

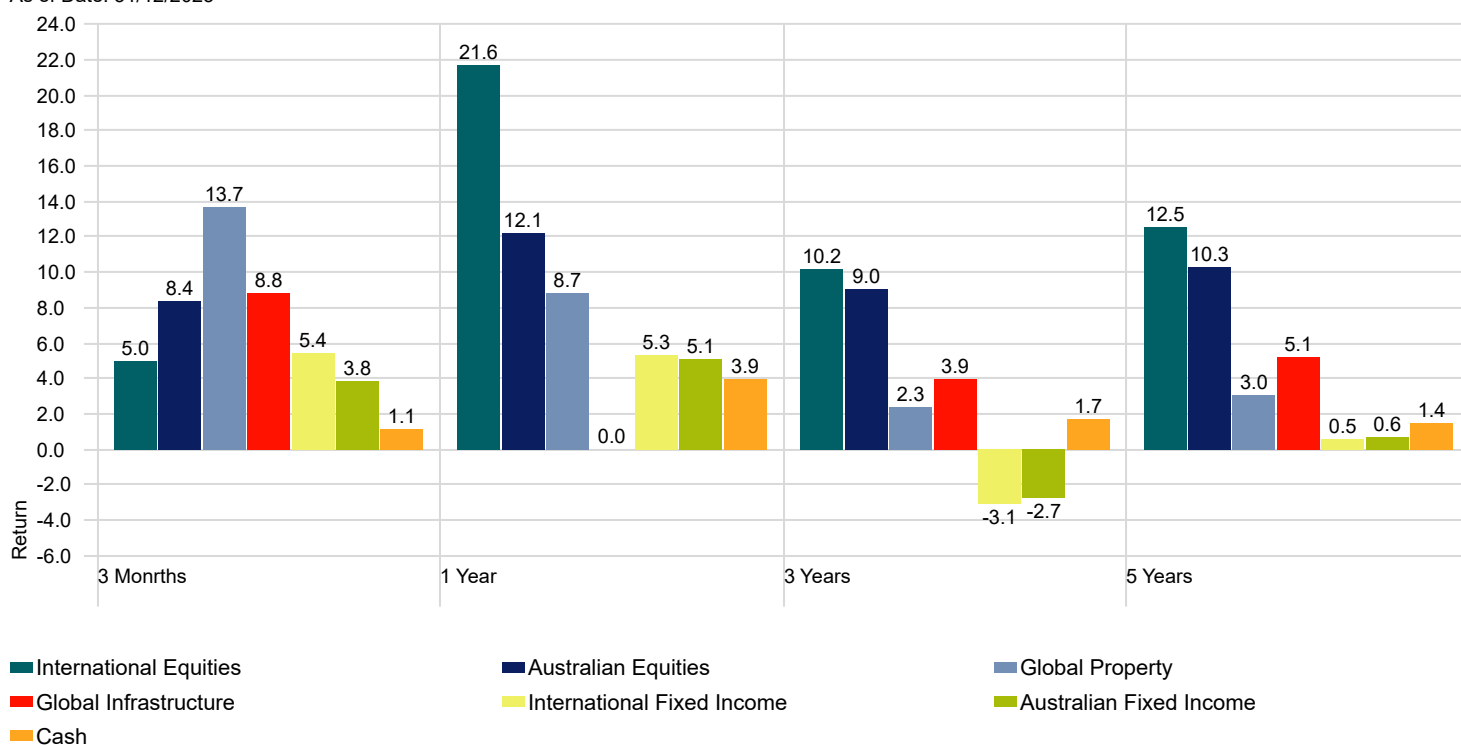
### Market Review

The final quarter of 2023 witnessed a significant shift in market sentiment driven by easing concerns over inflation and the tightening of monetary policy. Global equities ended the year on a high note, propelled by a dovish pivot from the US Federal Reserve, while Australian equities also rebounded strongly, supported by the RBA reaching its expected peak cash rate. Fixed income markets across the globe experienced positive returns as interest rates started to stabilise.

Despite ongoing geopolitical tensions, the global economy displayed encouraging signs of resilience. Employment numbers remained robust, particularly in the US, while initial signs of easing inflation emerged. This, coupled with the Fed's pivot towards potential rate cuts in 2024, fueled market optimism. The Federal Reserve's December meeting marked a decisive shift in its stance. Following previous hawkish signals, the dot-plot indicated three rate cuts for 2024, propelling risk assets higher. In contrast, the RBA maintained its hawkish tone, but the market anticipates a slower pace of rate hikes in 2024, with a potential single cut towards the end of the year.

### Returns

As of Date: 31/12/2023



\*International Equities: MSCI ACWI Ex Australia; Australian Equities: S&P/ASX 300; Global Property: FTSE EPPA Nareit Ex Australia Hdg AUD; Global Infrastructure: FTSE Dev Core Infrastructure 50/50 Hdg AUD; International Fixed Income: Bloomberg Global Aggregate Hdg AUD; Australian Fixed Income: Bloomberg Ausbond Composite 0+Y; Cash: Bloomberg AusBond Bank 0+Y.

### International Equity

The US outperformed other regions due to its strong economic fundamentals and the Fed's dovish shift. The small cap (+7.7%) and the tech-heavy Nasdaq (+7.6%) were the two clear winners in the quarter. The US broadbased index S&P 500 (+5.5%), along with Europe (+5.3) and Japan (+5.3%), contributed significantly to the stellar result of the MSCI World index (+5.4%) for the quarter. The Chinese stock market lagged behind other major indices in Q4, declining 9.4% as the country is grappling with deflationary pressure and real estate woes. Continued rate cuts from the Fed are expected to further improve sentiment. However, geopolitical risks and potential volatility in emerging markets remain watchpoints.

#### Sestante Dynamic

International equity was among the major contributors to the performance of the portfolio in Q4. The overweight in the US market, small cap, and currency hedging position were the biggest contributors from a tactical allocation perspective. GQG Global Equity was the best performer from a fund selection attribution perspective. Ironbark Royal London Concentrated Global Shares returned a positive quarterly result that contributed to the positive performance of the asset class. However, it underperformed the benchmark mostly due to its relatively underweighted position in IT and overweighted energy.

#### Sestante ESG Focus

Similar to the dynamic portfolio, the overweight position in International Equity contributed positively, and the AUD hedging position also added value in Q4. The Stewart Investors Worldwide Leaders and VanEck MSCI Intl Sustainable ETF performed the best from a fund selection attribution perspective, while AXA Im Sustainable Equity and Janus Henderson Global Natural Resource detracted from the portfolio.

#### Sestante Index

The portfolio had an asset allocation position similar to the internal benchmark, while tactical asset allocation aided the performance amidst overweighting in the US and having part of the portfolio AUD hedged.

### Australian Equity

The peak RBA cash rate, strong performance in property and materials sectors, and positive sentiment from the global equity rally fueled the Australian market's rebound. While the Australian equity market had a strong run in Q4 delivered a positive 8.4% return, the A-REIT added a stunning 16.6%. Materials (+8.8%) was the second best performing sector over the quarter attributable to the solid Iron Ore price. While the economy may slow in 2024, a stable interest rate environment and potential rate cuts later in the year could support continued equity growth.

#### Sestante Dynamic

The portfolio has underweighted Australian equity in Q4, which detracted from the performance on an attribution basis. Schroder Australian Equity and Paradice Australian Equities were the key active managers used over the quarter, while they both positively contributed to the performance, they have underperformed the benchmark due to some holdings in energy and communication services. There was a reintroduction of exposure to the ex-20 part of the Australian equity market through the Yarra Ex-20 Australian Equities Fund. The aim is to explore growth opportunities in the mid-large cap spectrum, as the largest 20 companies in ASX tend to be efficiently priced.

#### Sestante ESG Focus

Similar to the dynamic portfolio, which underweighted in Australian equity last quarter which did not add active performance. From fund selection perspective, Schroder Australian Equity and Australian Ethical Australian shares underperformed the benchmark, while Alphinity Sustainable Shares and Vaneck MSCI Aus ETF contributed to the active performance.

#### Sestante Index

While the asset class had a decent quarter, it has positively contributed to the overall performance of the portfolio.

### Fixed Income

Easing concerns over inflation and the Fed's shift towards rate cuts led to a decline in long-term interest rates, driving positive returns in fixed income markets. Global fixed income gained 5.4% in Q4, as November (+3.2%) and December (+3%) marked the best two months over 2023 owing to a pivotal Fed. Australian fixed income also delivered a positive result (+3.8%) as the market started to price in the expectation of a rate cut by the end of 2024. The credit market also had a strong run led by credit spread tightening in the US and Europe across investment grade and high yield given the optimism in the soft landing expectation. The pace of rate cuts and inflationary pressures will be key determinants of future performance. Further easing in rates could favour longer-duration bonds.

### Sestante Dynamic

The underweight position in global fixed income and the overweight position in Australian fixed income did not help active performance against the internal benchmark over the quarter, despite doing so in the previous few quarters. Pimco Global Bond and Janus Henderson Tactical Income were the greatest contributors to the performance. Some changes were introduced during Q4, including replacing underperforming Macquarie Income Opportunity with Perpetual Diversified Income, reducing the overweight position in Australian Fixed income while neutralizing the underweight position in global fixed income by swapping Pimco Diversified Fixed Interest with Pimco Global Bond and extending duration position by swapping FSI Global Credit with Pimco Global Bond.

### Sestante ESG Focus

Asset Allocation position and attribution are similar to the Sestante Dynamic portfolio. The major contributors to the portfolio are Pental Sustainable Australian Fixed Interest and Pimco Global ESG Bond given their longer duration position. In Q4, the portfolio sold its holdings in the Schroder Absolute Return Income fund and increased the Pental Sustainable Australian Fixed Income fund and the PIMCO ESG Global Bond fund in order to increase the overall portfolio duration exposure.

### Sestante Index

The index portfolio had a similar asset allocation position, which underweighted in global fixed income and an overweighted position in Australian fixed income that did not help the active performance over the quarter, despite doing so in the previous few quarters.

### Real Asset

Global real assets experienced a strong comeback as interest rates stabilized. A stable and lower interest rate expectation bolsters investor confidence, making the sector more attractive relatively and aiding the cost of financing. Global property added a tremendous 13.7%, outperforming Infrastructure (+5.5%) given the property sector had been under pressure in the last two years and started to catch up in November (+11%) and December (+11.5%). Real asset performance will depend on the trajectory of interest rates and the overall economic environment. Improved macroeconomic conditions could benefit infrastructure, while a prolonged period of low rates could revive real estate demand.

### Sestante Dynamic

Despite part of the portfolio being hedged over the quarter, the unhedged portion negatively impacted the active performance given a stronger AUD against offshore currency. The Black-Litterman Model has flagged value to purchase property over the quarter for some of the risk profiles, as a result, some of the risk profiles deployed cash into the global property sector in December.

### Sestante ESG Focus

While there is no active fund used in this asset class, the underweight position in infrastructure had a marginal detraction to the active performance. The portfolio underweighted property in Q4, and it is a negative contributor from an attribution point of view.

### Sestante Index

The underweight position in infrastructure had a marginal detraction to the active performance. The portfolio underweighted property in Q4, and it is a negative contributor from an attribution point of view.

# AZ Sestante Quarterly Report Q4 2023

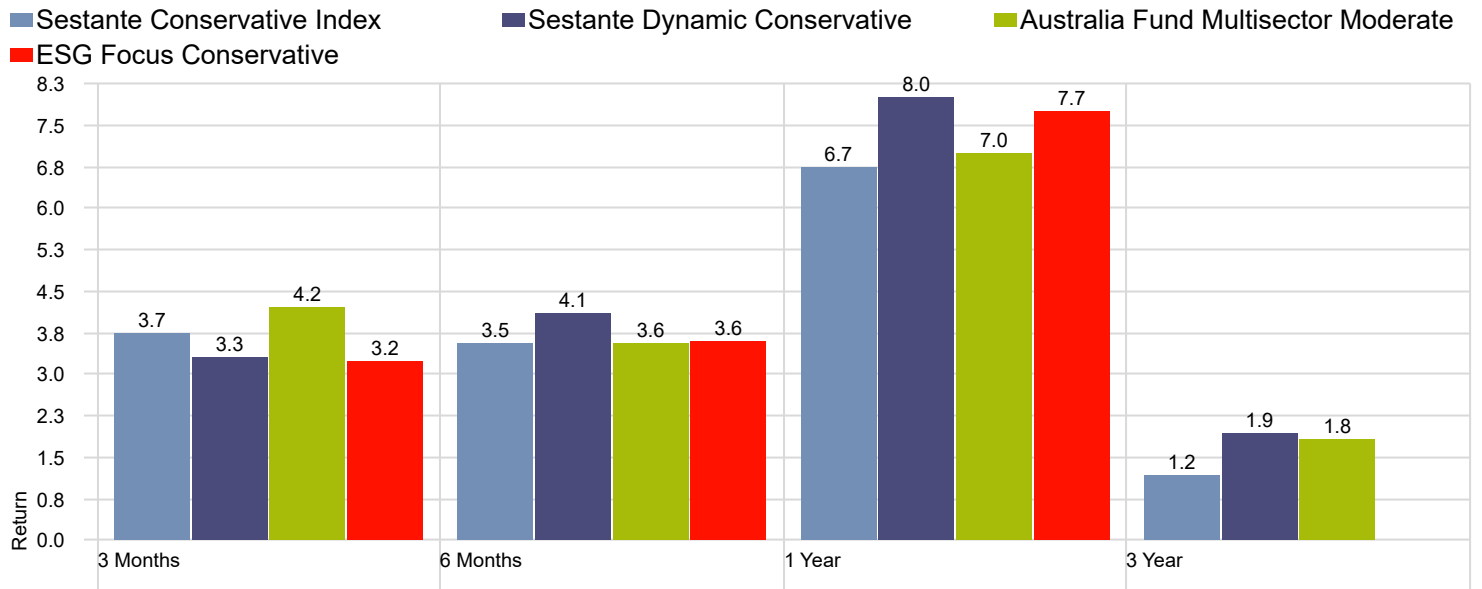
## Peer Group Returns

### Multisector Moderate Category



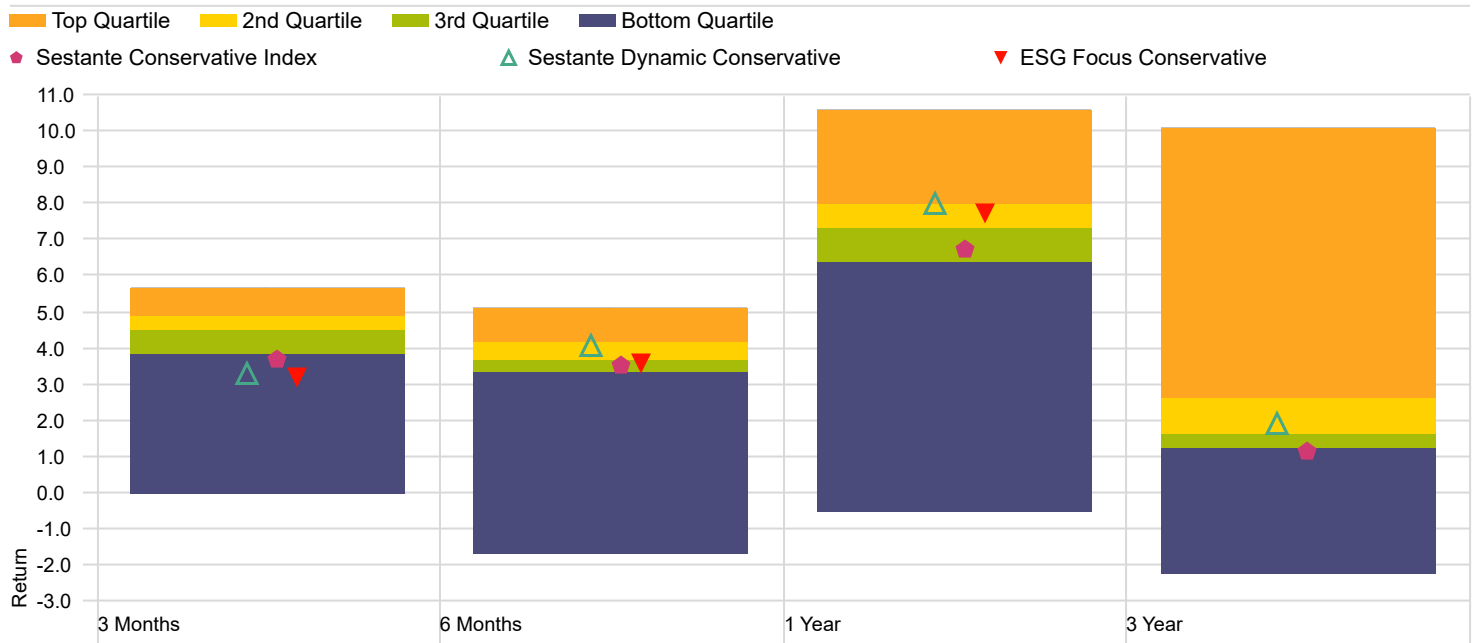
This part of the report aims provide investors an effective way to compare the AZ Sestante portfolios with like options. The Multisector Moderate Category consists of funds that invest in a number of sectors and have between 21% and 40% of their investments exposed to the growth sectors.

### Sestante Conservative Portfolios vs Morningstar Peers



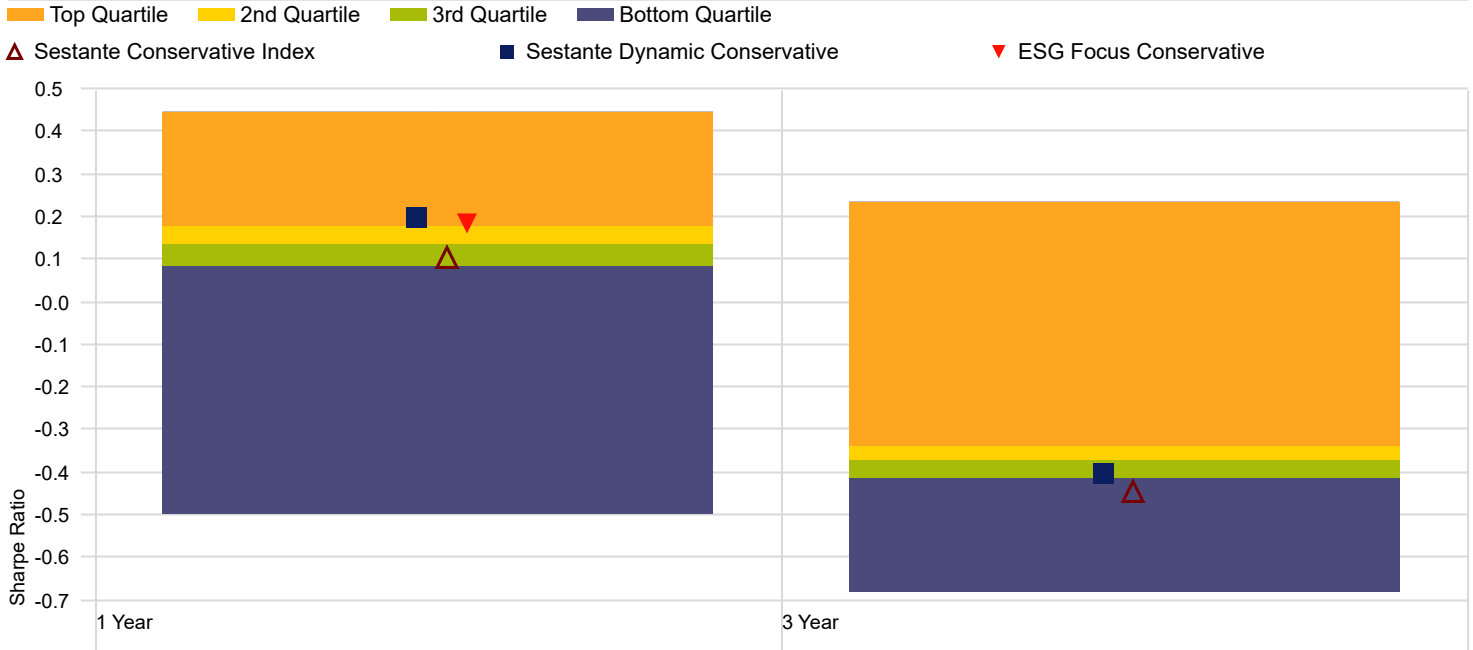
### Sestante Conservative Performance Relative to Peer Group

Peer Group (1-100%): Funds - Australia - Multisector Moderate



**Sharpe Ratio Relative to Peer Group - Conservative**

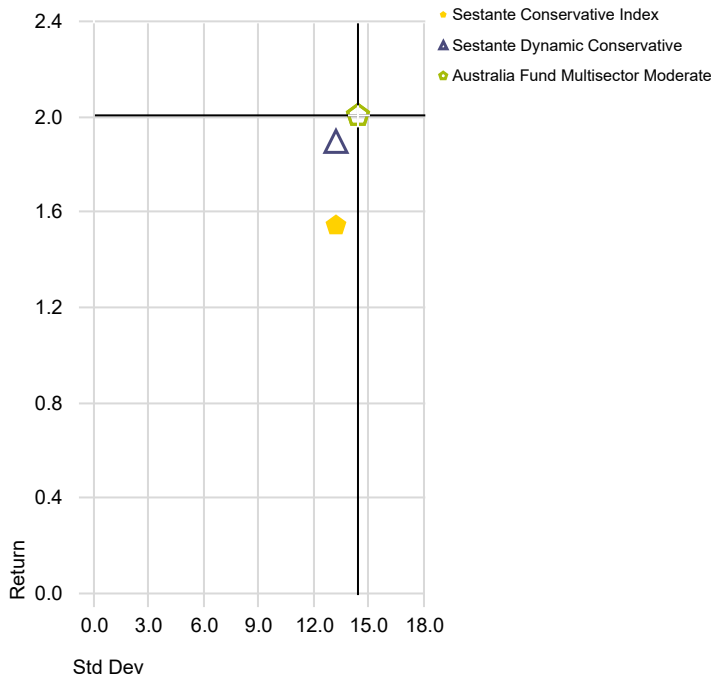
Peer Group (1-100%): Funds - Australia - Multisector Moderate



Sharpe Ratio is a risk-adjusted measure, It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe Ratio can be used to compare two portfolios directly on how much risk a fund had to bear to earn an excess return over the risk-free rate.

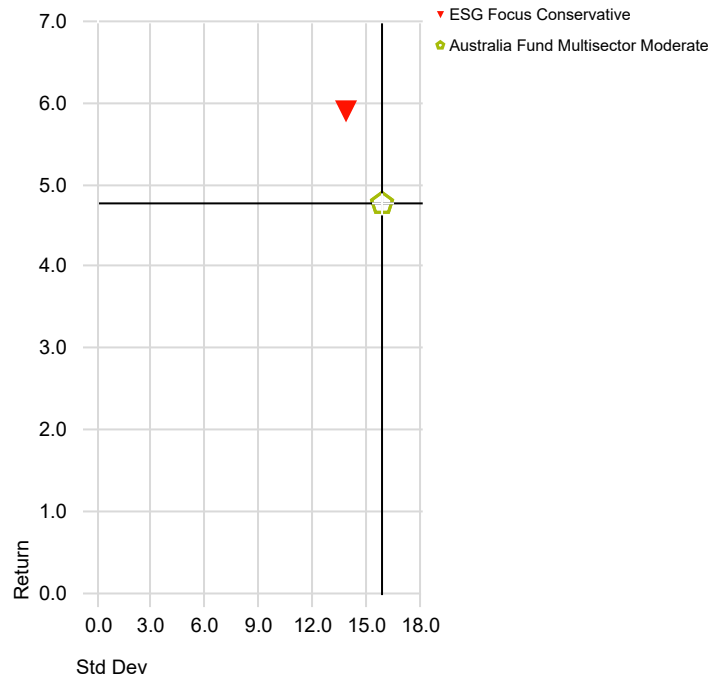
**Risk-Reward (Since common inception exclude ESG)**

Calculation Benchmark: Australia Fund Multisector Moderate



**Risk-Reward (Since common inception ESG)**

Calculation Benchmark: Australia Fund Multisector Moderate



# AZ Sestante Quarterly Report Q4 2023

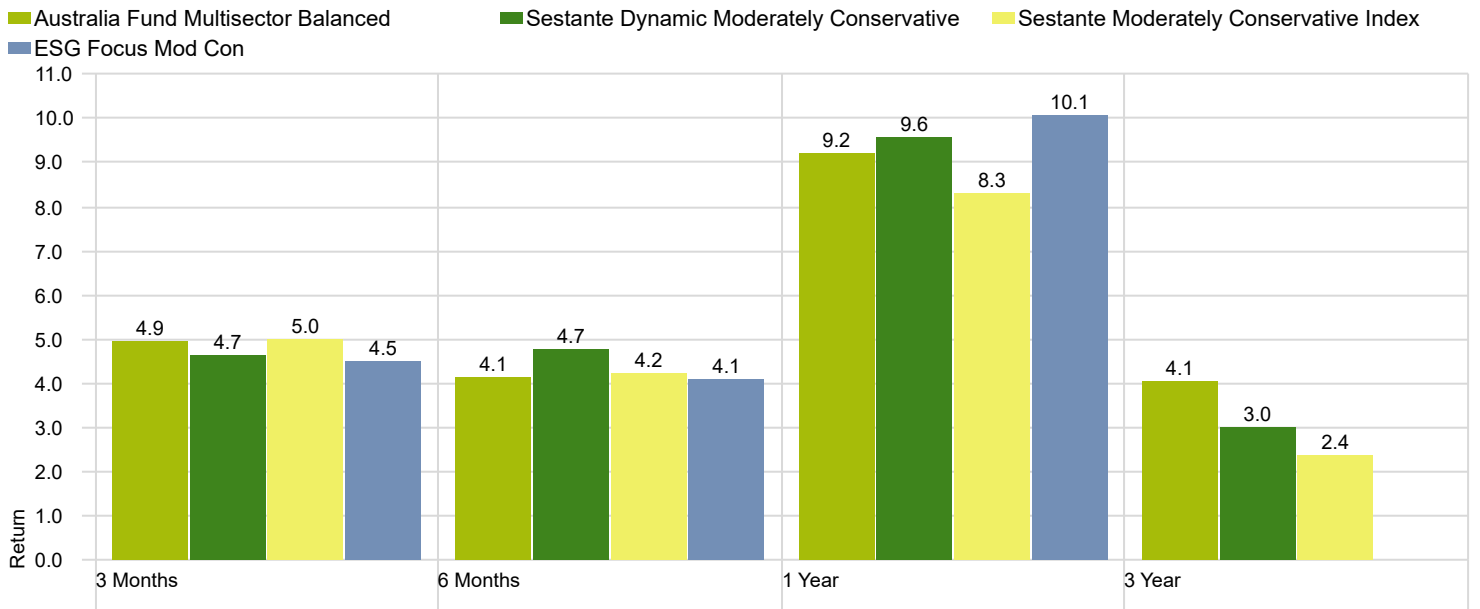
## Peer Group Returns

### Multisector Balanced Category



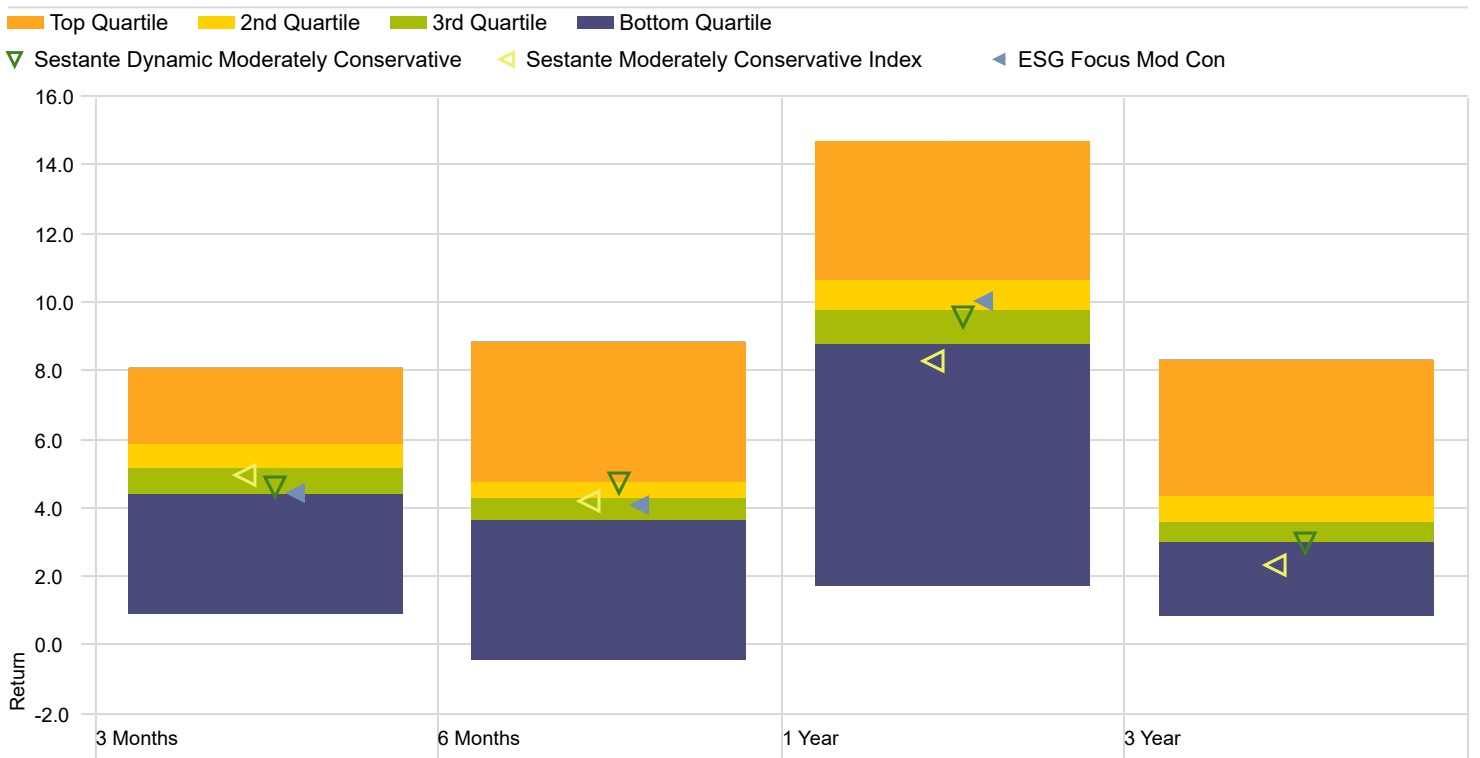
This part of the report aims provide investors an effective way to compare the AZ Sestante portfolios with like options. The Multisector Balanced Category consists of funds that invest in a number of sectors and have between 41% and 60% of their investments exposed to the growth sectors.

### Sestante Moderately Conservative Portfolios vs Morningstar Peers



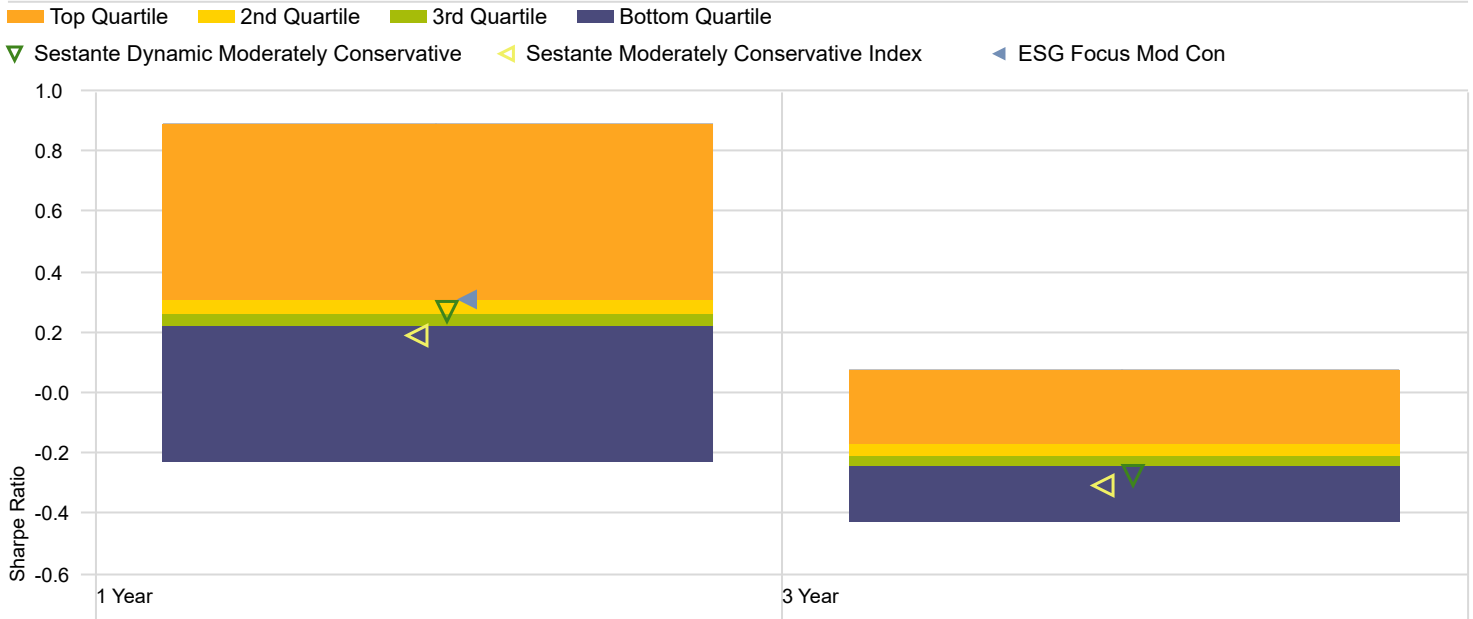
### Sestante Moderately Conservative Performance Relative to Peer Group

Peer Group (1-100%): Funds - Australia - Multisector Balanced



**Sharpe Ratio Relative to Peer Group - Moderately Conservative**

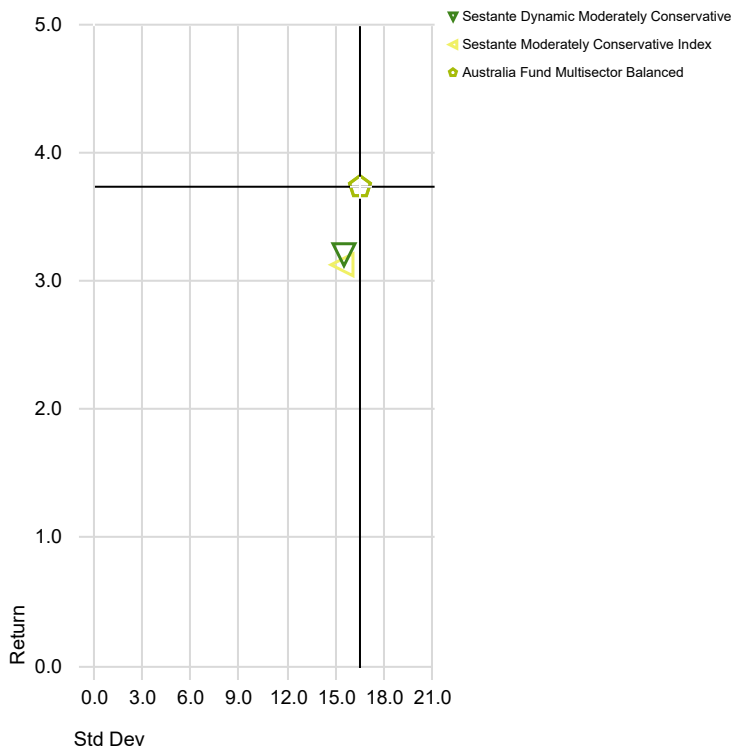
Peer Group (1-100%): Funds - Australia - Multisector Balanced



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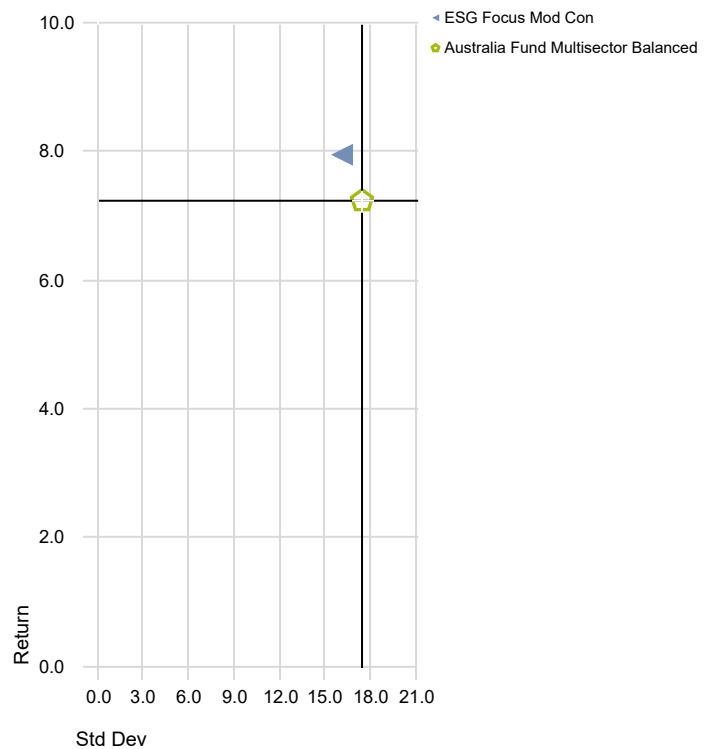
**Risk-Reward (Since common inception exclude ESG)**

Calculation Benchmark: Australia Fund Multisector Balanced



**Risk-Reward (Since common inception ESG)**

Calculation Benchmark: Australia Fund Multisector Balanced



# AZ Sestante Quarterly Report Q4 2023

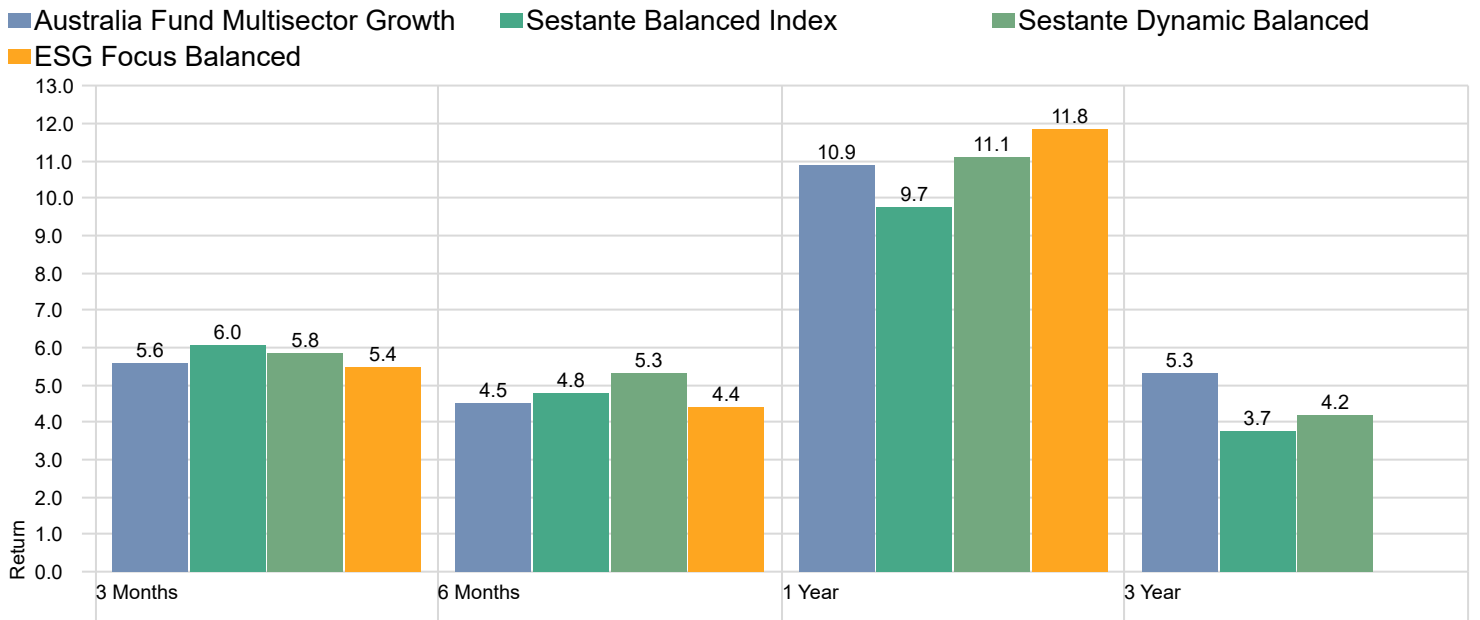
## Peer Group Returns

### Multisector Growth Category

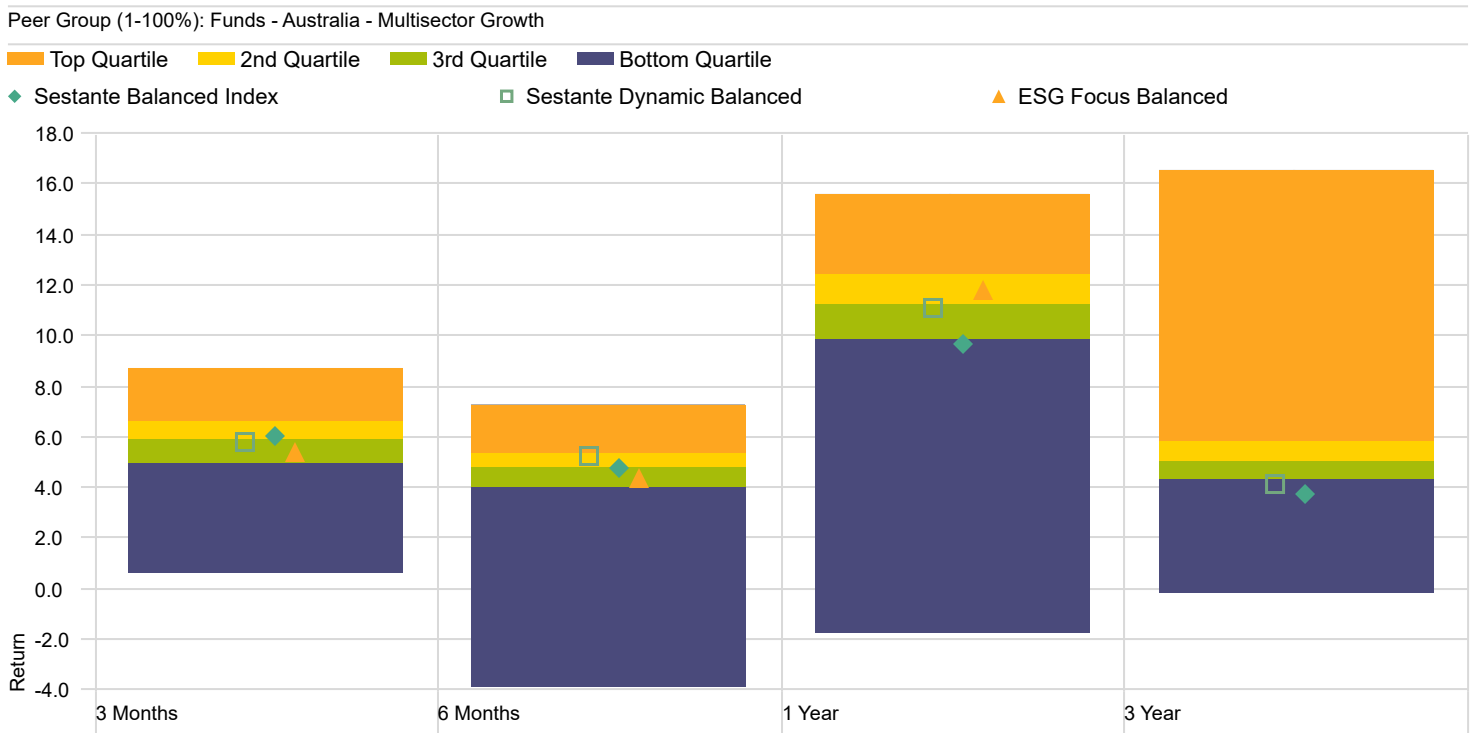


This part of the report aims provide investors an effective way to compare the AZ Sestante portfolios with like options. The Multisector Growth Category consists of funds that invest in a number of sectors and have between 61% and 80% of their investments exposed to the growth sectors.

### Sestante Balanced Portfolios vs Morningstar Peers



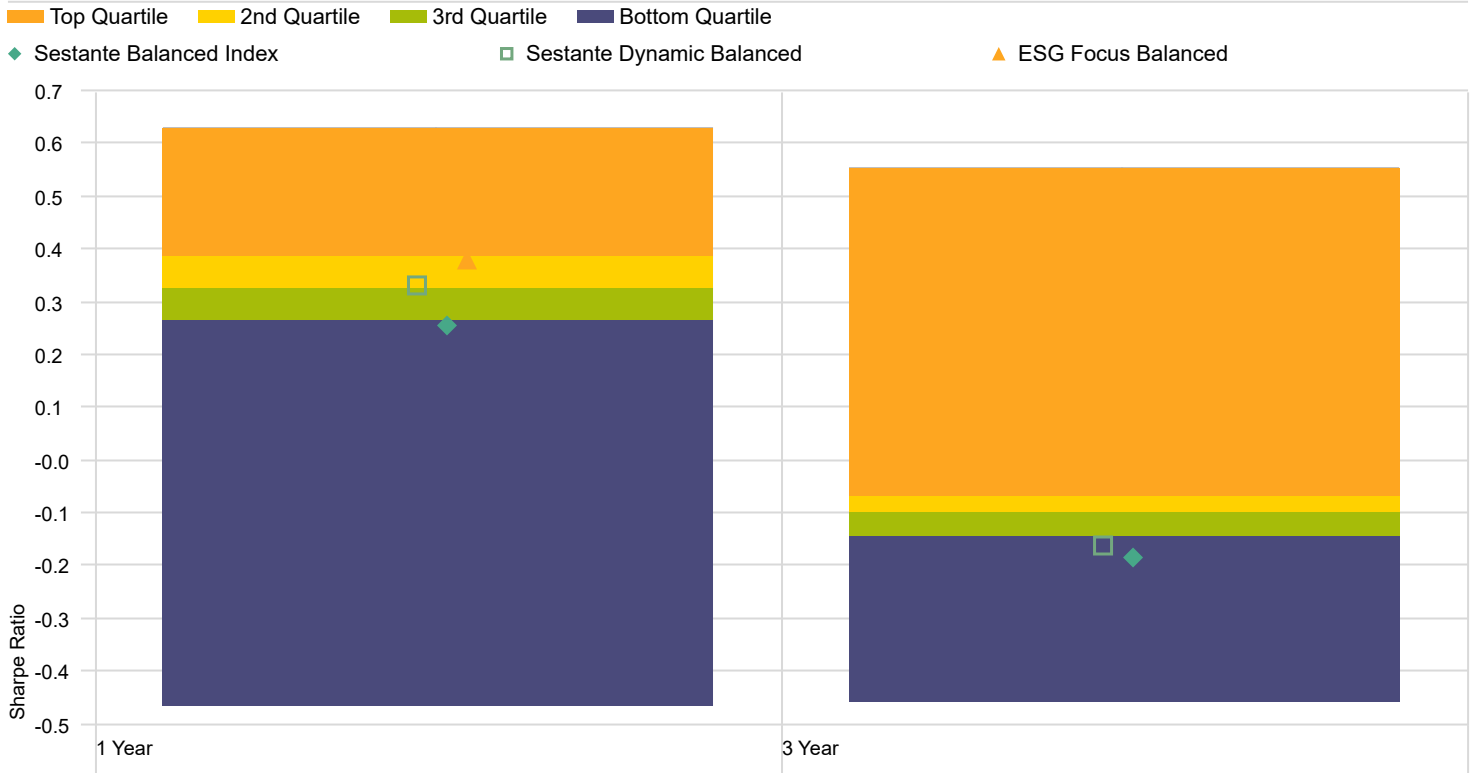
### Sestante Balanced Performance Relative to Peer Group





**Sharpe Ratio Relative to Peer Group - Balanced**

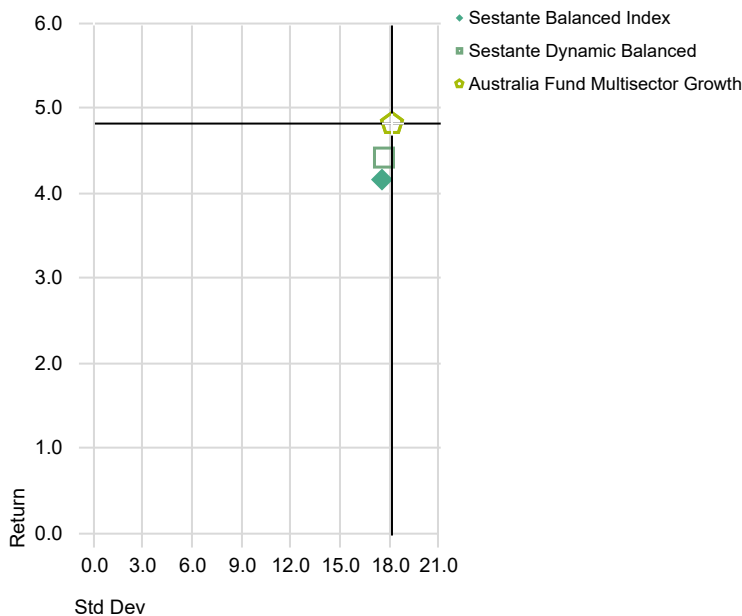
Peer Group (1-100%): Funds - Australia - Multisector Growth



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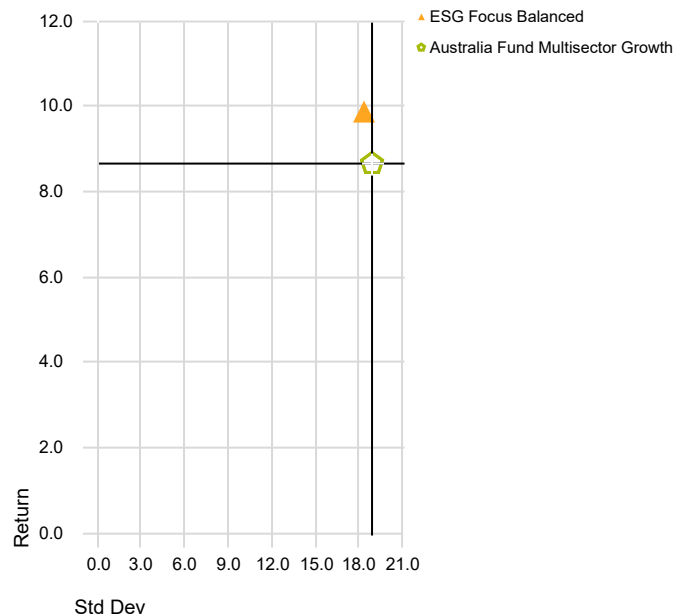
**Risk-Reward (Since common inception exclude ESG)**

Calculation Benchmark: Australia Fund Multisector Growth



**Risk-Reward (Since common inception ESG)**

Calculation Benchmark: Australia Fund Multisector Growth



# AZ Sestante Quarterly Report Q4 2023

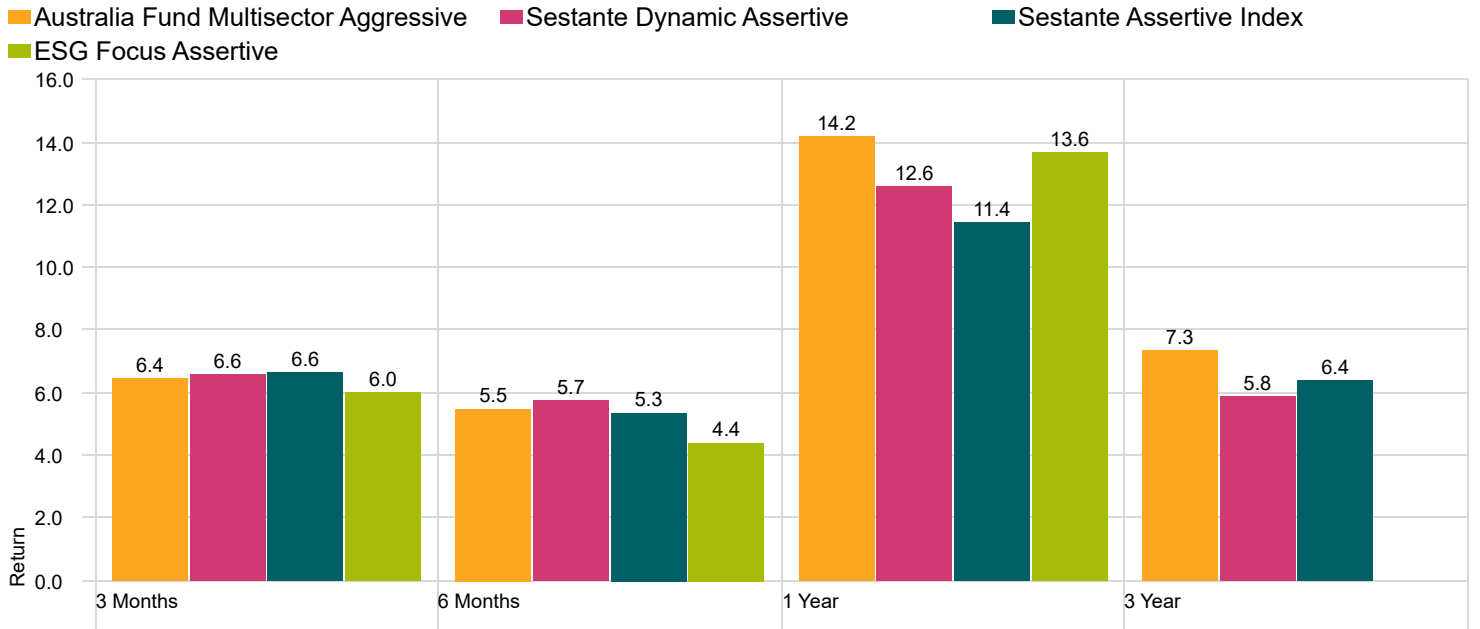
## Peer Group Returns

### Multisector Aggressive Category



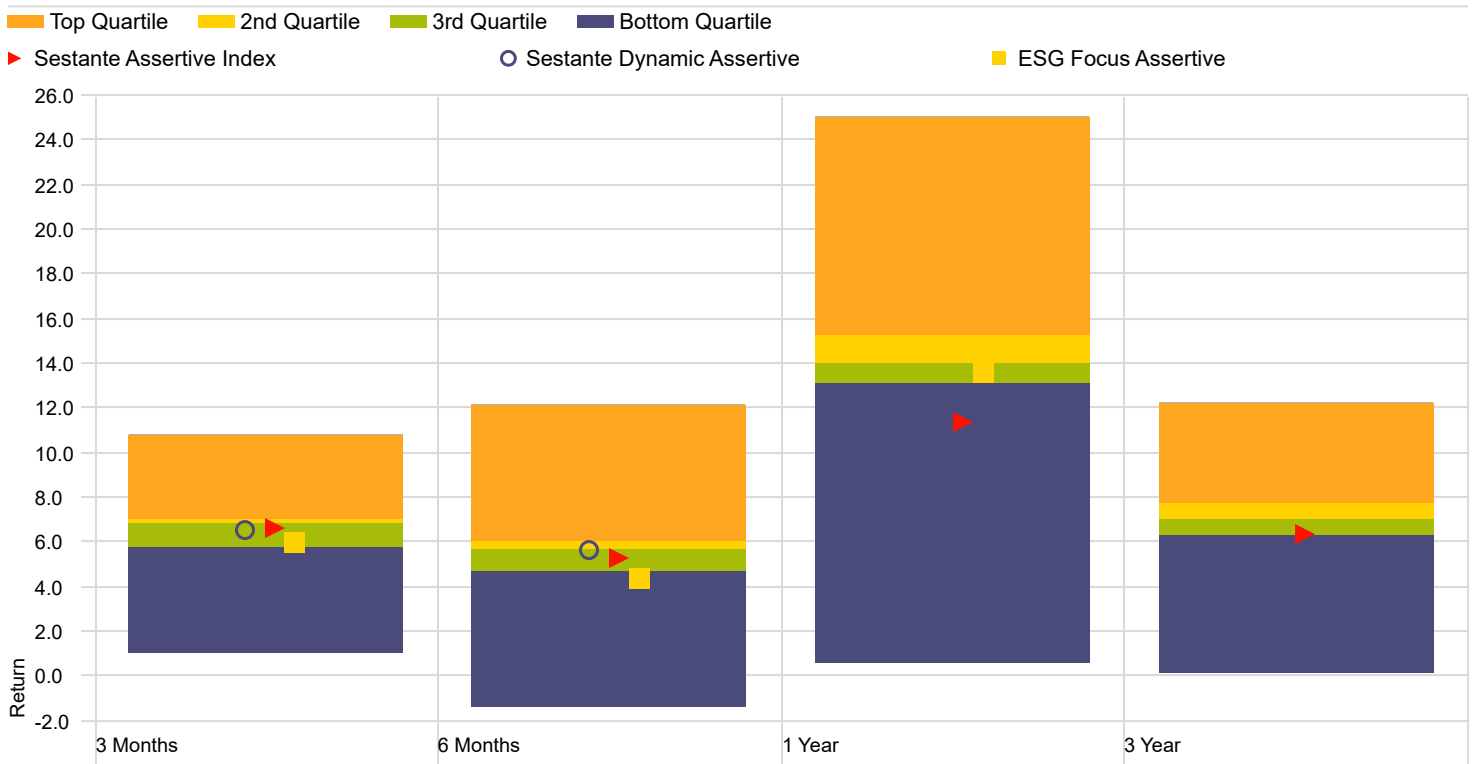
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### Sestante Assertive Portfolios vs Morningstar Peers



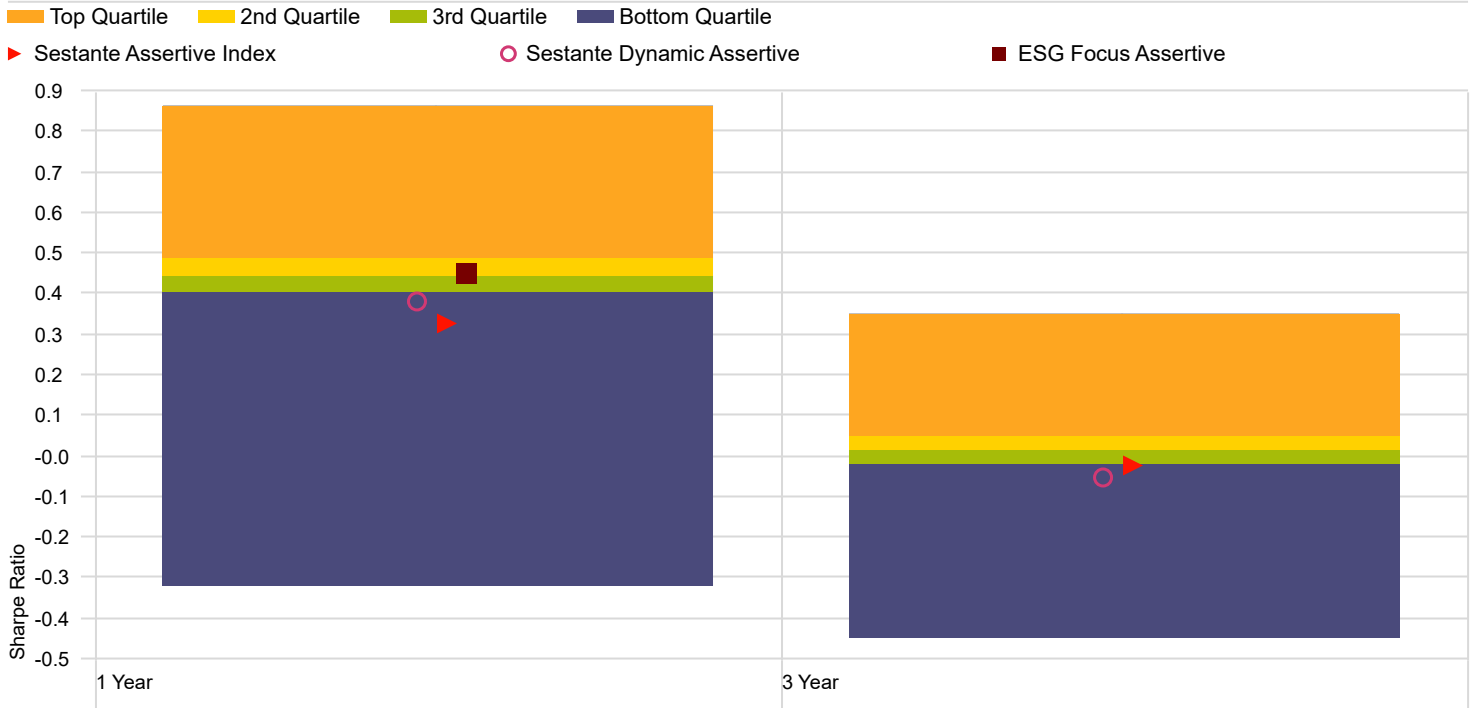
### Sestante Assertive Performance Relative to Peer Group

Peer Group (1-100%): Funds - Australia - Multisector Aggressive



**Sharpe Ratio Relative to Peer Group - Assertive**

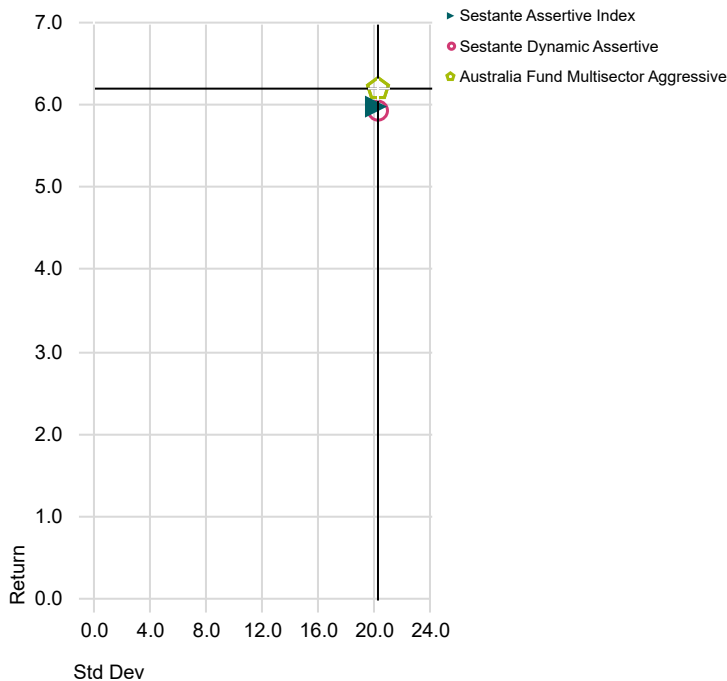
Peer Group (1-100%): Funds - Australia - Multisector Aggressive



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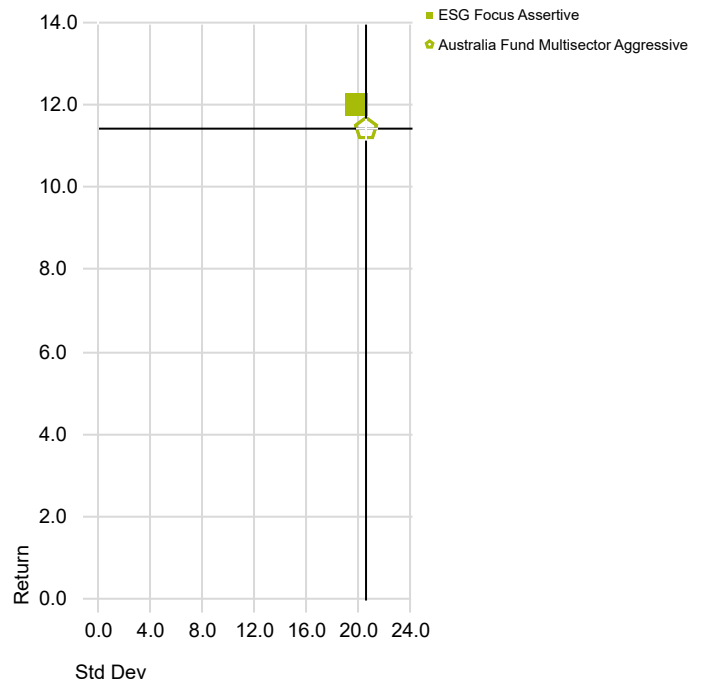
**Risk-Reward (Since common inception exclude ESG)**

Calculation Benchmark: Australia Fund Multisector Aggressive



**Risk-Reward (Since common inception ESG)**

Calculation Benchmark: Australia Fund Multisector Aggressive



# AZ Sestante Quarterly Report Q4 2023

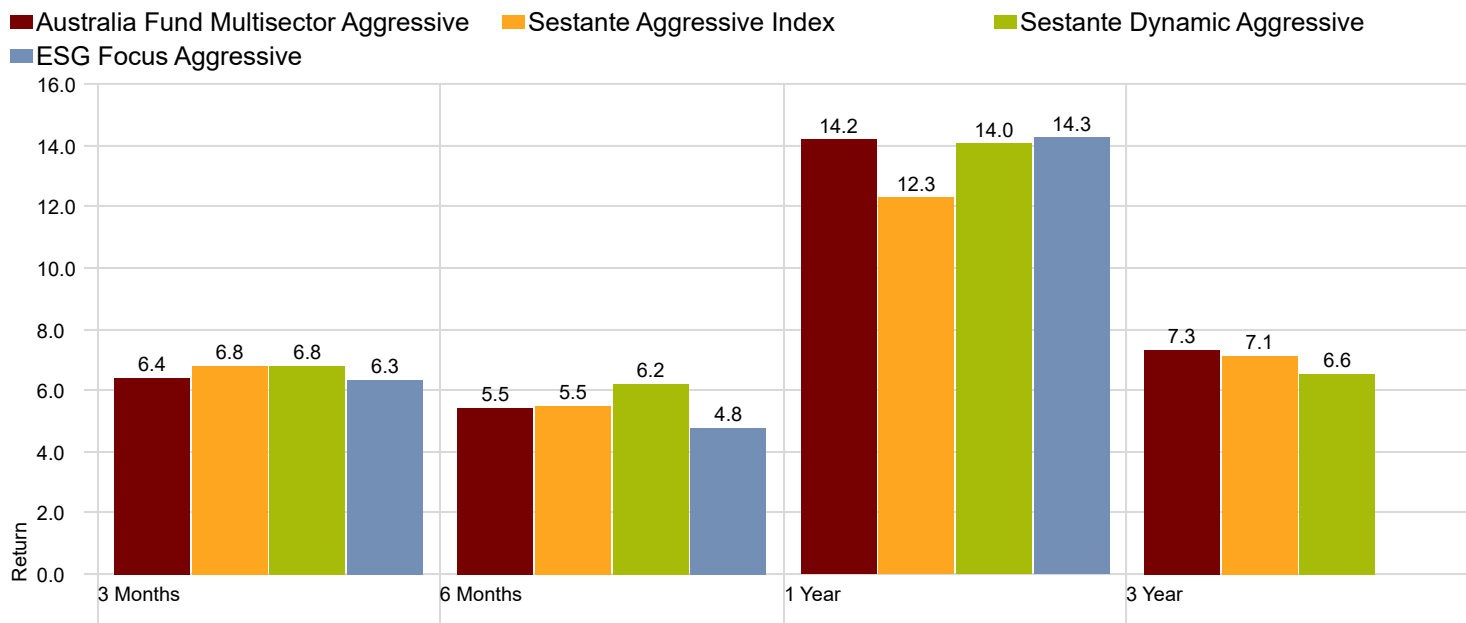
## Peer Group Returns

### Multisector Aggressive Category



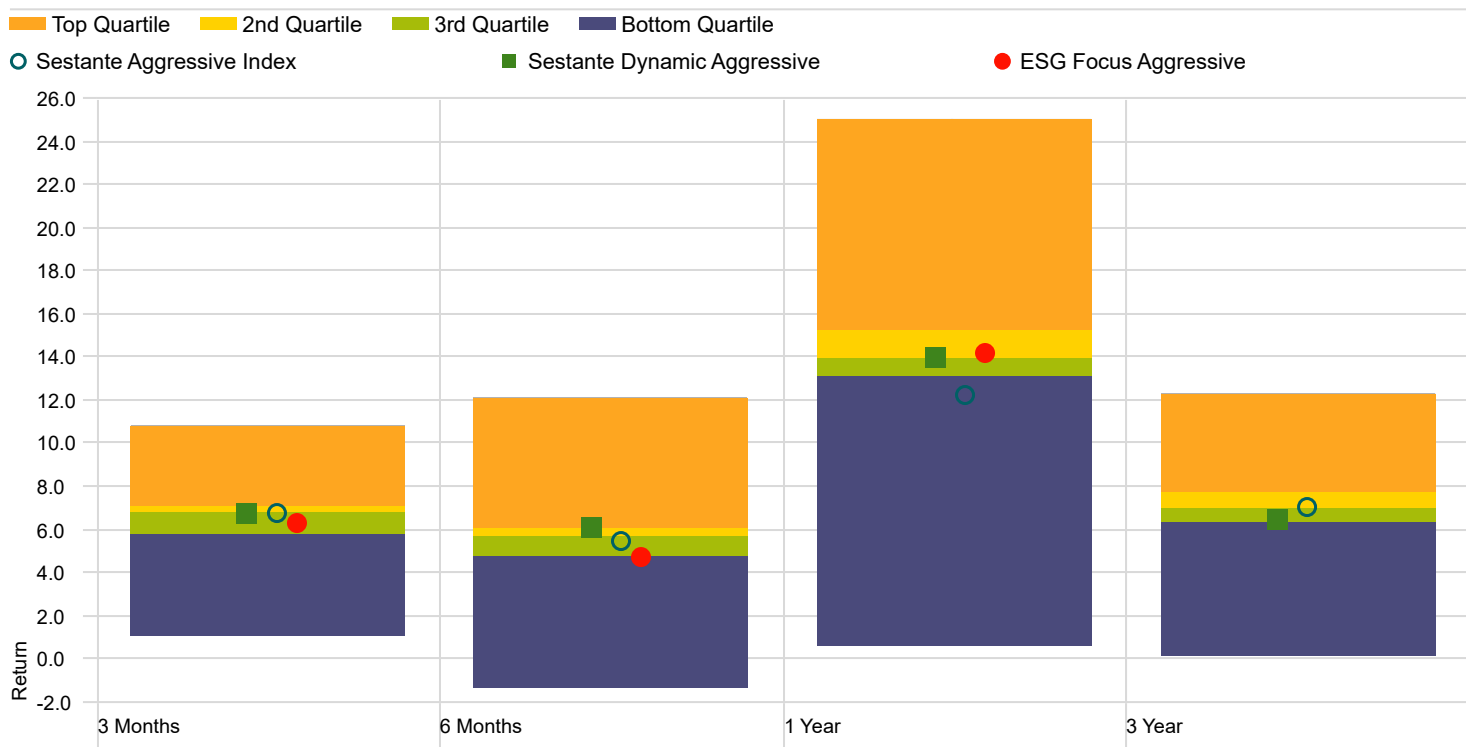
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### Sestante Aggressive Portfolios vs Morningstar Peers



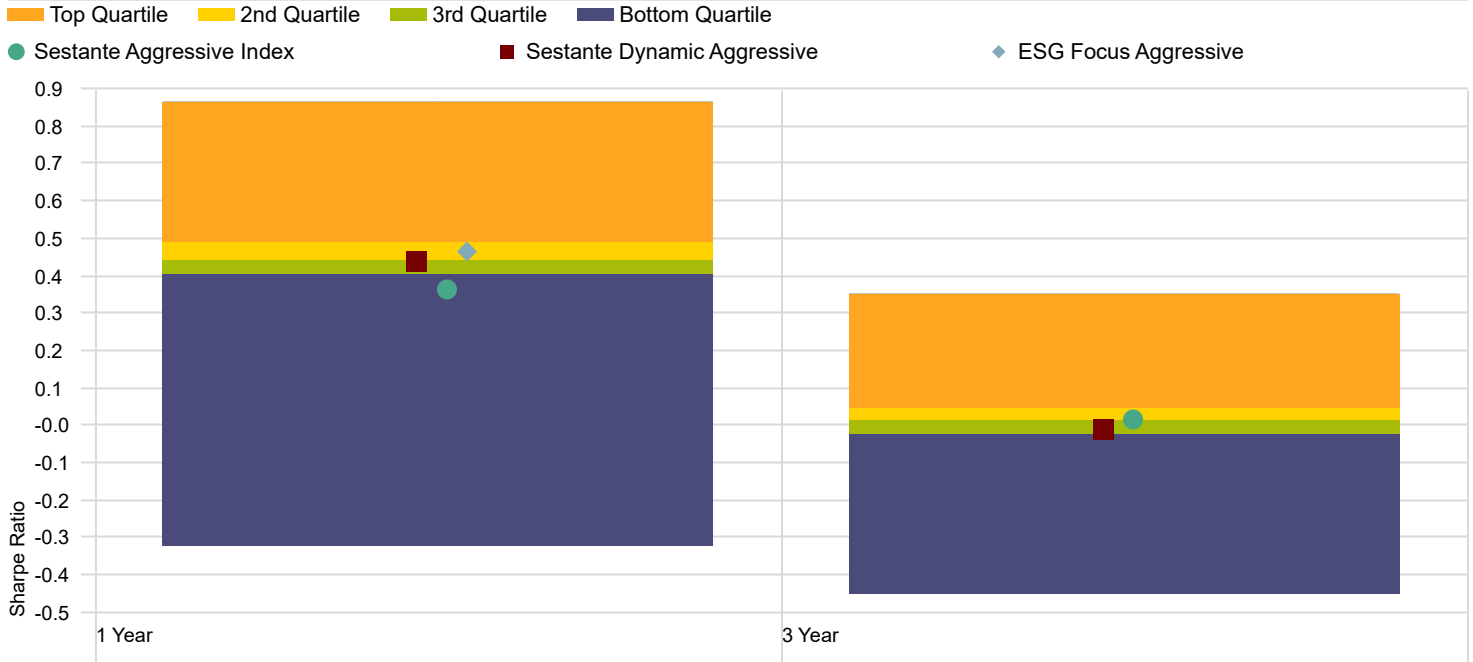
### Sestante Aggressive Performance Relative to Peer Group

Peer Group (1-100%): Funds - Australia - Multisector Aggressive



**Sharpe Ratio Relative to Peer Group - Aggressive**

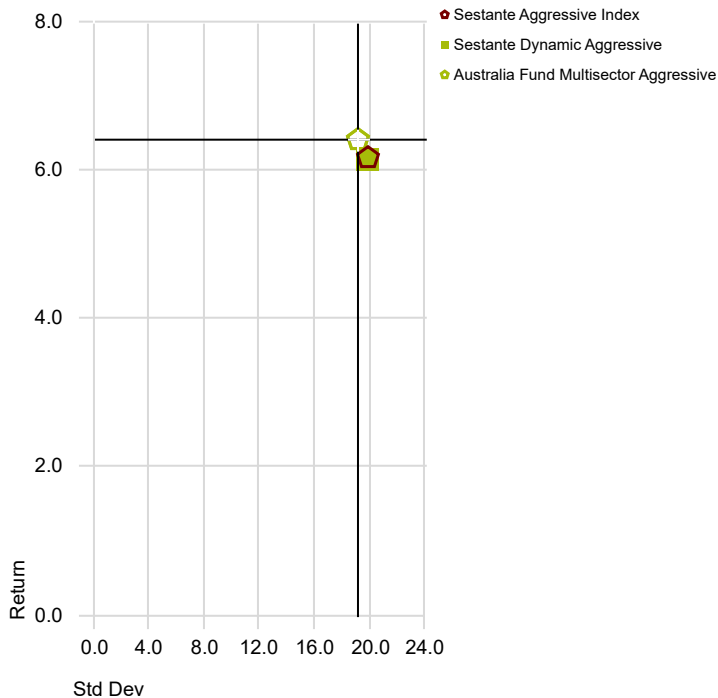
Peer Group (1-100%): Funds - Australia - Multisector Aggressive



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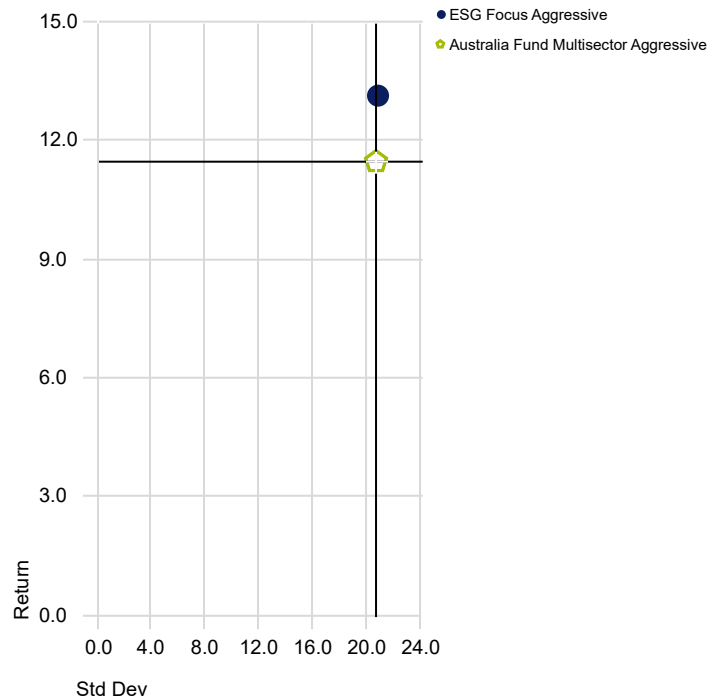
**Risk-Reward (Since common inception exclude ESG)**

Calculation Benchmark: Australia Fund Multisector Aggressive



**Risk-Reward (Since common inception ESG)**

Calculation Benchmark: Australia Fund Multisector Aggressive



## 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.  
E: [invest@azsestante.com](mailto:invest@azsestante.com) | [www.azsestante.com](http://www.azsestante.com)

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