

Market Review

The third quarter of 2024 saw significant macroeconomic developments and subsequent market reactions. In July, inflation data in both the US and Australia came in softer than expected, leading to investor optimism that central banks might soon shift to rate cuts. Federal Reserve Chair Jerome Powell's dovish comments reinforced these expectations, contributing to a rotation out of mega-cap technology stocks and into interest-rate-sensitive sectors. US inflation eased, with core CPI slightly below consensus, while Australian inflation also came in softer, prompting market participants to unwind expectations of further rate hikes. Bond yields fell globally, benefiting fixed income markets, while Australian equities reached record highs, driven by strength in sectors sensitive to interest rates, like consumer discretionary and financials.

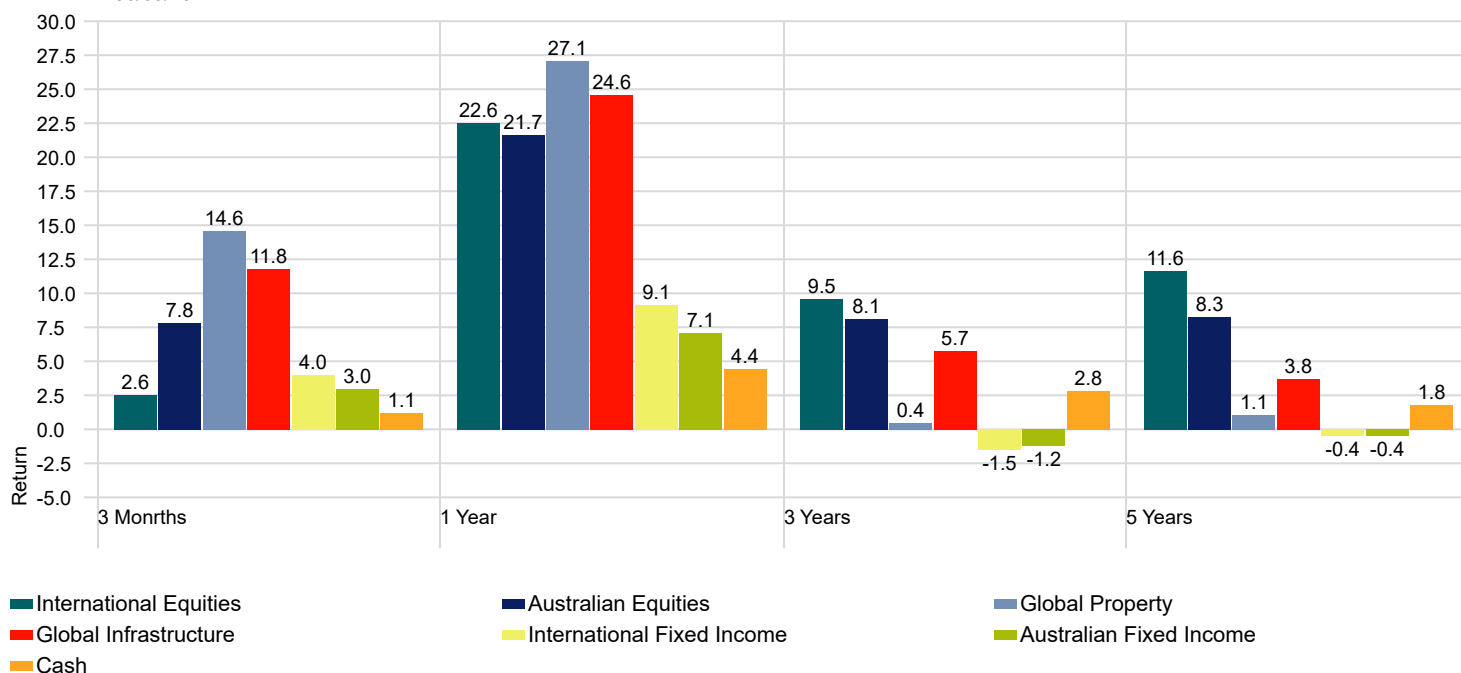
August, however, introduced heightened volatility, especially as Japan's Nikkei 225 plummeted by over 20%, causing global market turbulence. Recession fears were sparked by weak US nonfarm payroll data, and volatility soared. Despite these concerns, the US economy showed resilience with upward revisions to GDP, while inflation continued to cool. Global equity markets saw mixed results, with the US 10-year yield declining further as recession concerns grew. Australian equities experienced modest gains as earnings reports highlighted challenges in the resource sector, although certain growth stocks like Brambles and WiseTech posted strong performances.

September was a pivotal month for monetary policy. The US Federal Reserve cut rates by 50 basis points, signalling a shift from focusing on inflation control to supporting economic growth. Despite this, US equity markets remained flat as concerns about economic weakness persisted. In contrast, China's monetary easing measures, aimed at stabilising its economy, drove a strong rally in Chinese equities, with the CSI 300 gaining nearly 20%. Commodity markets, particularly iron ore, surged, boosting Australian equities. Real assets continued to perform well, supported by the Fed's rate cut and ongoing demand for infrastructure and property assets.

All asset classes returned positive in Q3 2024, global property delivered a stellar return of 14.6%, driven by falling bond yields and strong demand for sectors like healthcare and data centres. Global infrastructure gained 11.8%, supported by strength in regulated utilities, benefiting from rate cuts. Australian equities rose 7.8%, fuelled by a surge in commodity prices, particularly iron ore, due to China's stimulus efforts. International equities returned 2.6%, tempered by the US economic concerns despite gains in Chinese markets. International fixed income rose 4.0%, as global bond yields fell following the Fed's rate cut, while Australian fixed income delivered a solid 3.0%, aided by lower inflation and stable RBA policy.

Returns

As of Date: 30/09/2024



*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.

Conservative Profile

Dynamic Portfolio

The Dynamic portfolio posted a positive return for the quarter, achieving a 2.99% gain, well ahead of its cash + 2% (annual) target (+1.62%). The strongest performance came from International Fixed Income, despite its defensive nature in the portfolio. Tactically, the currency hedging position also contributed positively as the Australian dollar appreciated against the US dollar due to the widening interest rate differential between the US and Australia, coupled with the impact of Chinese economic stimulus. Yarra Australian Bond Fund was the top performer, outperforming the Australian Fixed Income benchmark by 64 basis points, driven by its overweight in duration. Conversely, GQG Partners Global Equity Fund lagged behind its global equity benchmark, impacted by its heavy allocation to Eli Lilly and Novo Nordisk, which faced market concerns regarding competition in GLP-1 obesity and diabetes drugs.

ESG Portfolio

The ESG portfolio delivered a solid 3.07% return, significantly surpassing its cash + 2% (annual) objective (+1.62%). International Fixed Income was the largest contributor at the asset class level, while Australian equities also performed well, buoyed by strength in the materials sector, benefiting from expectations surrounding Chinese stimulus measures. Currency hedging bolstered performance as the AUD gained against the USD. AXA IM Sustainable Equity was the portfolio's top-performing fund, outperforming the International Equities benchmark by 183 basis points, largely due to its overweight in US Consumer Defensive stocks. On the downside, the Pimco ESG Global Bond Fund underperformed relative to International Fixed Income, primarily due to underweights in the US and Emerging Market interest rate duration and certain currency positions.

Index Portfolio

The Index portfolio gained 3.32% over the quarter, easily exceeding its cash + 1.5% (annual) benchmark (+1.5%). Australian equities led the portfolio's performance, with the materials sector benefiting from Chinese stimulus expectations. Currency hedging also added value as the AUD appreciated against the USD, driven by widening interest rate spreads between the US and Australia.

Moderately Conservative Profile

Dynamic Portfolio

The Dynamic portfolio delivered a 3.79% return, comfortably beating its cash + 2.5% (annual) target (+1.75%). Australian equities were the top contributors, largely due to strength in the materials sector. Tactically, the portfolio benefited from currency hedging as the AUD rose against the USD, supported by wider US-AU interest rate differentials and Chinese stimulus. Paradise Australian Equities was the best performer, beating its benchmark by 205 basis points, driven by strong stock selection in materials, industrials, and healthcare. However, GQG Partners Global Equity Fund underperformed, weighed down by its positions in Eli Lilly and Novo Nordisk, which faced concerns about increased competition in GLP-1 drugs.

ESG Portfolio

The ESG portfolio returned 4.29%, far exceeding its cash + 2.5% (annual) objective (+1.75%). Australian equities were the leading contributors, particularly in the materials sector. Currency hedging further boosted returns due to AUD appreciation against USD. AXA IM Sustainable Equity outperformed the International Equities benchmark by 183 basis points, while Australian Ethical Australian Shares beat the Australian Equities benchmark by 220 basis points, thanks to strong stock selection in IT and Healthcare sectors, despite underweights in materials and utilities. Pimco ESG Global Bond Fund underperformed relative to International Fixed Income due to its underexposure to US and Emerging Market interest rate duration.

Index Portfolio

The Index portfolio posted a 4.44% return, outpacing its cash + 2% (annual) objective (+1.62%). The materials sector drove the strong performance of Australian equities, with additional gains from currency hedging as the AUD appreciated against the USD, thanks to widening interest rate spreads.

Balanced Profile

Dynamic Portfolio

The Dynamic portfolio recorded a 4.84% return, outperforming its cash + 3.5% (annual) target (+2%). Australian equities were the top performers, benefiting from Chinese stimulus-driven gains in the materials sector. Currency hedging also contributed as the AUD rose against the USD. Paradise Australian Equities led relative performance, beating its benchmark by 205 basis points, while GQG Partners Global Equity Fund was the laggard, weighed down by concerns over competition in the GLP-1 market for Eli Lilly and Novo Nordisk.

ESG Portfolio

The ESG portfolio returned 5.33%, significantly exceeding its cash + 3.5% (annual) objective (+2%). Australian equities led performance, particularly in the materials sector, with currency hedging adding further value. AXA IM Sustainable Equity outperformed by 183 basis points, driven by US Consumer Defensive stocks, while Australian Ethical Australian Shares surpassed the benchmark by 220 basis points, aided by strong positions in IT and Healthcare. First Sentier Global Property Fund lagged behind the global property benchmark, primarily due to exposure to US single-family housing, European logistics, and Japanese real estate.

Index Portfolio

The Index portfolio delivered a 5.63% return, outpacing its cash + 2.5% (annual) target (+1.75%). Australian equities, particularly the materials sector, were the biggest contributors, with currency hedging adding to returns as the AUD appreciated.

Assertive Profile

Dynamic Portfolio

The Dynamic portfolio returned 5.26%, surpassing its cash + 4.5% (annual) objective (+2.25%). Australian equities were the primary driver, contributing more than half of the portfolio's return, largely driven by materials sector strength. The portfolio also benefited from currency hedging due to AUD appreciation against the USD. Paradise Australian Equities outperformed the Australian Equities benchmark by 205 basis points, while GQG Partners Global Equity Fund underperformed, impacted by its overweight in Eli Lilly and Novo Nordisk.

ESG Portfolio

The ESG portfolio posted a 6.07% return, exceeding its cash + 4.5% (annual) target (+2.25%). Australian equities were the leading contributor, bolstered by materials sector performance. Currency hedging further added to returns. AXA IM Sustainable Equity outperformed by 183 basis points, while Australian Ethical Australian Shares beat its benchmark by 220 basis points, helped by strong positions in IT and Healthcare. First Sentier Global Property Fund was the weakest performer, impacted by its exposure to US single-family housing, European logistics, and Japanese property.

Index Portfolio

The Index portfolio generated a 6.03% return, comfortably beating its cash + 3% (annual) objective (+1.87%). Australian equities led performance, particularly in the materials sector, with gains amplified by favourable currency movements as the AUD appreciated against the USD.

Aggressive Profile

Dynamic Portfolio

The Dynamic portfolio delivered a 5.24% return, exceeding its cash + 5% (annual) benchmark (+2.37%). Australian equities were the largest contributors, driven by strong materials sector performance. Currency hedging also added value due to AUD strength. Paradise Australian Equities was the top performer, while GQG Partners Global Equity Fund struggled, largely due to its positions in Eli Lilly and Novo Nordisk.

ESG Portfolio

The ESG portfolio returned 6.1%, comfortably exceeding its cash + 5% (annual) target (+2.37%). Australian equities, particularly the materials sector, drove performance. Currency hedging further boosted returns as the AUD appreciated. AXA IM Sustainable Equity and Australian Ethical Australian Shares outperformed their respective benchmarks, while First Sentier Global Property Fund underperformed, primarily due to its US and European exposure.

Index Portfolio

The Index portfolio posted a 6% return, exceeding its cash + 3% (annual) target (+2.25%). Australian equities led the charge, with the materials sector benefiting from Chinese stimulus expectations. Currency hedging also played a role, with AUD strength adding to returns.

AZ Sestante Quarterly Report

As of 30/09/2024

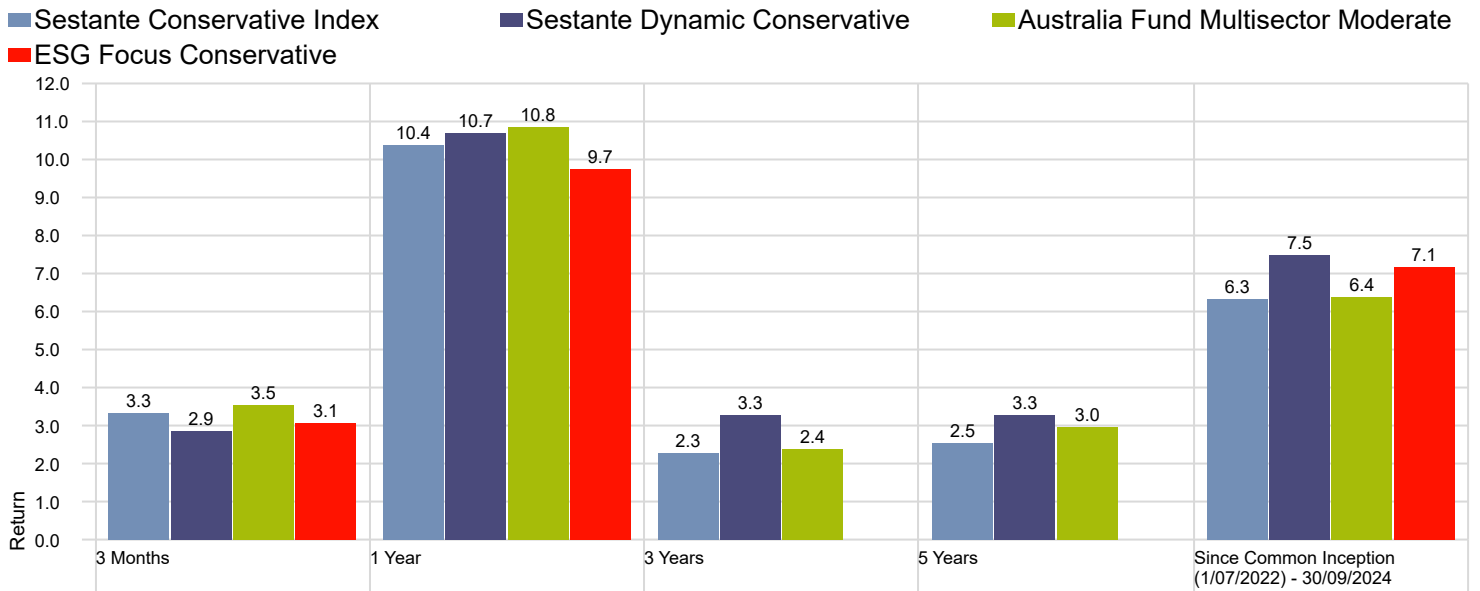
Peer Group Returns

Multisector Moderate Category



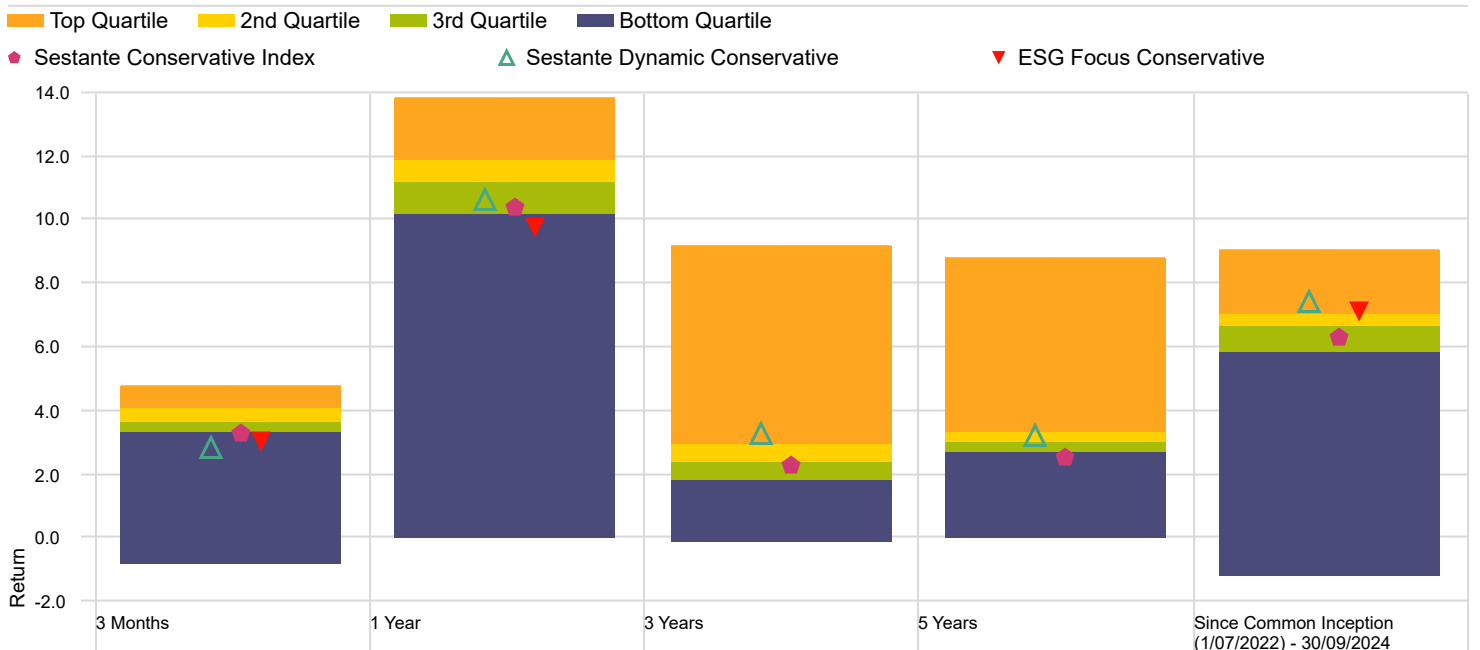
This part of the report aims provide investors an effective way to compare the AZ Sestante portfolios with like options. The Multisector Moderate Category consists of funds that invest in a number of sectors and have between 21% and 40% of their investments exposed to the growth sectors.

Sestante Conservative Portfolios vs Morningstar Peers



Sestante Conservative Performance Relative to Peer Group

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



AZ Sestante Quarterly Report

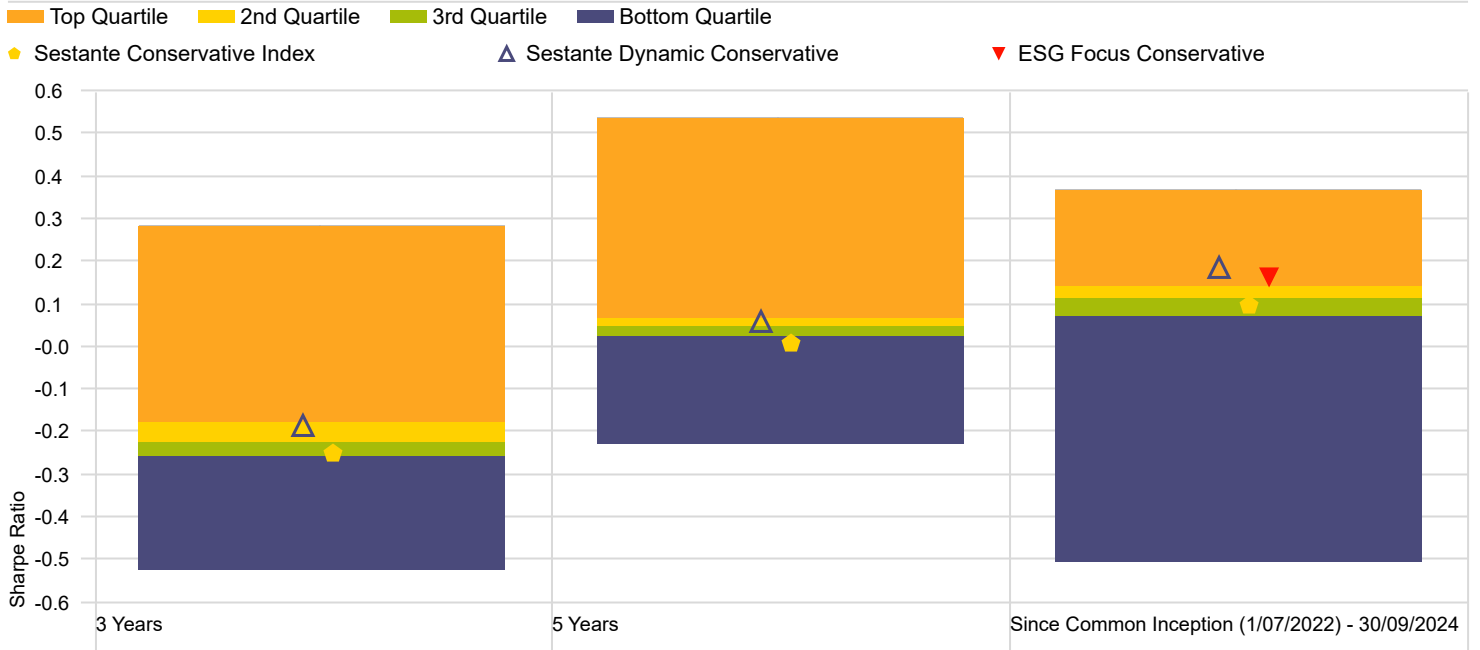
As of 30/09/2024

Peer Group Returns

Multisector Moderate Category

Sharpe Ratio Relative to Peer Group - Conservative

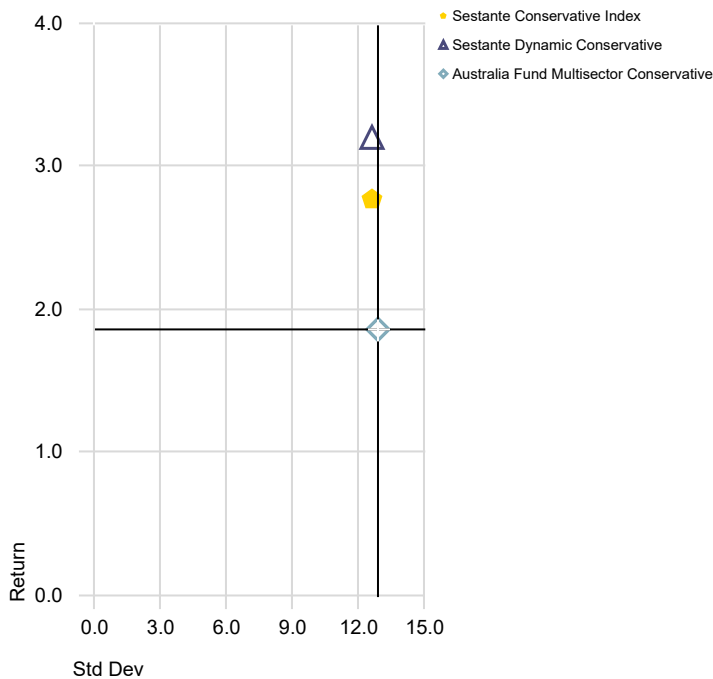
Peer Group (1-100%): Funds - Australia - Multisector Moderate



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.

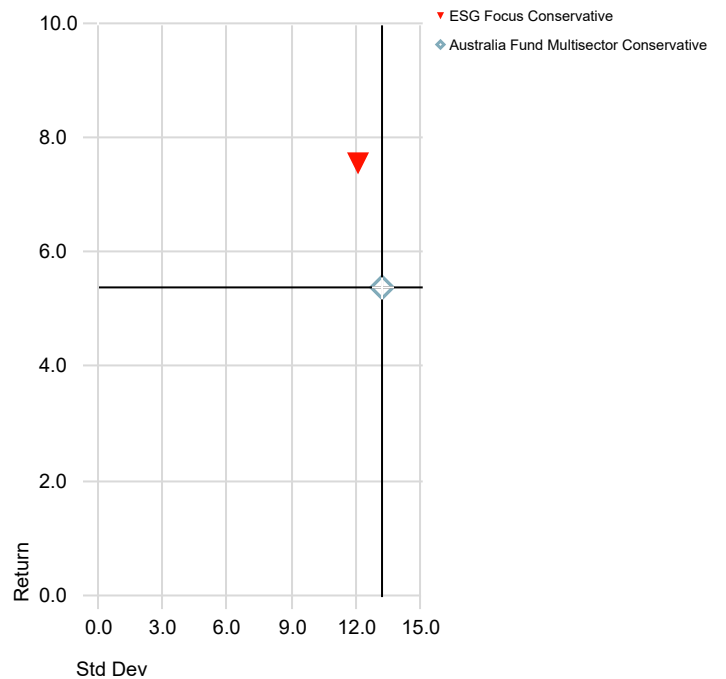
Risk-Reward (Since common inception exclude ESG)

Time Period: Since Common Inception (1/03/2019) to 30/09/2024



Risk-Reward (Since common inception ESG)

Time Period: Since Common Inception (1/07/2022) to 30/09/2024



AZ Sestante Quarterly Report

As of 30/09/2024

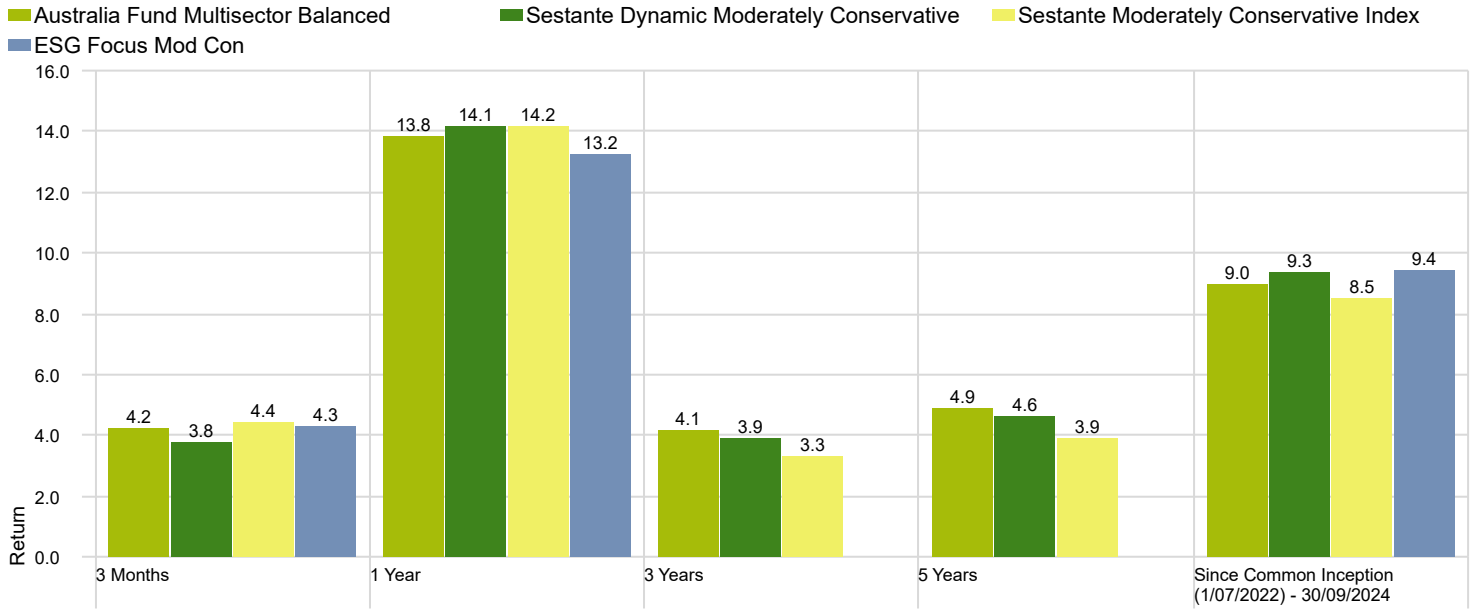
Peer Group Returns

Multisector Balanced Category



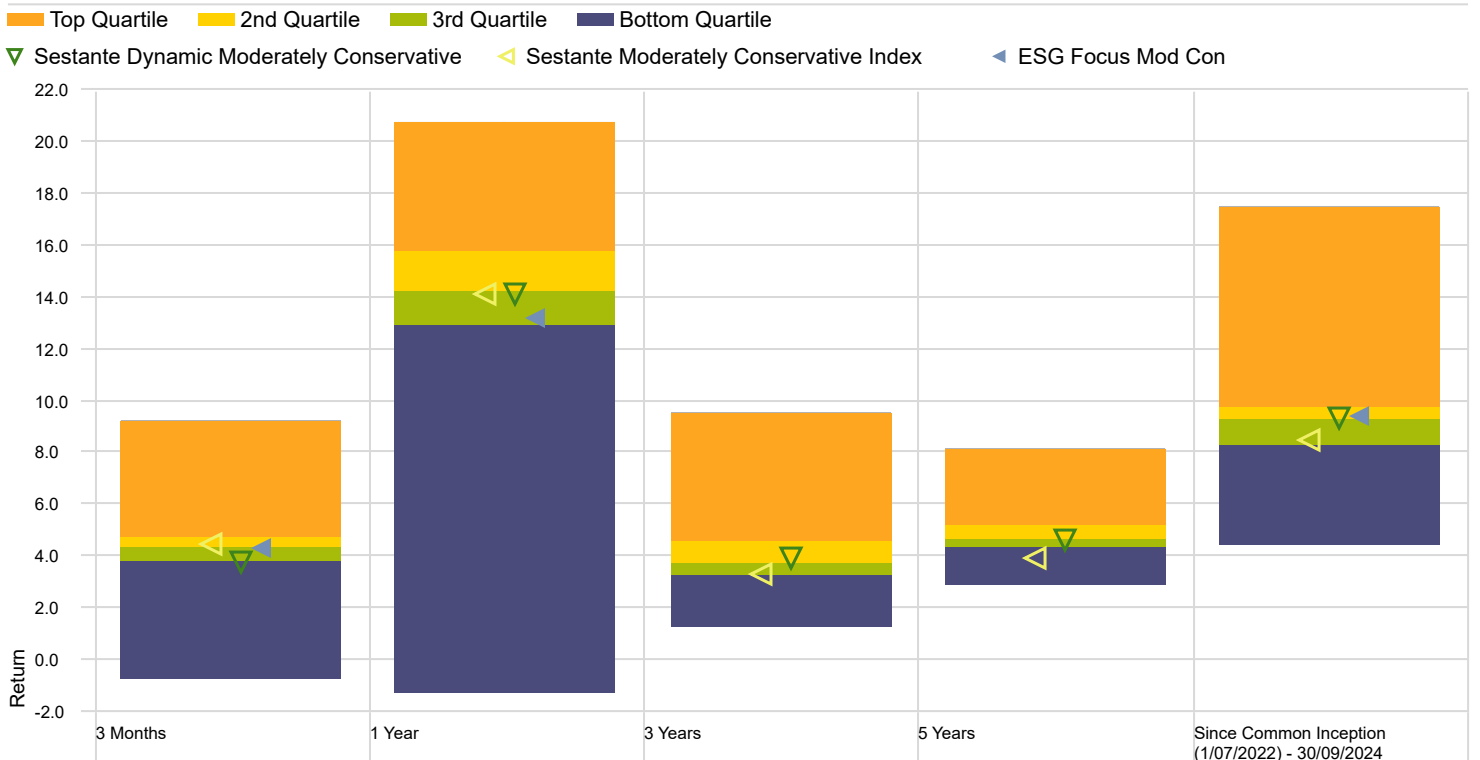
This part of the report aims provide investors an effective way to compare the AZ Sestante portfolios with like options. The Multisector Balanced Category consists of funds that invest in a number of sectors and have between 41% and 60% of their investments exposed to the growth sectors.

Sestante Moderately Conservative Portfolios vs Morningstar Peers



Sestante Moderately Conservative Performance Relative to Peer Group

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



AZ Sestante Quarterly Report

As of 30/09/2024

Peer Group Returns

Multisector Balanced Category

Sharpe Ratio Relative to Peer Group - Moderately Conservative

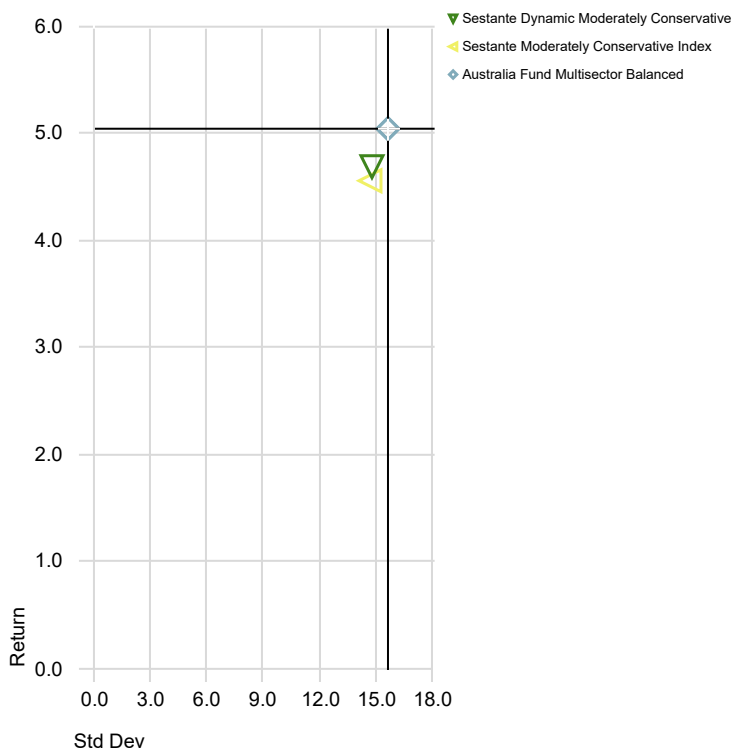
Peer Group (1-100%): Funds - Australia - Multisector Balanced



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.

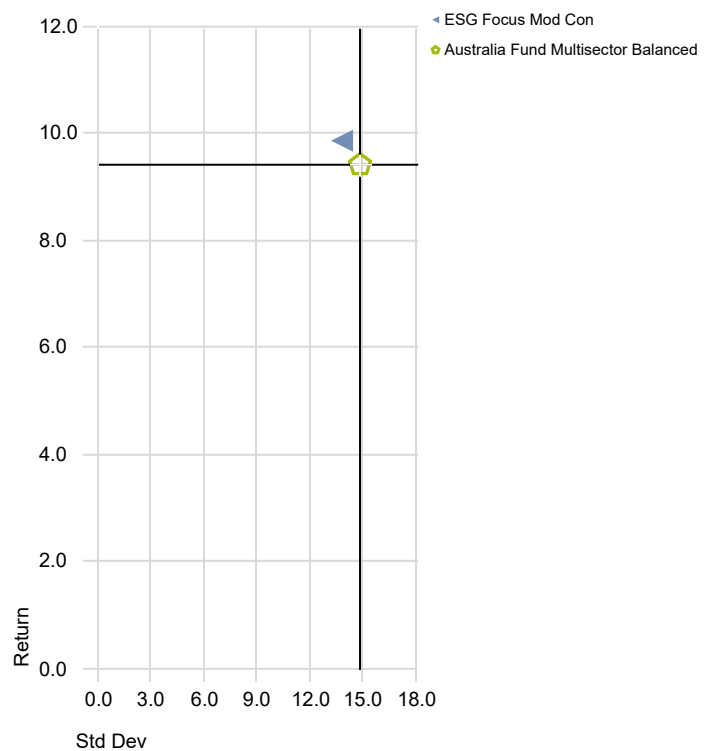
Risk-Reward (Since common inception exclude ESG)

Time Period: Since Common Inception (1/03/2019) to 30/09/2024



Risk-Reward (Since common inception ESG)

Time Period: Since Common Inception (1/07/2022) to 30/09/2024



AZ Sestante Quarterly Report

As of 30/09/2024

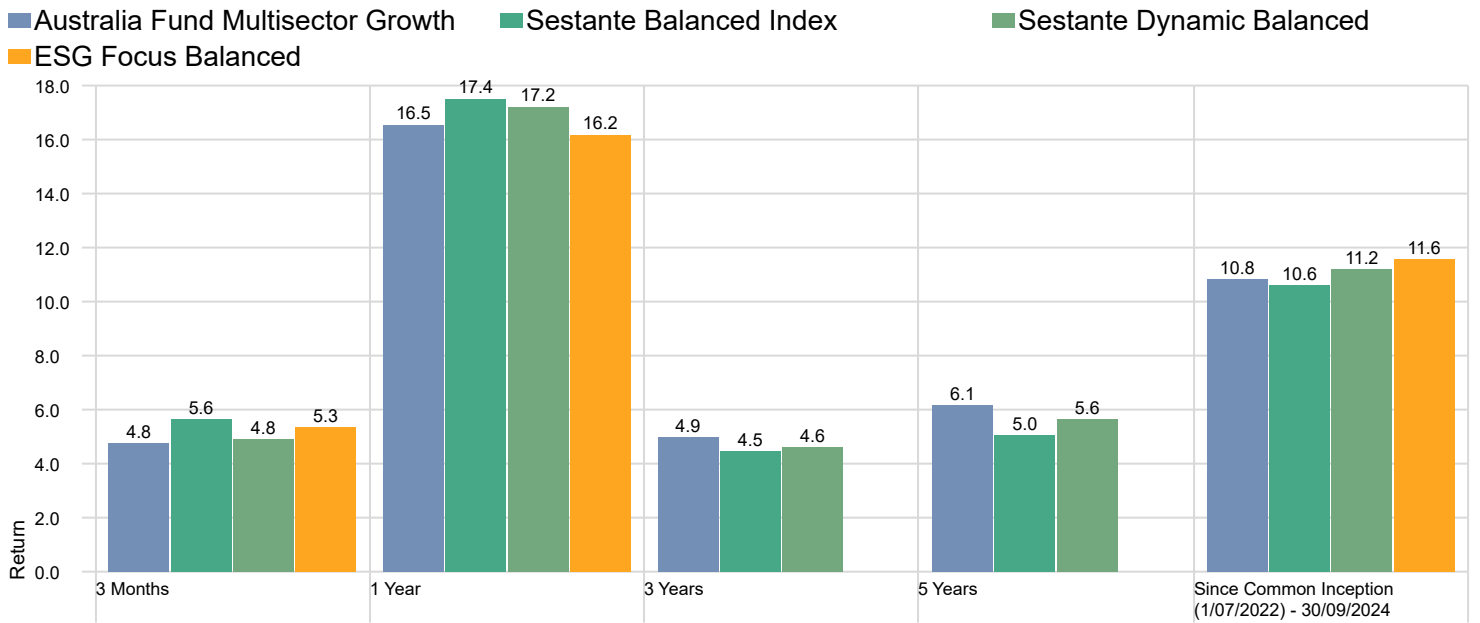
Peer Group Returns

Multisector Growth Category



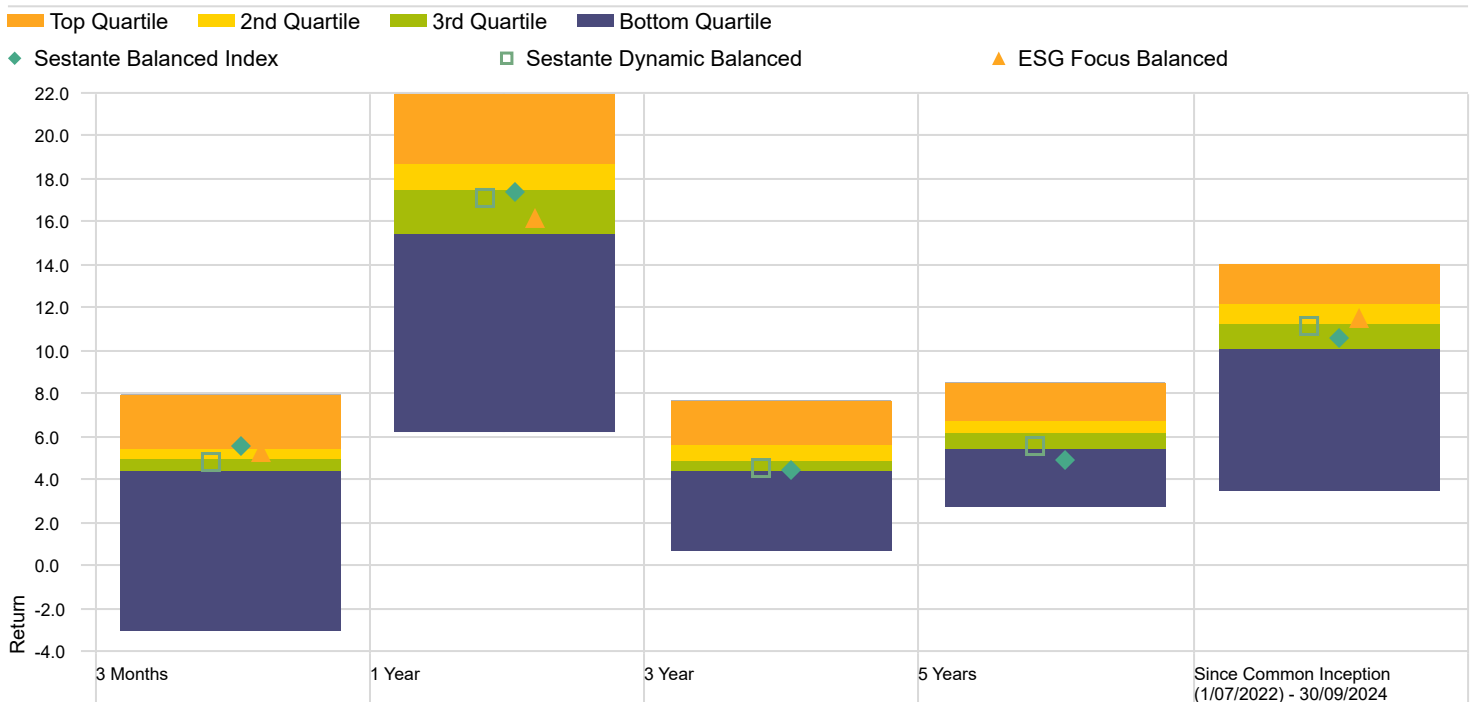
This part of the report aims provide investors an effective way to compare the AZ Sestante portfolios with like options. The Multisector Growth Category consists of funds that invest in a number of sectors and have between 61% and 80% of their investments exposed to the growth sectors.

Sestante Balanced Portfolios vs Morningstar Peers



Sestante Balanced Performance Relative to Peer Group

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



AZ Sestante Quarterly Report

As of 30/09/2024

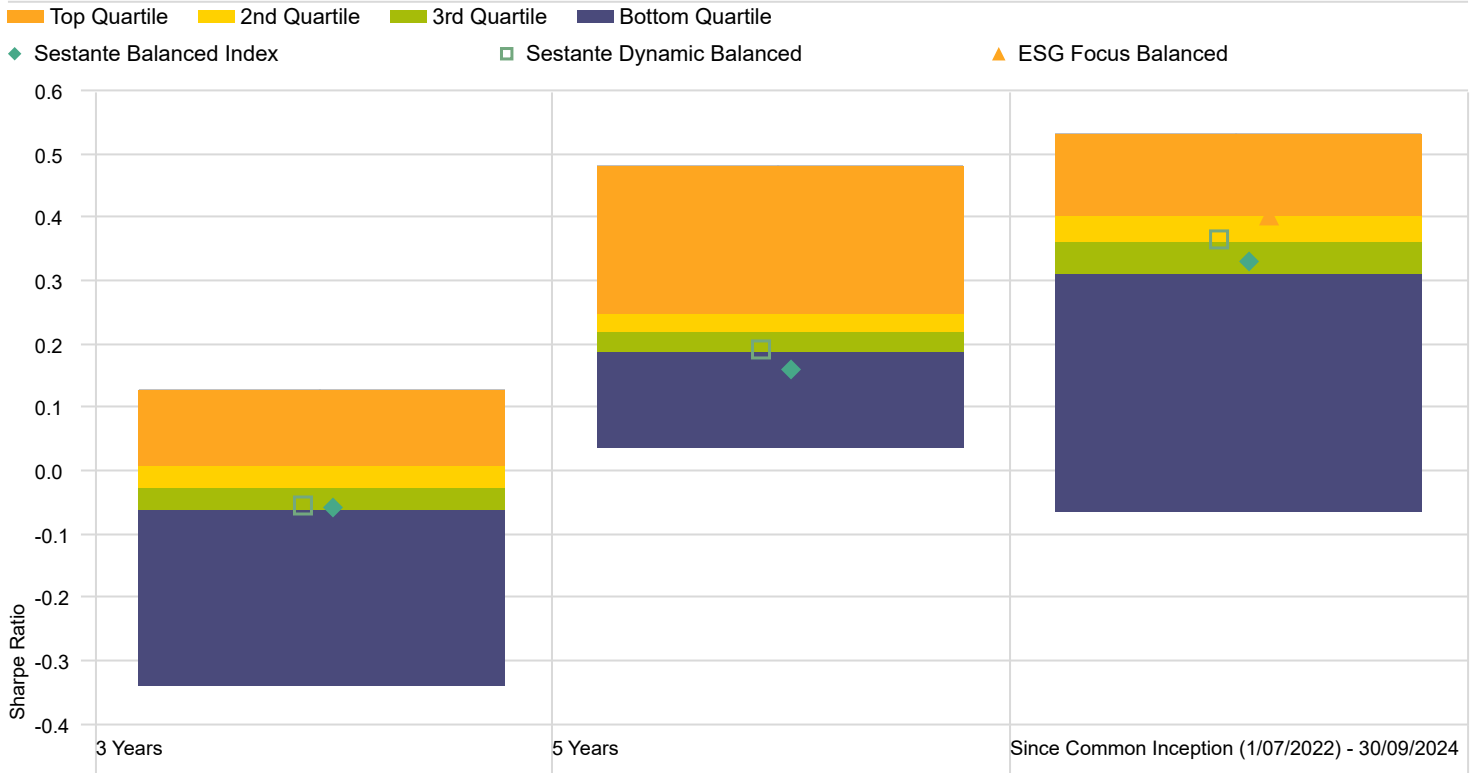
Peer Group Returns

Multisector Growth Category



Sharpe Ratio Relative to Peer Group - Balanced

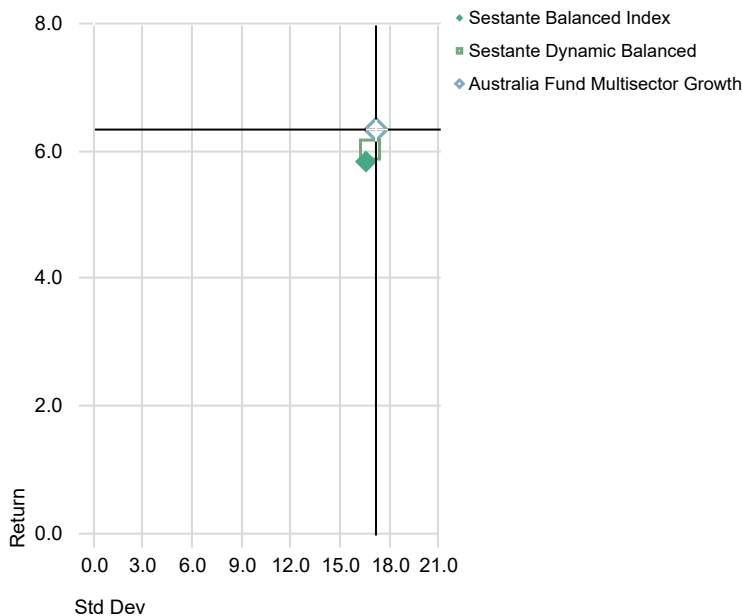
Peer Group (1-100%): Funds - Australia - Multisector Growth



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.

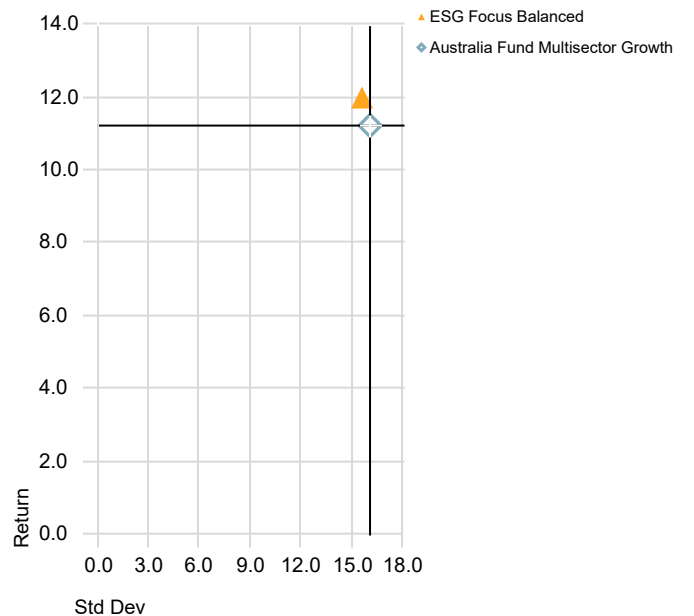
Risk-Reward (Since common inception exclude ESG)

Time Period: Since Common Inception (1/03/2019) to 30/09/2024



Risk-Reward (Since common inception ESG)

Time Period: Since Common Inception (1/07/2022) to 30/09/2024



AZ Sestante Quarterly Report

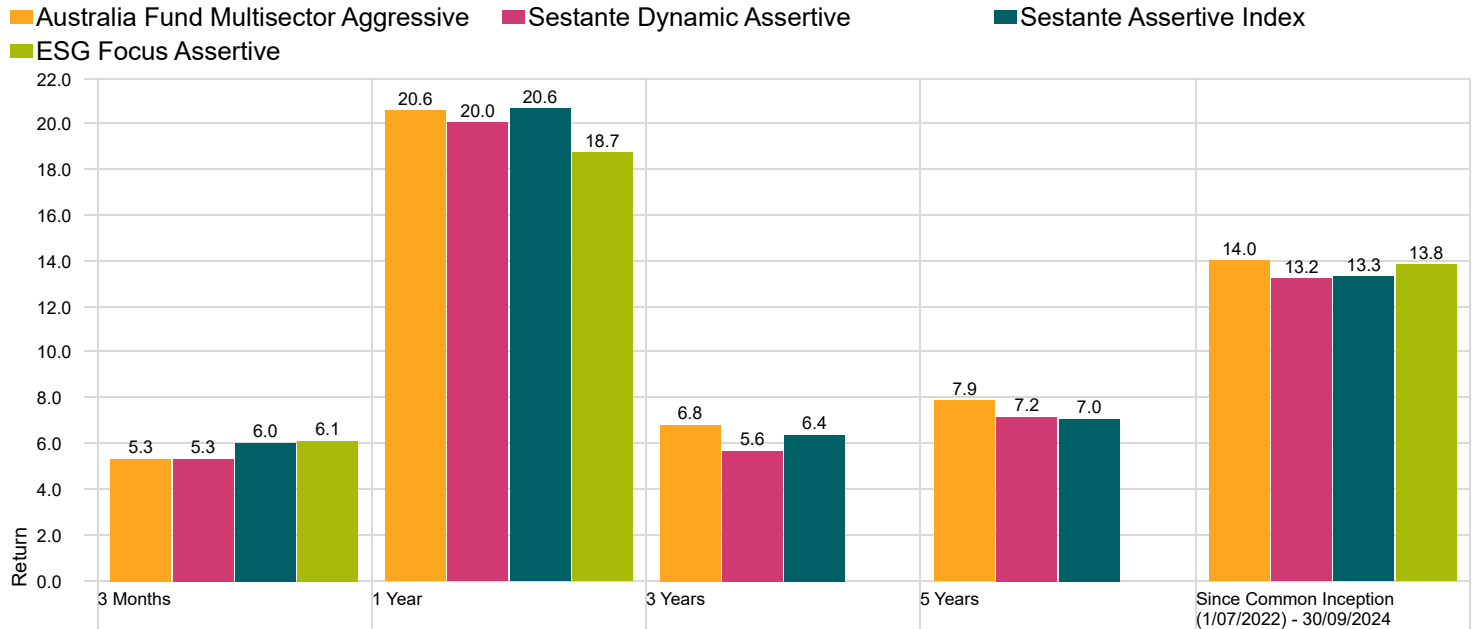
As of 30/09/2024

Peer Group Returns

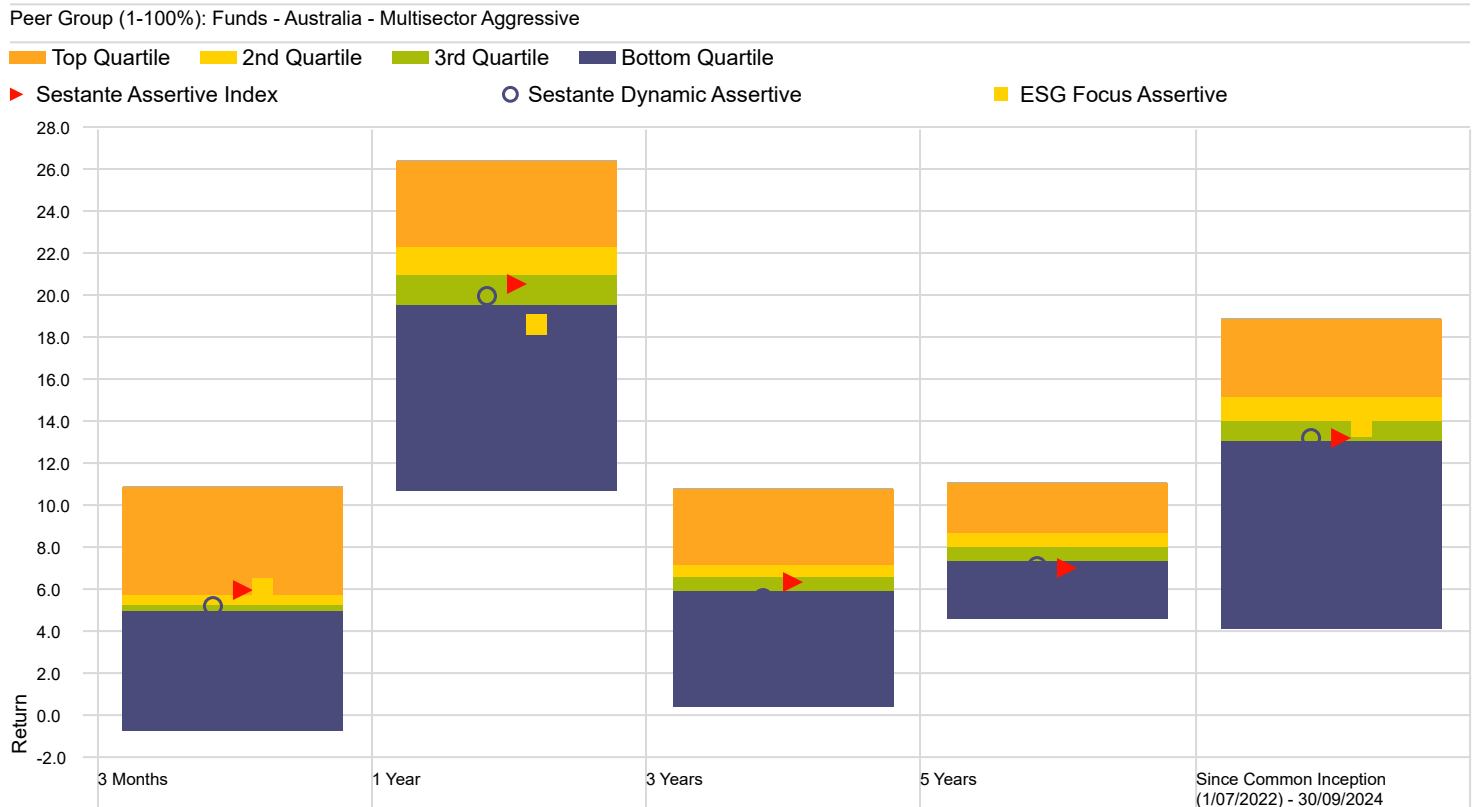
Multisector Aggressive Category

This part of the report aims provide investors an effective way to compare the AZ Sestante portfolios with like options. Multisector Aggressive funds invest in a number of sectors and have over 80% of their assets in growth sectors.

Sestante Assertive Portfolios vs Morningstar Peers



Sestante Assertive Performance Relative to Peer Group



AZ Sestante Quarterly Report

As of 30/09/2024

Peer Group Returns

Multisector Aggressive Category

Sharpe Ratio Relative to Peer Group - Assertive

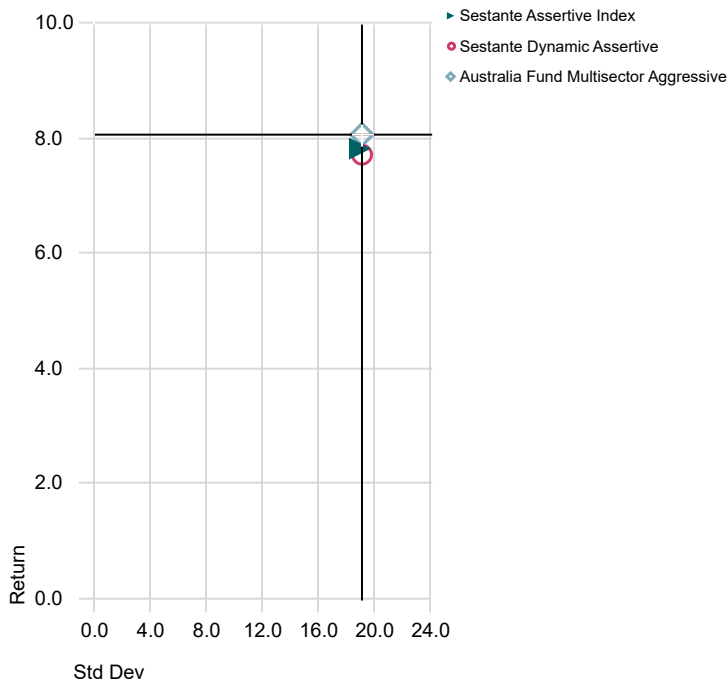
Peer Group (1-100%): Funds - Australia - Multisector Aggressive



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.

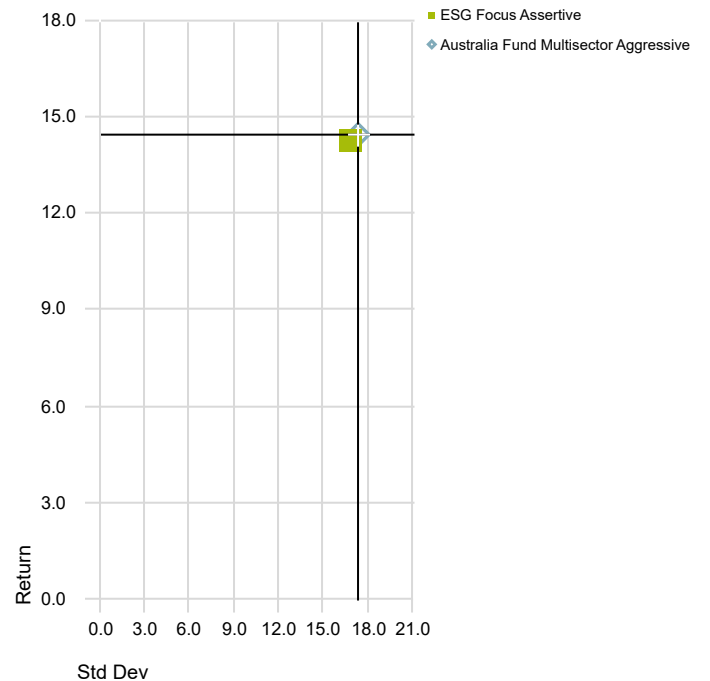
Risk-Reward (Since common inception exclude ESG)

Time Period: Since Common Inception (1/03/2019) to 30/09/2024



Risk-Reward (Since common inception ESG)

Time Period: Since Common Inception (1/07/2022) to 30/09/2024

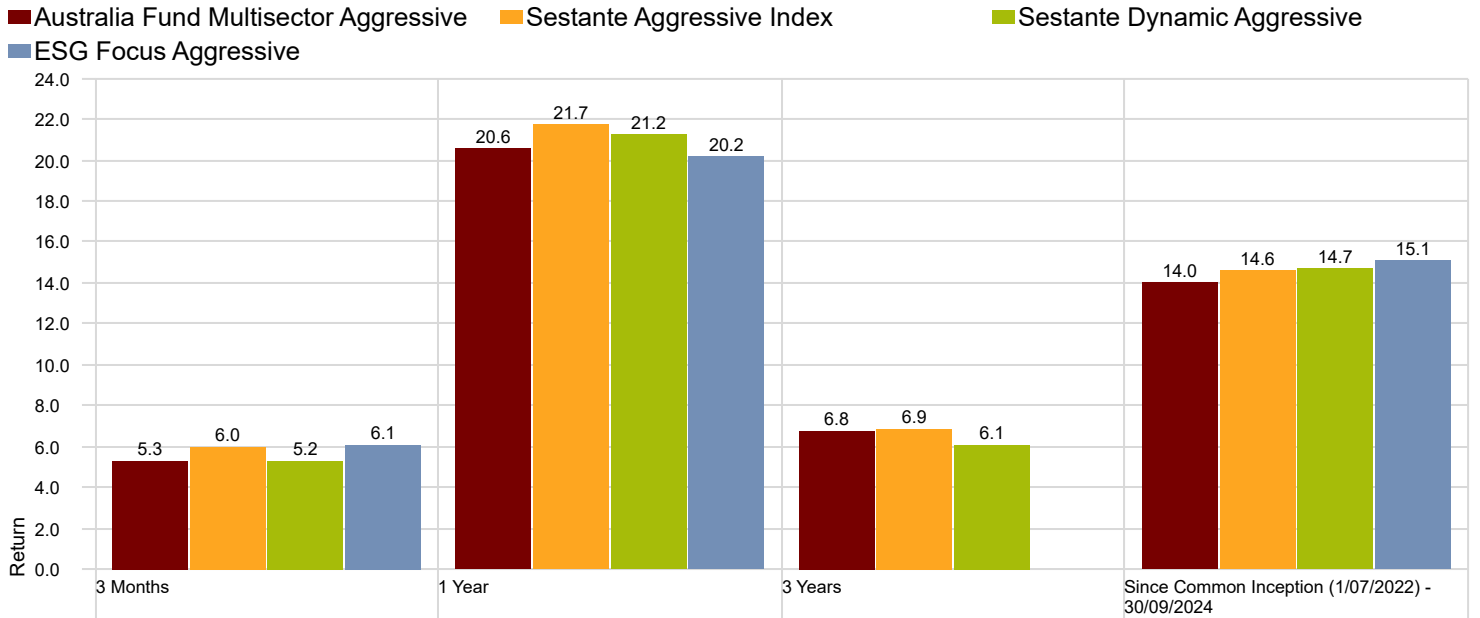


AZ Sestante Quarterly Report
 As of 30/09/2024
 Peer Group Returns
 Multisector Aggressive Category



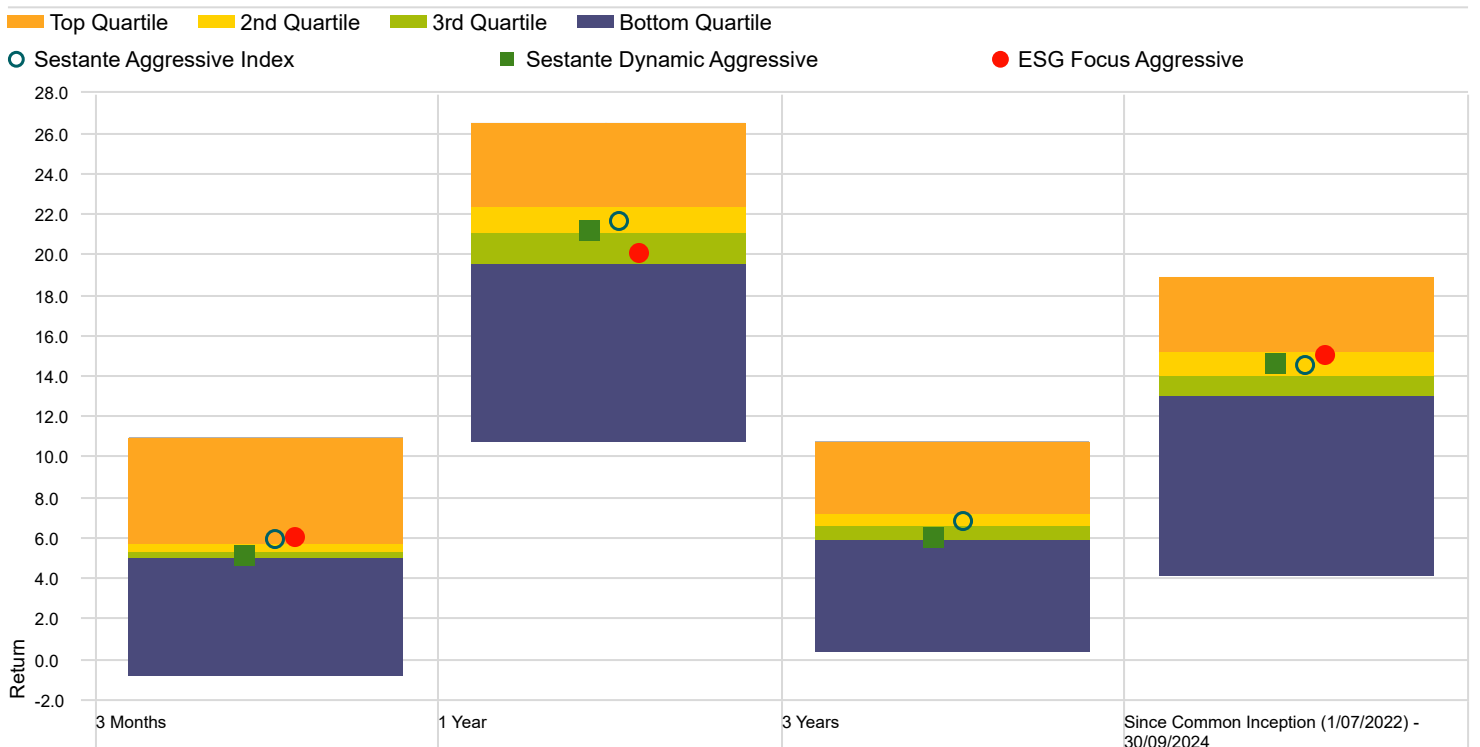
This part of the report aims provide investors an effective way to compare the AZ Sestante portfolios with like options. Multisector Aggressive funds invest in a number of sectors and have over 80% of their assets in growth sectors.

Sestante Aggressive Portfolios vs Morningstar Peers



Sestante Aggressive Performance Relative to Peer Group

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



AZ Sestante Quarterly Report

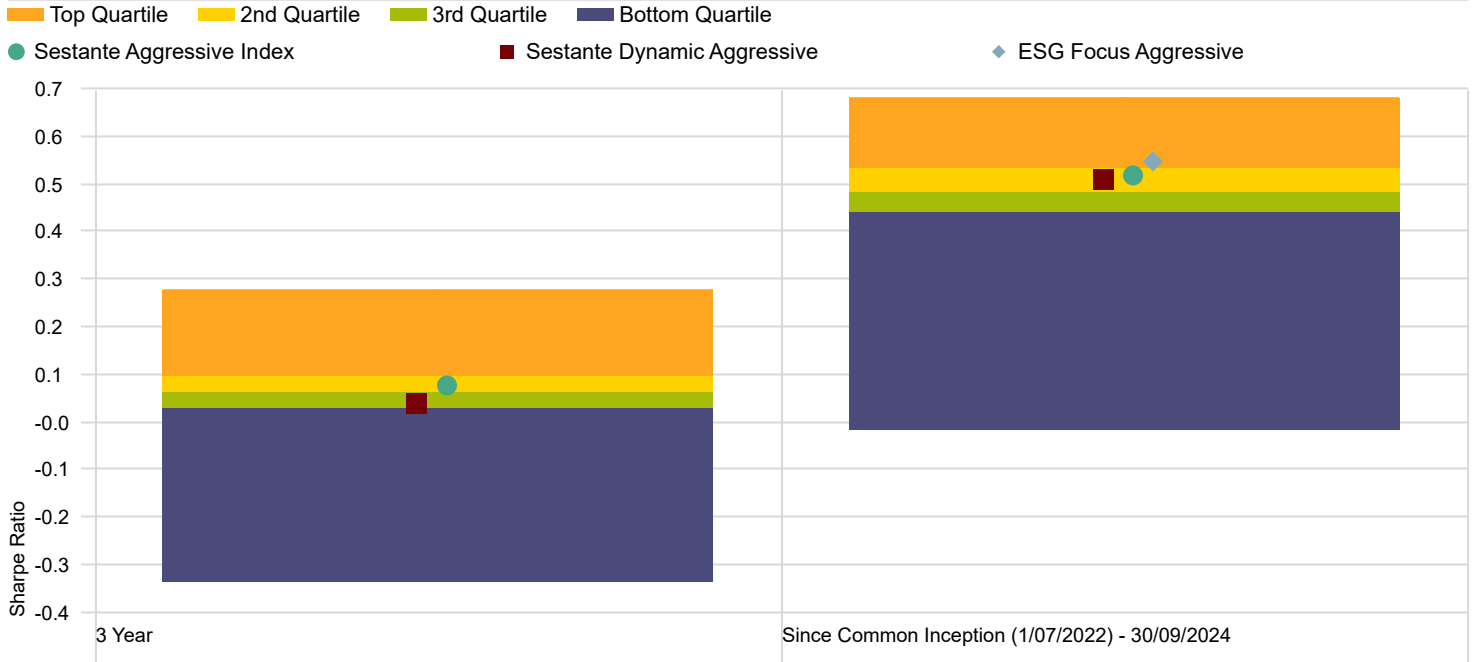
As of 30/09/2024

Peer Group Returns

Multisector Aggressive Category

Sharpe Ratio Relative to Peer Group - Aggressive

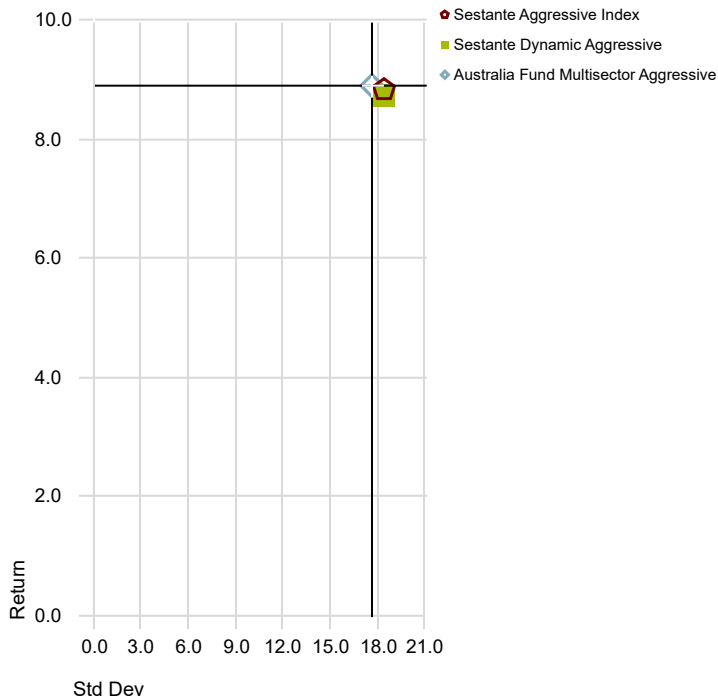
Peer Group (1-100%): Funds - Australia - Multisector Aggressive



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.

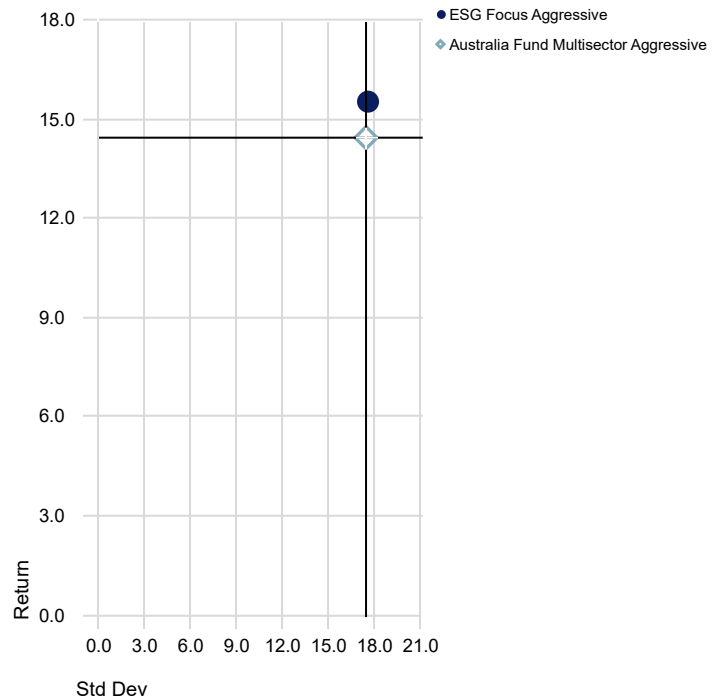
Risk-Reward (Since common inception exclude ESG)

Time Period: Since Common Inception (1/09/2020) to 30/09/2024



Risk-Reward (Since common inception ESG)

Time Period: Since Common Inception (1/07/2022) to 30/09/2024



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 | www.azsestante.com

Important information

This document has been prepared by AZ Sestante Limited, ABN 94 106 888 662, AFSL 284 442 (AZ Sestante). This document is not an offer of securities or financial products, nor is it financial product advice. As this document has been prepared without taking account of any investors' particular objectives, financial situation or needs, you should consider its appropriateness having regard to your objectives, financial situation and needs before taking any action. Past performance is not a reliable indicator of future results. Although specific information has been prepared from sources believed to be reliable, we offer no guarantees as to its accuracy or completeness. The information stated, opinions expressed and estimates given constitute best judgement at the time of publication and are subject to change without notice. Consequently, although this document is provided in good faith, it is not intended to create any legal liability on the part of any other entity and does not vary the terms of a relevant disclosure statement. All dollars are Australian unless otherwise specified.