Azimut Investments High Conviction Global Equities SMA

Monthly Investment Report
As of 31/07/2026

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

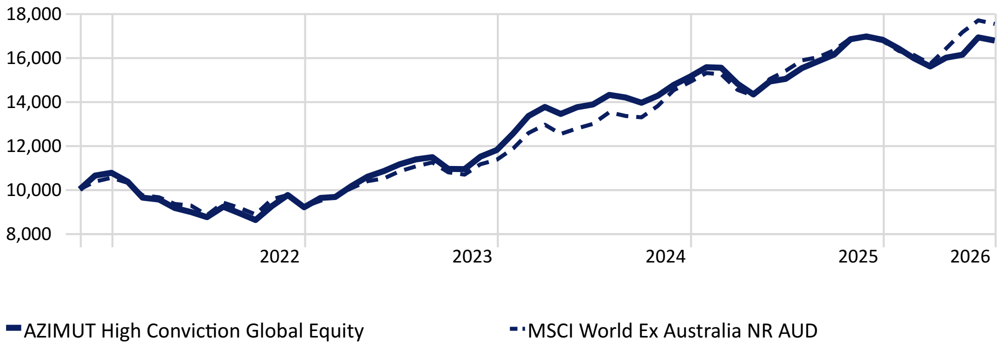
Latest Performance*

	1-mth	3-mths	6-mths	1-yr	2-yr	3-yr	S.I.
AZIMUT High Con Global Equity	-0.85	4.87	2.29	8.09	8.30	13.85	10.27
MSCI World Ex Australia NR AUD	-0.92	6.83	7.59	10.45	13.91	16.63	11.94

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.

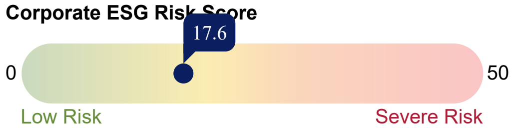
$10,000 invested over time



ESG Risk Score

● AZIMUT High Conviction Global Equity

Corporate ESG Risk Score



Sovereign ESG Risk Score

ESG Pillar Score

5.7 Environmental

7.8 Social

4.2 Governance

0.0 Unallocated

Source: Morningstar Direct

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Top 10 Holdings

Portfolio Date: 31/07/2026

	%
Taiwan Semiconductor Manufacturing Co Ltd	5.00
Alphabet Inc Class A	5.00
Microsoft Corp	5.00
NVIDIA Corp	5.00
ASML Holding NV	4.76
Apple Inc	4.50
Amazon.com Inc	4.00
JPMorgan Chase & Co	4.00
Caterpillar Inc	3.75
Micron Technology Inc	3.50

Equity Sectors

Portfolio Date: 31/07/2026

Basic Materials	3.08
Consumer Cyclical	7.18
Financial Services	15.90
Real Estate	0.00
Consumer Defensive	4.62
Healthcare	7.69
Utilities	3.08
Communication Services	10.51
Energy	3.08
Industrials	11.28
Technology	33.59

Regional Exposure

Portfolio Date: 31/07/2026

North America	69.72%
Latin America	0.00%
United Kingdom	2.05%
Europe Developed	17.71%
Europe Emerging	0.00%
Africa/Middle East	0.00%
Japan	2.56%
Asia Developed	5.13%
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 50 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

During the month, the progressive deterioration of the geopolitical situation in the Middle East, with tensions now spreading to shipping routes in the Red Sea, reignited concerns about the potential impact on the global economy and inflation. The increased probability of disruptions to regional trade flows pushed Brent crude back above US$100/bbl, whilst increased inflationary risks pushed global yields to their highest levels in decades. Despite the escalation in geopolitical tensions and the slightly more hawkish tone adopted by major central banks, stock markets remained upbeat. US equity markets, however, witnessed a significant rotation within the technology sector amid doubts about whether the substantial investment being made will generate the expected returns, as well as growing concerns about increased competition from Chinese players in the sector.

In the United States, the macroeconomic backdrop continues to point to a relatively resilient economy. Despite GDP growing by less than 2% (1.5%), the data showed strong domestic consumption and AI-driven investment, suggesting that the economy remains on a path of solid growth. Short-term inflation expectations moved only moderately higher, suggesting that investors continue to view the shock as meaningful but temporary. June data delivered a more constructive signal on inflation. June’s CPI came in lower than expected, with the headline figure at 3.7%, whilst the core figure rose by just 0.1% month-on-month compared with the expected 0.2%, remaining at 3.3%. The labour market remains robust, with jobless claims falling to their lowest levels in decades. July’s composite PMI rose to an eight-month high of 53.6, from 51.9 in June, driven by stronger services activity, while manufacturing eased to a four-month low of 53.8.

The eurozone as a whole has proved more resilient than expected to the geopolitical and energy shock. Q2 GDP grew by 0.4% quarter-on-quarter after stagnating in Q1. Similarly, PMI indices rebounded more strongly than expected in July, coming in at 52.0 in the manufacturing sector (from 51.4) and 51.6 in the services sector (up 2.2 points month-on-month). The survey, which measures the sentiment of European purchasing managers across these two sectors, therefore returned to its second-highest level of the year during the month, mainly driven by easing energy prices, although this could be partially offset in August by the recent rebound in oil prices. Inflation rose in line with expectations to 2.9% year-on-year, driven by higher energy prices. Core inflation rose from 2.4% to 2.5%.

In China, Q2 GDP growth came in below expectations at 4.3%, with domestic demand showing renewed weakness while external demand supported growth during the quarter. External demand saw a surge in activity in June, while imports also recorded one of the largest increases in history.

Turning to monetary policy, the Fed left interest rates unchanged at 3.50–3.75%, but the meeting highlighted a less unified Committee, with three members voting in favour of a 25-bps hike and, above all, a central bank that appears less predictable than in the past. Warsh reaffirmed his commitment to bringing inflation back towards the 2% target. The market is anticipating two rate hikes over the next 12 months, potentially including one as early as September. Similarly, the ECB left the deposit rate unchanged at 2.25%, in line with expectations. Lagarde acknowledged that the energy shock has yet to fully work its way through the economy and that the balance of risks has become less favourable again, with upside risks to inflation and downside risks to growth. While avoiding any formal pre-commitment, markets interpreted the message as consistent with nearly 50 bps of additional tightening by year-end, potentially beginning as early as September.

The BoJ also kept rates unchanged, despite the persistent weakness of the yen, which remained a key point of attention throughout the month.

Looking at government bonds in the US, the combination of more resilient-than-expected growth, still-elevated inflation and less predictable guidance on the future path of monetary policy contributed to a repricing of medium- and long-term risks. While short-term yields declined as markets reduced the expected number of rate hikes over coming meetings, long-term yields continued to rise, with the 10-year Treasury returning to around 4.67% and the 30-year yield moving above 5.20%, its highest level since 2007. In the euro area, rates moved higher, leaving the 10-year Bund near the upper end of its recent trading range of around 3.15%–3.20% (levels last seen in 2011), while yield curves gradually steepened, with short-end rates broadly stable. Peripheral spreads remained well behaved, with the BTP-Bund spread holding just above 80 bps, confirming that the move was driven primarily by a repricing of risk-free rates rather than a reassessment of euro-area sovereign risk.

In credit markets, the overall picture remains constructive, with issuers continuing to benefit from favourable funding conditions and solid demand. The European primary market experienced the seasonal slowdown typical of the summer period. In the secondary market, given the low volatility of spreads, attention shifted almost exclusively to the evolution of interest-rate expectations. The increase in volatility observed in government bonds has changed investors’ positioning. In particular, the preference for short-dated credit, mainly investment grade, has strengthened, with this segment continuing to outperform longer-duration bonds in recent weeks.

The foreign exchange market saw a broad weakening of the US dollar against all major currencies, particularly following intervention by Japanese monetary authorities in support of the yen. EUR/USD moved higher, rising from 1.1353 to 1.15. The warnings from Japanese authorities ultimately materialised, with officials intervening in the foreign exchange market. As a result, USD/JPY fell below 160 after reaching highs of around 163. Meanwhile, EUR/GBP dropped below 0.85 for the first time in more than a year, reflecting investors’ optimism over the likely appointment of Shabana Mahmood as the next Chancellor in a Burnham-led government.

In commodities, oil prices surged as escalating Middle East tensions raised fears of more severe supply disruptions, briefly pushing Brent above US$100/bbl. Brent closed the month at around US$96/bbl. Gold edged lower as firm US data reduced expectations of imminent monetary easing (US$4,042/oz).

Source: Morningstar Direct

Market Commentary

Company Overview: Honeywell International Inc (HON US)

Honeywell (HON) operates a highly resilient and diversified business model as a premier global leader in industrial technology and automation. Following a pivotal strategic transformation culminating in the mid-2026 spin-off of its Aerospace division, the company has officially repositioned itself as a streamlined, "pure-play" automation powerhouse. Its core strategy relies on leveraging its massive installed base of physical assets across global industries and overlaying it with Honeywell Forge, a proprietary, AI-enabled software platform that extracts real-time data to drive autonomous operations, predictive maintenance, and energy efficiency. This hardware-agnostic, software-first approach is rapidly transitioning Honeywell's revenue streams toward highly profitable, recurring software models (ARR), providing a structural defence against cyclical industrial downturns.

The revenue breakdown perfectly reflects the successful execution of this new simplified structure. Aerospace Technologies, historically the largest contributor, accounted for an average of 46.63% of revenues in Q2 2026 (prior to its complete spin-off impact). Going forward, the company's standalone growth engine is fundamentally driven by three core pillars.

Building Automation (BA) provides smart building systems (HVAC, fire detection, access control) and energy management software. In Q2 2026, BA delivered a robust 9% organic growth, fuelled by massive demand in high-growth verticals like data centres, healthcare, and hospitality, which saw orders surge over 50%. This segment guarantees highly visible, long-term cash flows tied to global infrastructure modernisation.

Process Automation & Technologies (PA&T) provides advanced control systems, automation software, and proprietary catalysts primarily for the oil & gas, chemicals, and energy transition sectors. The segment is currently experiencing massive momentum, with Q2 2026 organic orders jumping 24%, driven by heavy backlog conversion in the Liquefied Natural Gas (LNG) space and gas processing upgrades.

Industrial Automation (IA), provides crucial hardware and software, ranging from sensing technologies and barcode scanners to sophisticated warehouse and labour management systems (Experion PKS). This segment is executing a faster-than-expected turnaround, posting a 4% organic growth in Q2 on the back of improved delivery performance and a 20% surge in sensing and measurement orders.

Geographically, the company remains heavily anchored to the United States, which generates 58.5% of total sales (LTM). This provides a highly stable, high-margin revenue basin supported by domestic infrastructure spending and reshoring trends. The remaining 41.5% derives from international markets, offering essential diversification and exposure to rapid industrialisation in emerging markets, perfectly complementing the domestic stability.

From a valuation perspective, Honeywell (HON) presents a highly compelling asymmetric risk/reward profile. Following the resounding Q2 2026 "clean beat and raise", the stock staged a powerful breakout, surging over +7.4% intraday. Rather than a speculative spike, this aggressive repricing reflects a fundamental flight to quality as the market officially acknowledges the successful completion of the Aerospace spin-off and the transition toward a higher-margin, pure-play automation software model.

To accurately contextualise this recent price action, we turn to our proprietary algorithmic valuation. The Z-score is computed over a 2-year rolling window, using an equal-weighted combination of P/E, P/CF, and EV/EBITDA multiples. Analysing the Combined Z-Valuation Self 2Y, we observe that the metric has violently spiked from negative territory earlier in the year to sit near the +1.5σ (standard deviation) threshold. This indicates a definitive internal re-rating: the market is rightfully assigning a "pure-play premium" to the stock, rewarding the company's structural margin expansion and the massive 16% organic order growth. Importantly, despite the rally, the metric remains well within historically rational bounds, far from the euphoric peaks above +2.5σ seen in early 2026.

However, the true alpha-generating opportunity lies in the relative valuation. The Combined Z-Valuation Cross 2Y highlights a profound anomaly. Despite the internal momentum, Honeywell is currently trading at a severe structural discount compared to its broader industrial and automation peers. The Cross Z-Score recently tested extreme undervaluation levels below -2.0σ and currently sits depressed at -1.5σ. This striking divergence clearly indicates that the broader market has not yet fully digested the quality of Honeywell's new revenue mix, particularly the rapidly scaling software revenues (ARR) trending toward $1 billion.

Consequently, Honeywell offers investors a rare entry point: a fundamentally accelerating business trading at a steep relative discount. With Wall Street analysts aggressively upgrading the stock post-earnings, pushing the consensus 12-month price target to $268.89 (implying a robust +10.7% further upside from current levels), the current valuation perfectly supports multiple expansion. The stock represents an optimal core holding, capturing structural growth at a deeply discounted relative price.

Source: Morningstar Direct