Products and Biopharma Services. Geographically, revenue distribution is well balanced, with a significant exposure to the United States, but a highly diversified client base globally. However, this balance is less evident on the supply chain side: 51% of suppliers and 62% of facilities are located in the United States, making the company more exposed to potential protectionist policies or trade frictions under the Trump administration.

Moreover, while the high concentration of the supply chain in the U.S. could offer an advantage in the event of new tariffs on imports, it may also limit operational flexibility in an increasingly fragmented global landscape, where supply chain resilience calls for broader diversification.

After benefiting significantly from pandemic-driven demand (with EBITDA margins rising from 25-26% in the pre-COVID period to over 32% in 2020 and 2021), the group has entered a natural post-COVID normalisation phase. This is reflected in a gradual return of margins to more standard levels: 27% in 2022, 26% in 2023, down to 25% in both 2024 and the latest LTM update. This normalisation has been accompanied by a less dynamic revenue trend, particularly in the bioproduction segment, which has contracted sharply from pandemic-era highs. This weakness is reflected in the stock price, which remains down approximately 10% YTD, despite a strong +15% rebound in July 2025 following better-than-expected quarterly results and an upward revision to full-year guidance.

In Q2 2025, Thermo Fisher positively surprised the market by reporting organic revenue growth (+2% year-on-year) and signs of stabilisation in key areas, most notably in pharmaceutical production services and laboratory solutions. Despite a still uneven macro backdrop, the company raised its full-year outlook, now expecting +5-6% revenue growth and stable margins, an encouraging signal of reactivation in end-market demand.

On the strategic front, the group continues to invest in R&D and manufacturing capacity while maintaining a strong financial profile, with its investment grade rating reaffirmed in recent credit opinions. The recurring nature of services and consumables remains a source of stability, while a gradual recovery in demand for diagnostics and bioproduction could provide upside potential in the coming quarters.



Source: Morningstar Direct