CFS AZ Sestante Quarterly Report
As of 31/12/2024
Market Review

Market Review

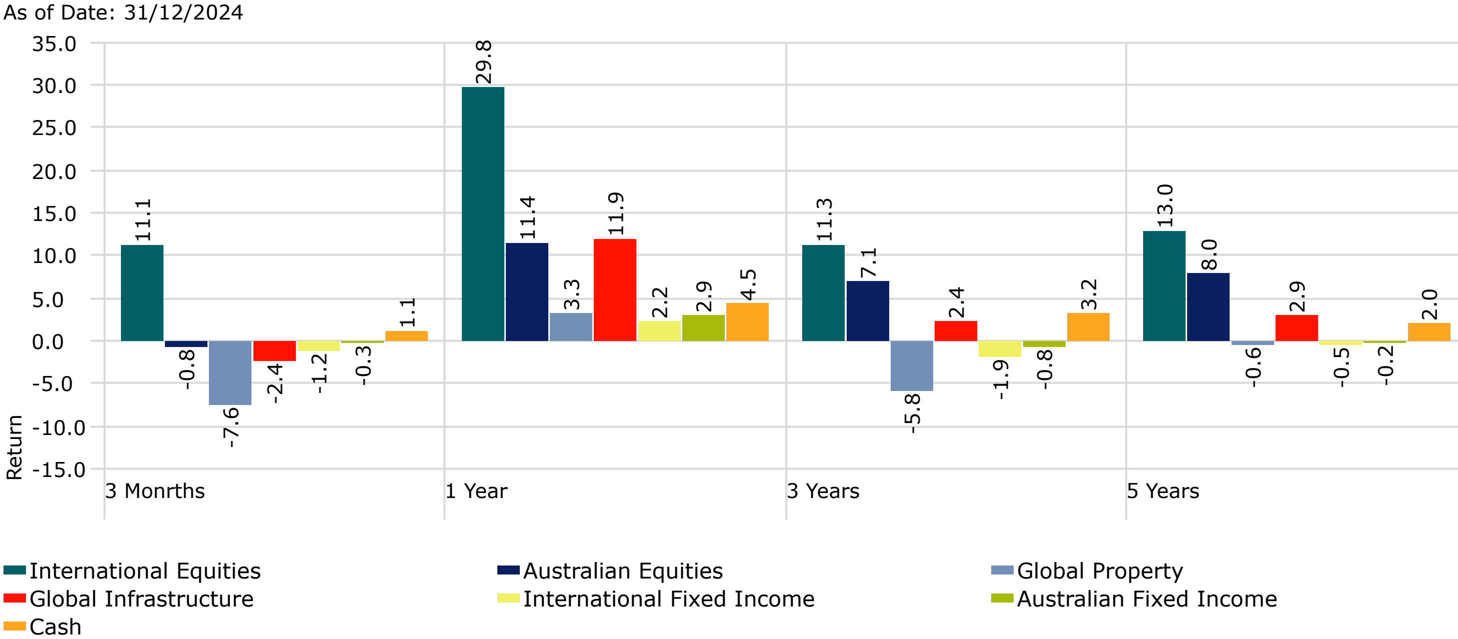
US stocks made gains in Q4 to end a very strong year for the S&P 500. Equities were boosted by Donald Trump's presidential election victory and the "Red Sweep" which saw the Republicans take control of Congress. Shares were buoyed by expectations that Trump's policy programme will increase growth, lower taxes and reduce regulation. In Q4, gains were driven by the communication services, information technology and consumer discretionary sectors. The weakest performing sector for Q4 was materials. Eurozone shares fell in Q4 amid fears of a recession. There was political instability, combined with worries of trade wars given Trump's election victory. In Europe, the poorest performing sectors for the quarter were materials, real estate and consumer staples, while the industrials sector posted a gain. UK equities fell over the quarter. A number of domestically focussed sectors declined amid a rise in long-term bond yields and growing concerns about the UK macro-economic outlook.

The Japanese equity market experienced solid gains over Q4, with the TOPIX Total Return Index increasing by 5.4% in yen terms. Developments in the US and their impact on financial markets, particularly the currency market, drove the Japanese equity market. Overall, yen weakness towards the end of the year helped achieve a more positive earnings outlook. Trump's election victory provided headwinds for emerging market equities for the quarter. The MSCI Emerging Market Index fell in US dollar terms due to investor concerns about the potential impacts of Trump's proposed tariffs, particularly on China. China declined, but by less than the index. A lack of further detail relating to policy stimulus measures announced in September, together with the concerns around the implications of Trump's proposed tariffs on Chinese exports, had a negative impact on the index over the quarter.

The fixed income markets were volatile in the final quarter of 2024, primarily driven by geopolitical tensions, central bank decisions, and fluctuating inflation rates. The period was marked by notable selloffs in major government bond markets, with various factors influencing investor sentiment across the globe. US Treasuries sold off in October amid concerns over potential inflationary policies arising from a possible Republican victory in the presidential election. Inflation figures saw an unexpected uptick, leading to a rise in bond yields, as markets started to price in fewer rate cuts. Over the quarter, US high yield spreads tightened to historical lows due to strong demand, while European high yield spreads also tightened over the quarter, despite political pressures and economic challenges.

Returns

As of Date: 31/12/2024



*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.

Source: Morningstar Direct

CFS Conservative (Super)

The Dynamic portfolio posted a return of 0.71% for the quarter, underperforming its target. Within Australian equities, both Fidelity and Schroders underperformed. Both managers held sizeable positions in BHP and Rio Tinto, which were weak over the quarter. Global Infrastructure and Global Property both had poor quarters, mainly due to the exposures being currency hedged, with the AUD losing significant ground against the USD. Also, the reduction is forecast interest rate cuts coming out of the US didn't help these interest rate sensitive sectors. With Global Equities, GQG Partners Global Equity Fund underperformed. A major contributor to this underperformance was its overweight position in the Healthcare sector and an underweight exposure to the Consumer Discretionary sector. The portfolio's Australian Fixed Income exposures added value, mainly due to the exposure to the Franklin Absolute Return Bond Fund.

The **Index** portfolio achieved a quarterly return of 1.00%, underperforming its cash + 1.5% (annual) target. Unhedged International Equities was the best performing asset class for the quarter, helped by the significant deterioration of the AUD versus the USD. Global Property was the worst performing asset class mainly due to rising US bond yields and being currency hedged.

CFS Moderate (Super)

The Dynamic portfolio posted a return of 0.26% for the quarter, underperforming its target. Within Australian equities, both Fidelity and Schroders underperformed. Both managers held sizeable positions in BHP and Rio Tinto, which were weak over the quarter. Global Infrastructure and Global Property both had poor quarters, mainly due to the exposures being currency hedged, with the AUD losing significant ground against the USD. Also, the reduction is forecast interest rate cuts coming out of the US didn't help these interest rate sensitive sectors. With Global Equities, GQG Partners Global Equity Fund underperformed. A major contributor to this underperformance was its overweight position in the Healthcare sector and an underweight exposure to the Consumer Discretionary sector. The portfolio's Australian Fixed Income exposures added value, mainly due to the exposure to the Franklin Absolute Return Bond Fund.

The **Index** portfolio achieved a quarterly return of 1.02%, underperforming its cash + 2.0% (annual) target. Unhedged International Equities was the best performing asset class for the quarter, helped by the significant deterioration of the AUD versus the USD. Global Infrastructure was the worst performing asset class mainly due to rising US bond yields and being currency hedged.

CFS Diversified (Super)

The Dynamic portfolio posted a 0.39% return for the quarter, underperforming its target. Within Australian equities, both Fidelity and Schroders underperformed. Both managers held sizeable positions in BHP and Rio Tinto, which were weak over the quarter. Global Infrastructure and Global Property both had poor quarters, mainly due to the exposures being currency hedged, with the AUD losing significant ground against the USD. Also, the reduction is forecast interest rate cuts coming out of the US didn't help these interest rate sensitive sectors. With Global Equities, GQG Partners Global Equity Fund underperformed. A major contributor to this underperformance was its overweight position in the Healthcare sector and an underweight exposure to the Consumer Discretionary sector. The portfolio's Australian Fixed Income exposures added value, mainly due to the exposure to the Franklin Absolute Return Bond Fund.

The **Index** portfolio achieved a quarterly return of 0.69%, underperforming its cash + 2.5% (annual) target. Unhedged International Equities was the best performing asset class for the quarter, helped by the significant deterioration of the AUD versus the USD. Global Property was the worst performing asset class mainly due to rising US bond yields and being currency hedged.

Source: Morningstar Direct

CFS Balanced (Super)

The Dynamic portfolio posted a 0.29% return for the quarter, underperforming its target. Within Australian equities, both Fidelity and Schroders underperformed. Both managers held sizeable positions in BHP and Rio Tinto, which were weak over the quarter. Global Infrastructure and Global Property both had poor quarters, mainly due to the exposures being currency hedged, with the AUD losing significant ground against the USD. Also, the reduction is forecast interest rate cuts coming out of the US didn't help these interest rate sensitive sectors. With Global Equities, GQG Partners Global Equity Fund underperformed. A major contributor to this underperformance was its overweight position in the Healthcare sector and an underweight exposure to the Consumer Discretionary sector. The portfolio's Australian Fixed Income exposures added value, mainly due to the exposure to the Franklin Absolute Return Bond Fund.

The **Index** portfolio achieved a quarterly return of 1.02%, underperforming its cash + 2.5% (annual) target. Unhedged International Equities was the best performing asset class for the quarter, helped by the significant deterioration of the AUD versus the USD. Global Property was the worst performing asset class mainly due to rising US bond yields and being currency hedged.

CFS Assertive (Super)

The Dynamic portfolio posted a 0.70% return for the quarter, underperforming its target. Within Australian equities, both Fidelity and Schroders underperformed. Both managers held sizeable positions in BHP and Rio Tinto, which were weak over the quarter. Global Infrastructure and Global Property both had poor quarters, mainly due to the exposures being currency hedged, with the AUD losing significant ground against the USD. Also, the reduction is forecast interest rate cuts coming out of the US didn't help these interest rate sensitive sectors. With Global Equities, GQG Partners Global Equity Fund underperformed. A major contributor to this underperformance was its overweight position in the Healthcare sector and an underweight exposure to the Consumer Discretionary sector.

The **Index** portfolio achieved a quarterly return of 1.78%, underperforming its cash + 4.0% (annual) target. Unhedged International Equities was the best performing asset class for the quarter, helped by the significant deterioration of the AUD versus the USD. Global Property was the worst performing asset class mainly due to rising US bond yields and being currency hedged.

CFS Aggressive (Super)

The Dynamic portfolio posted a 1.26% return for the quarter, underperforming its target. Within Australian equities, both Fidelity and Schroders underperformed. Both managers held sizeable positions in BHP and Rio Tinto, which were weak over the quarter. Global Infrastructure and Global Property both had poor quarters, mainly due to the exposures being currency hedged, with the AUD losing significant ground against the USD. Also, the reduction is forecast interest rate cuts coming out of the US didn't help these interest rate sensitive sectors. With Global Equities, GQG Partners Global Equity Fund underperformed. A major contributor to this underperformance was its overweight position in the Healthcare sector and an underweight exposure to the Consumer Discretionary sector.

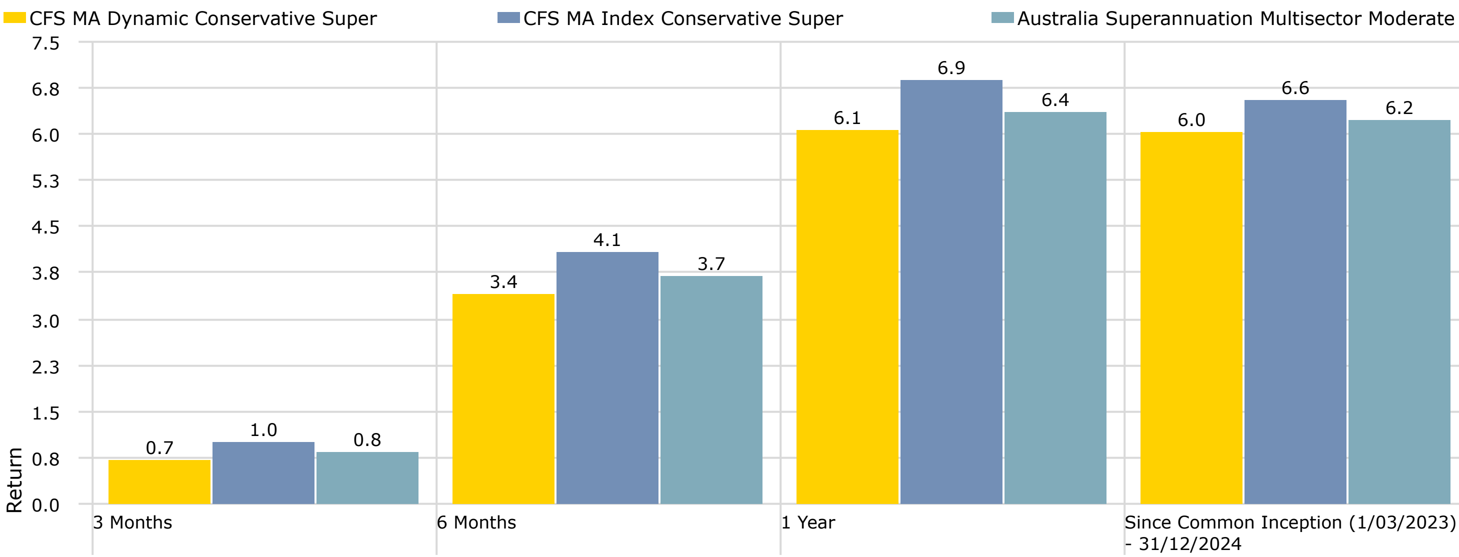
The **Index** portfolio achieved a quarterly return of 2.49%, outperforming its cash + 4.0% (annual) target. Unhedged International Equities was the best performing asset class for the quarter, helped by the significant deterioration of the AUD versus the USD. Global Property was the worst performing asset class mainly due to rising US bond yields and being currency hedged.

Source: Morningstar Direct

CFS AZ Sestante Quarterly Report
As of 31/12/2024
Peer Group Returns
Multisector Moderate Category

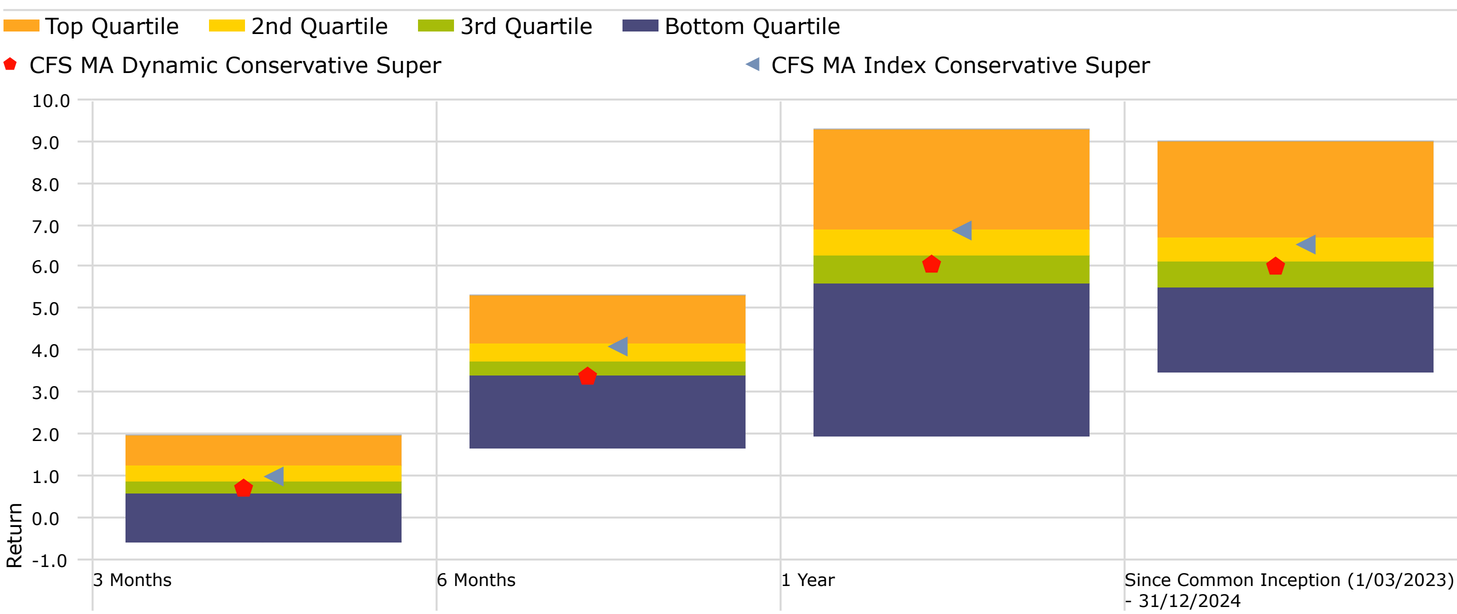
This part of the report aims provide investors an effective way to compare the CFS AZ Sestante portfolios with like options. The Multisector Moderate Category consists of funds that invest in a number of sectors and have between 21% and 40% of their investments exposed to the growth sectors.

Sestante Conservative Portfolios vs Morningstar Peers



Sestante Conservative Performance Relative to Peer Group

Peer Group (1-100%): Insurance and Pension Funds - Australia - Superannuation - Multisector Moderate

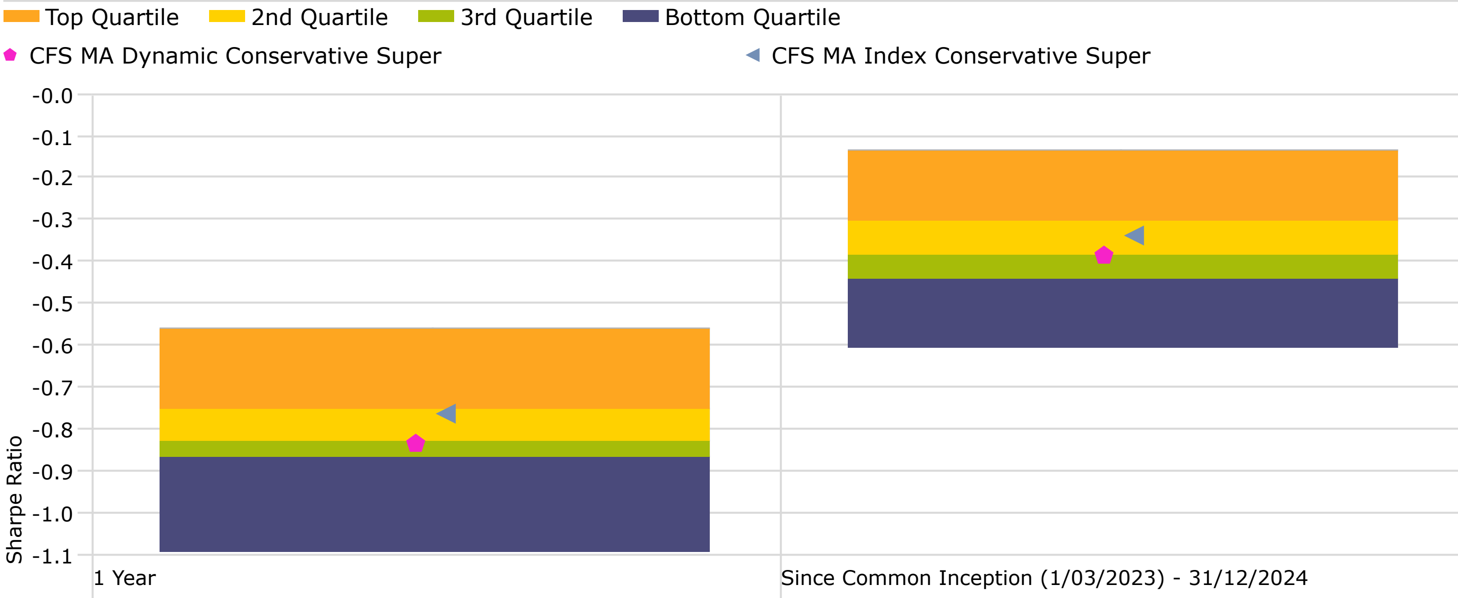


Source: Morningstar Direct

CFS AZ Sestante Quarterly Report
As of 31/12/2024
Peer Group Returns
Multisector Moderate Category

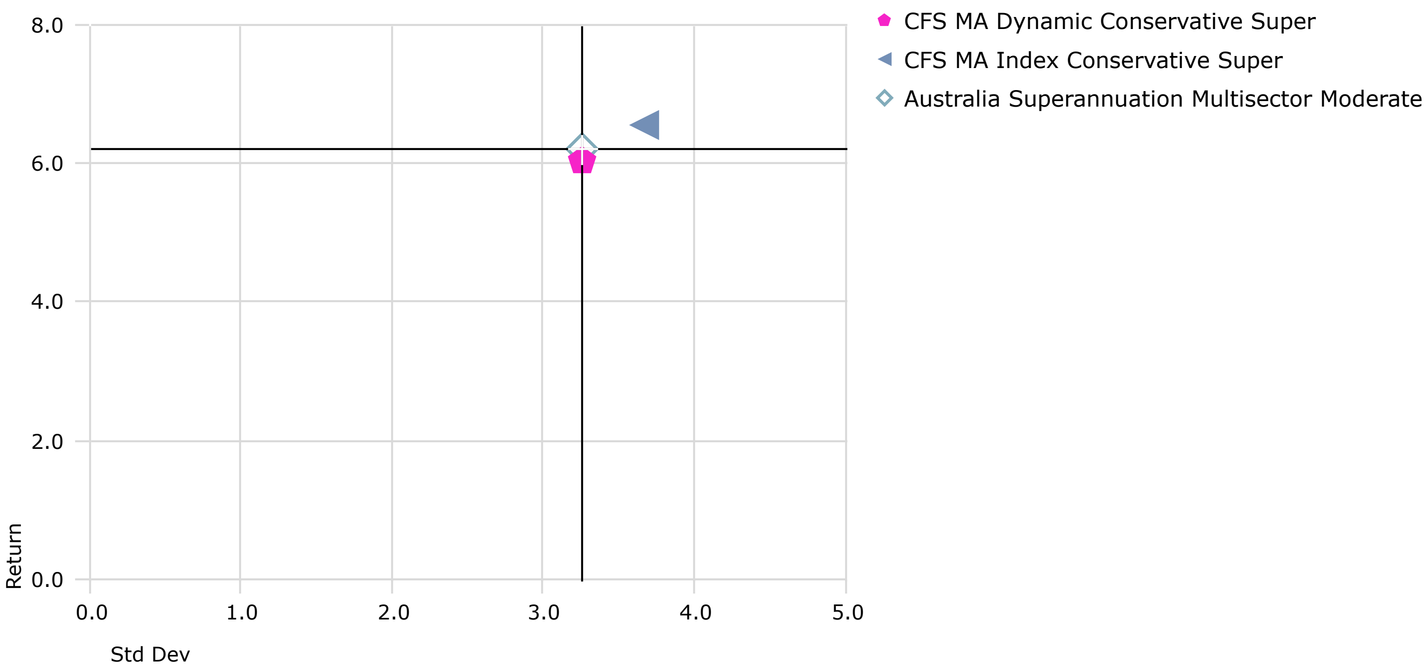
Sharpe Ratio Relative to Peer Group - Conservative

Peer Group (1-100%): Insurance and Pension Funds - Australia - Superannuation - 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)

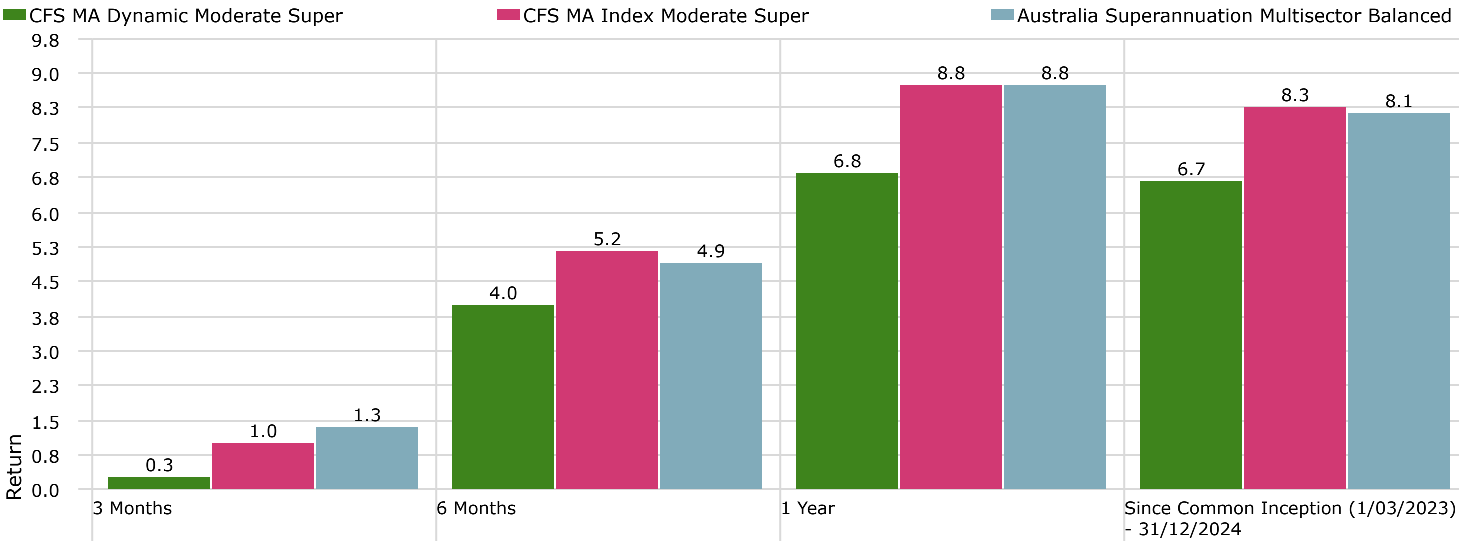


Source: Morningstar Direct

CFS AZ Sestante Quarterly Report
As of 31/12/2024
Peer Group Returns
Multisector Balanced Category

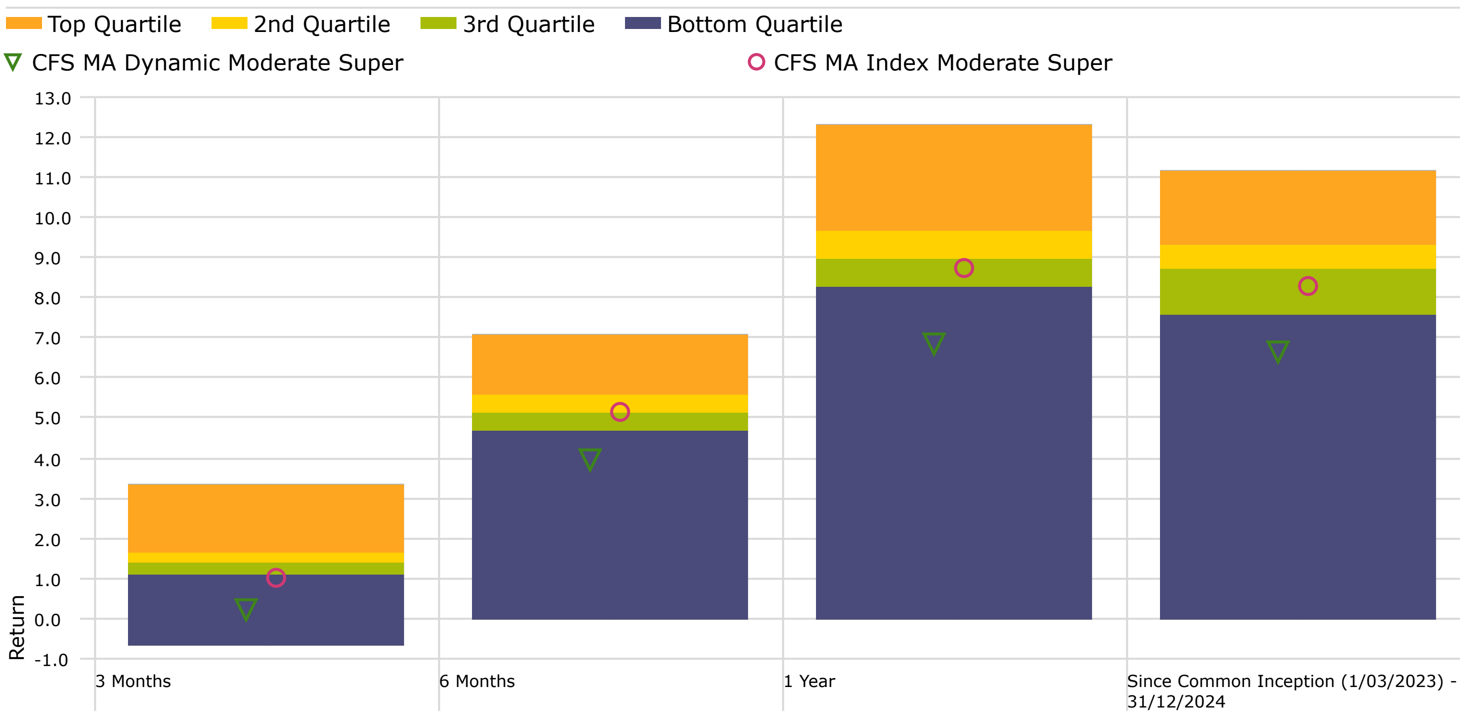
This part of the report aims provide investors an effective way to compare the CFS AZ Sestante portfolios with like options. The Multisector Balanced Category consists of funds that invest in a number of sectors and have between 41% and 60% of their investments exposed to the growth sectors.

Sestante Moderately Conservative Portfolios vs Morningstar Peers



Sestante Moderately Conservative Performance Relative to Peer Group

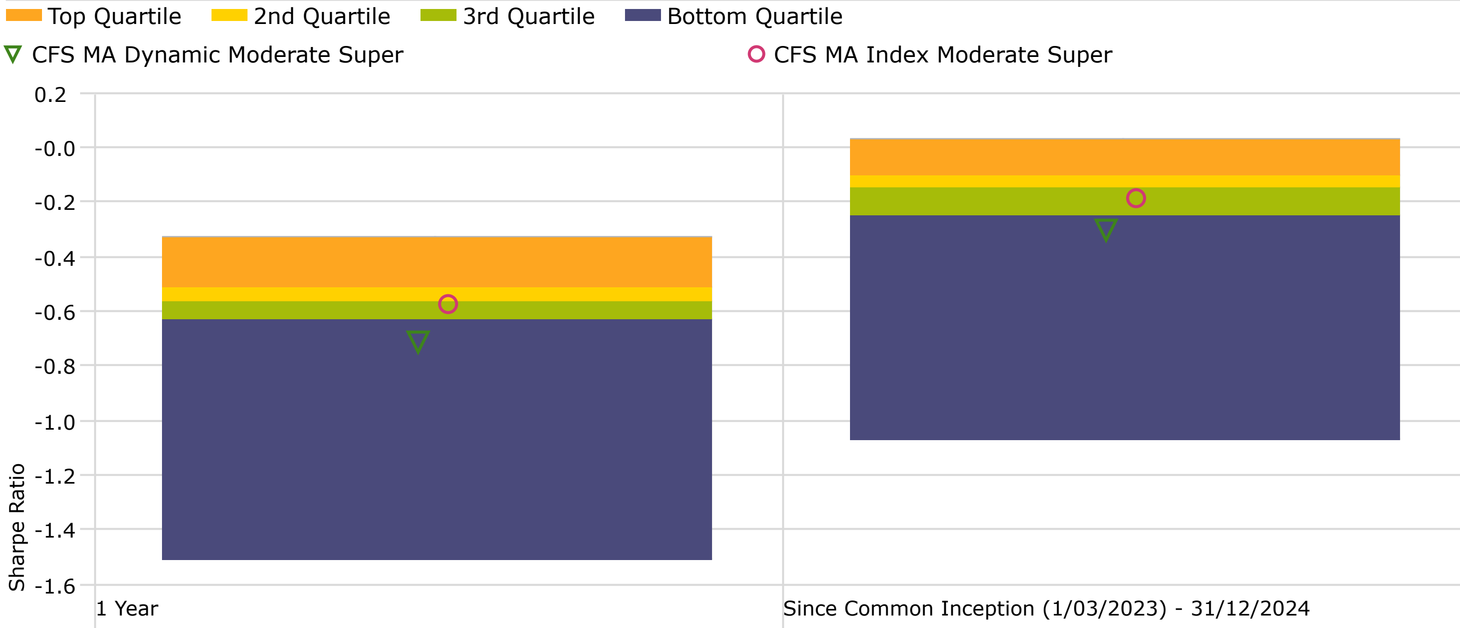
Peer Group (1-100%): Insurance and Pension Funds - Australia - Superannuation - Multisector Balanced



Source: Morningstar Direct

Sharpe Ratio Relative to Peer Group - Moderately Conservative

Peer Group (1-100%): Insurance and Pension Funds - Australia - Superannuation - Multisector Balanced



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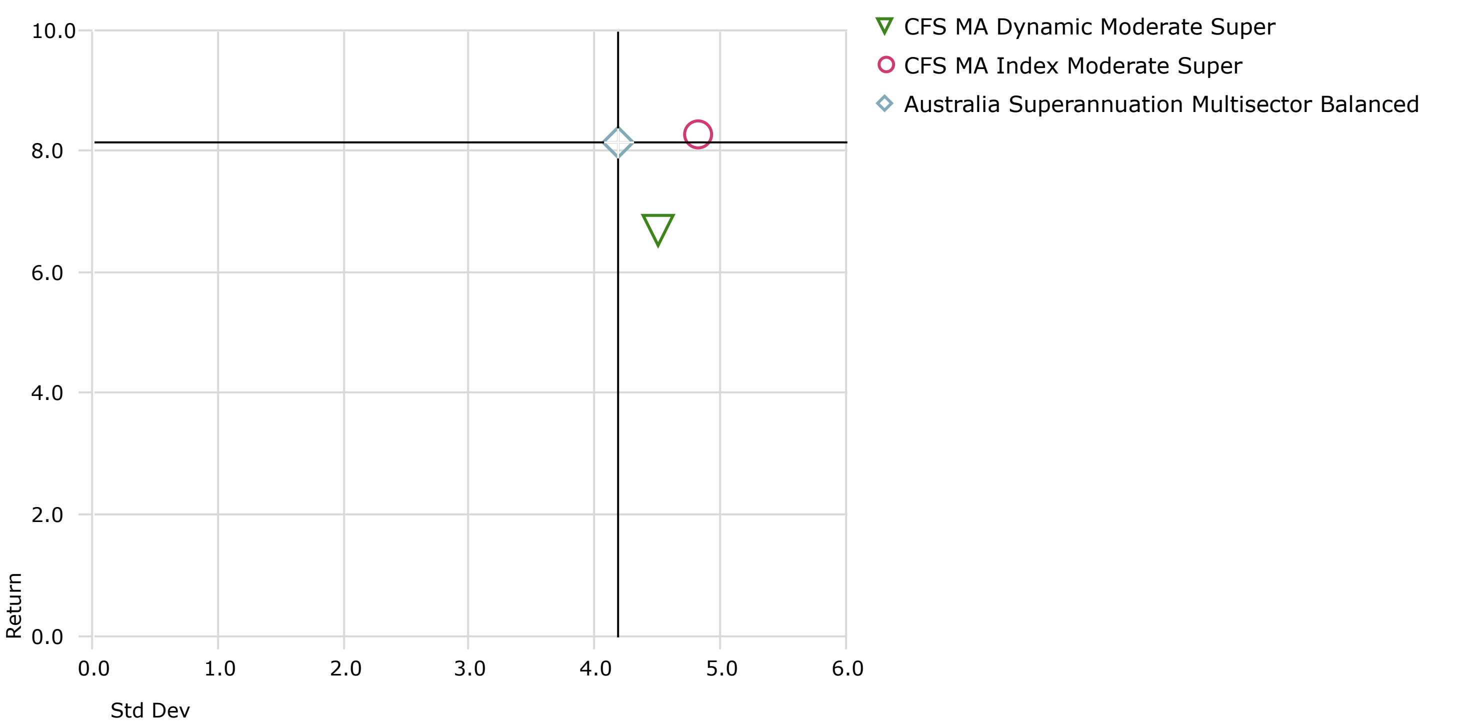
Risk-Reward (Since common inception)



Source: Morningstar Direct

CFS AZ Sestante Quarterly Report
As of 31/12/2024
Peer Group Returns
Multisector Balanced Category

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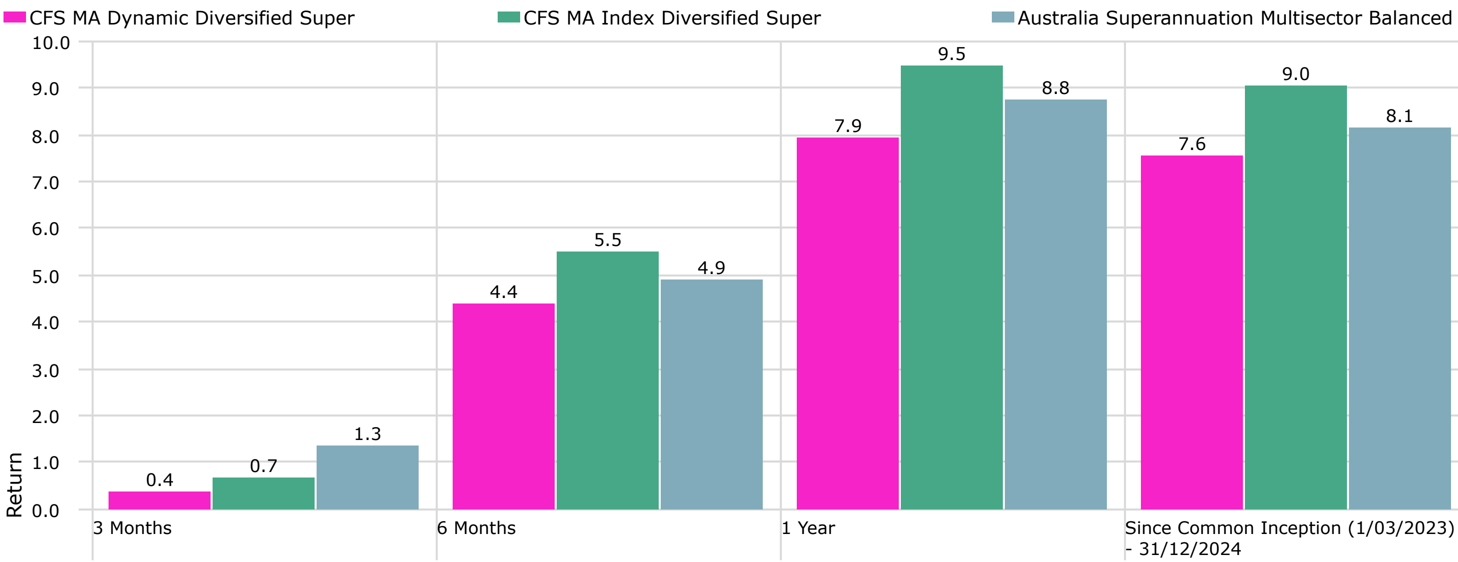
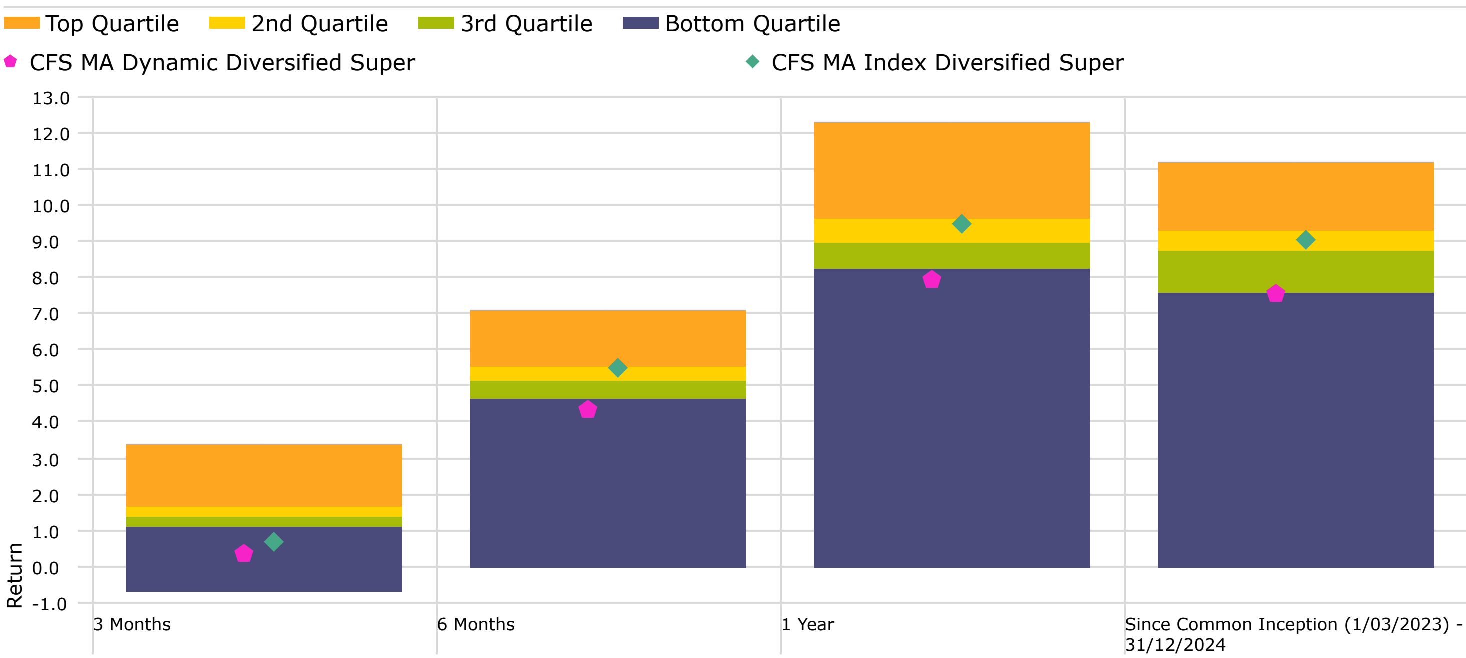
Sestante Moderately Conservative Portfolios vs Morningstar Peers



Sestante Moderately Conservative Performance Relative to Peer Group

Peer Group (1-100%): Insurance and Pension Funds - Australia - Superannuation - Multisector Balanced

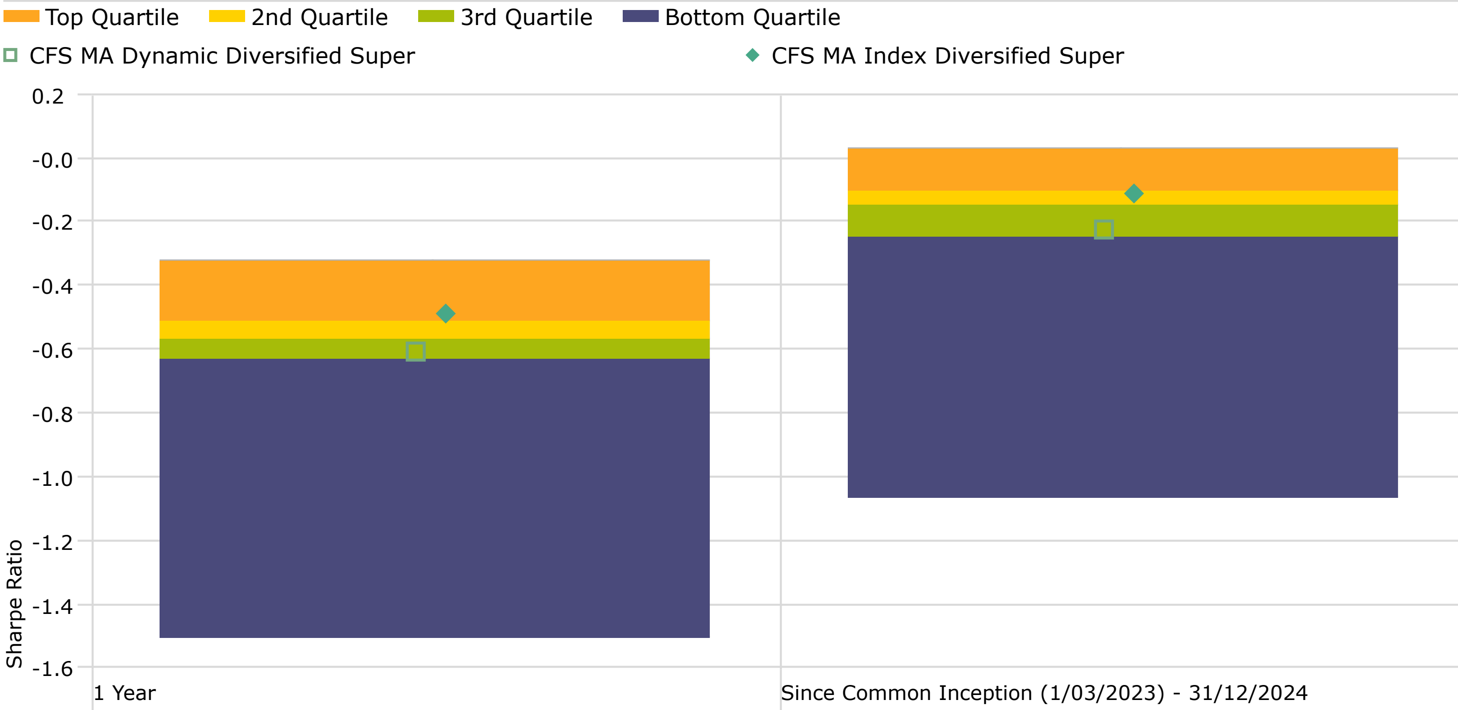


Source: Morningstar Direct

CFS AZ Sestante Quarterly Report
As of 31/12/2024
Peer Group Returns
Multisector Balanced Category

Sharpe Ratio Relative to Peer Group - Moderately Conservative

Peer Group (1-100%): Insurance and Pension Funds - Australia - Superannuation - Multisector Balanced



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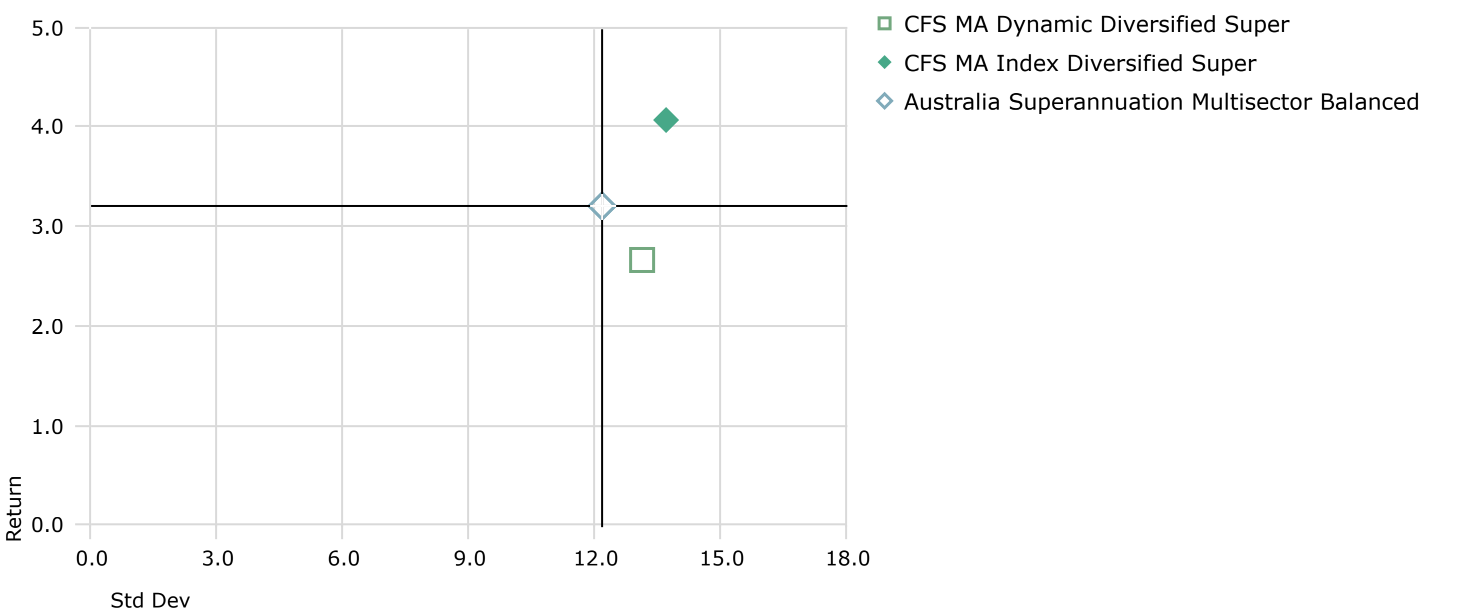
Risk-Reward (Since common inception)

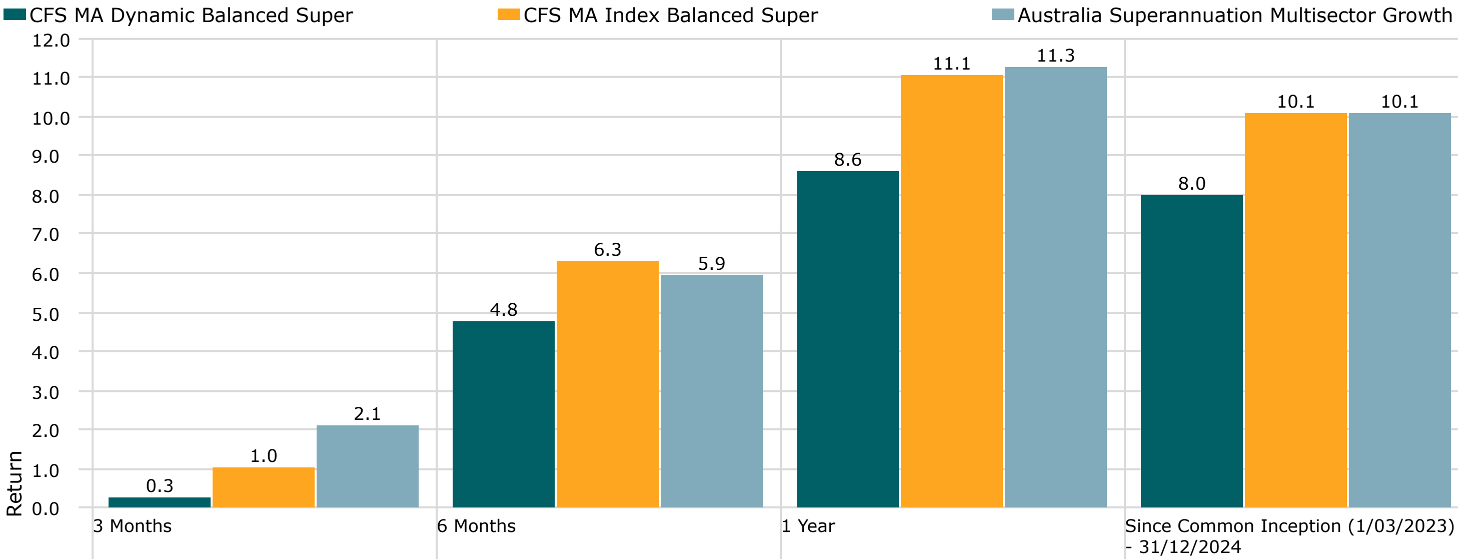


Source: Morningstar Direct

CFS AZ Sestante Quarterly Report
As of 31/12/2024
Peer Group Returns
Multisector Growth Category

This part of the report aims provide investors an effective way to compare the CFS 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



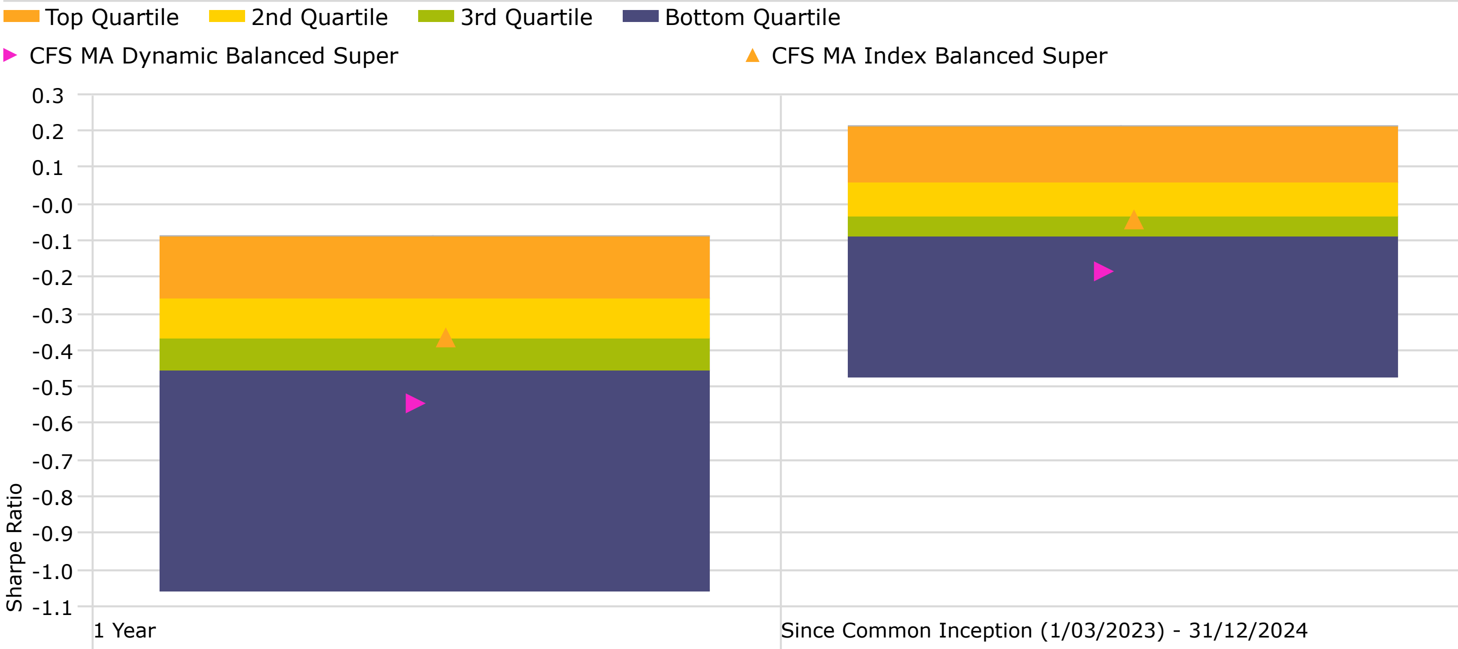
Sestante Balanced Performance Relative to Peer Group

Peer Group (1-100%): Insurance and Pension Funds - Australia - Superannuation - Multisector Growth

Source: Morningstar Direct

Sharpe Ratio Relative to Peer Group - Balanced

Peer Group (1-100%): Insurance and Pension Funds - Australia - Superannuation - Multisector Growth



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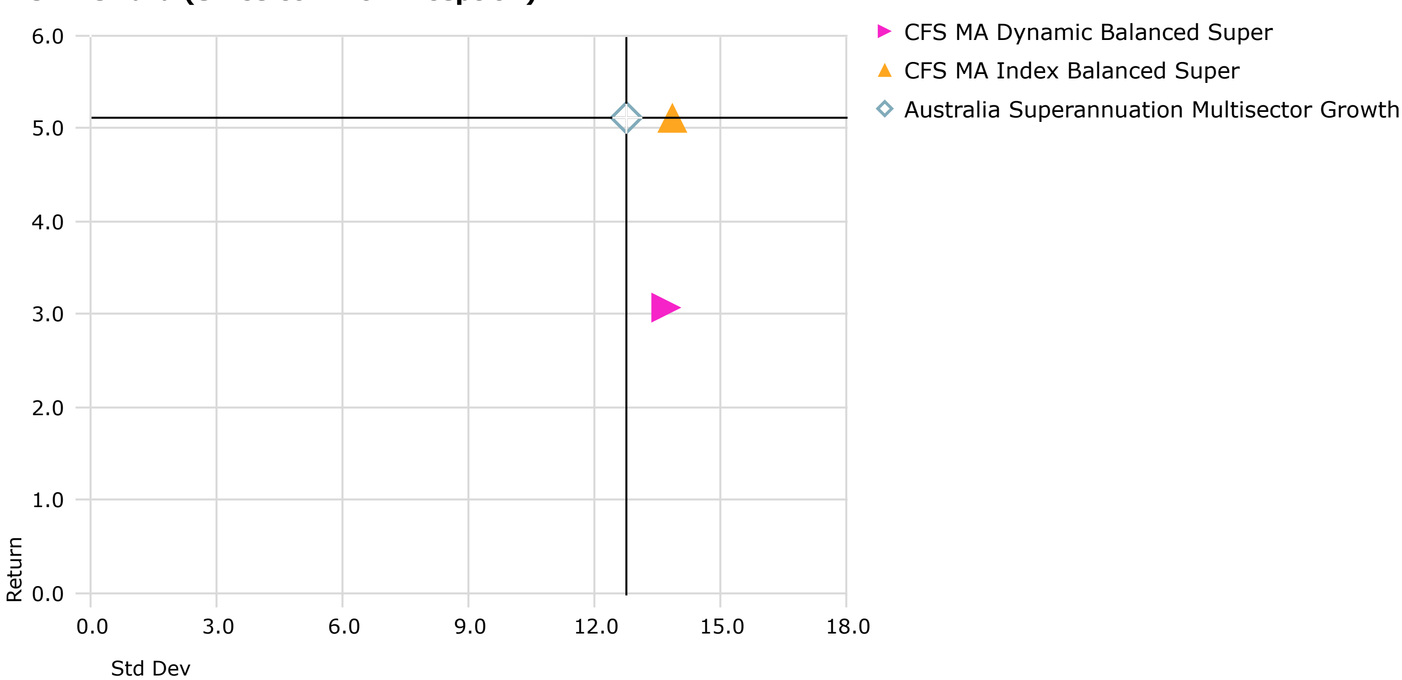
Risk-Reward (Since common inception)

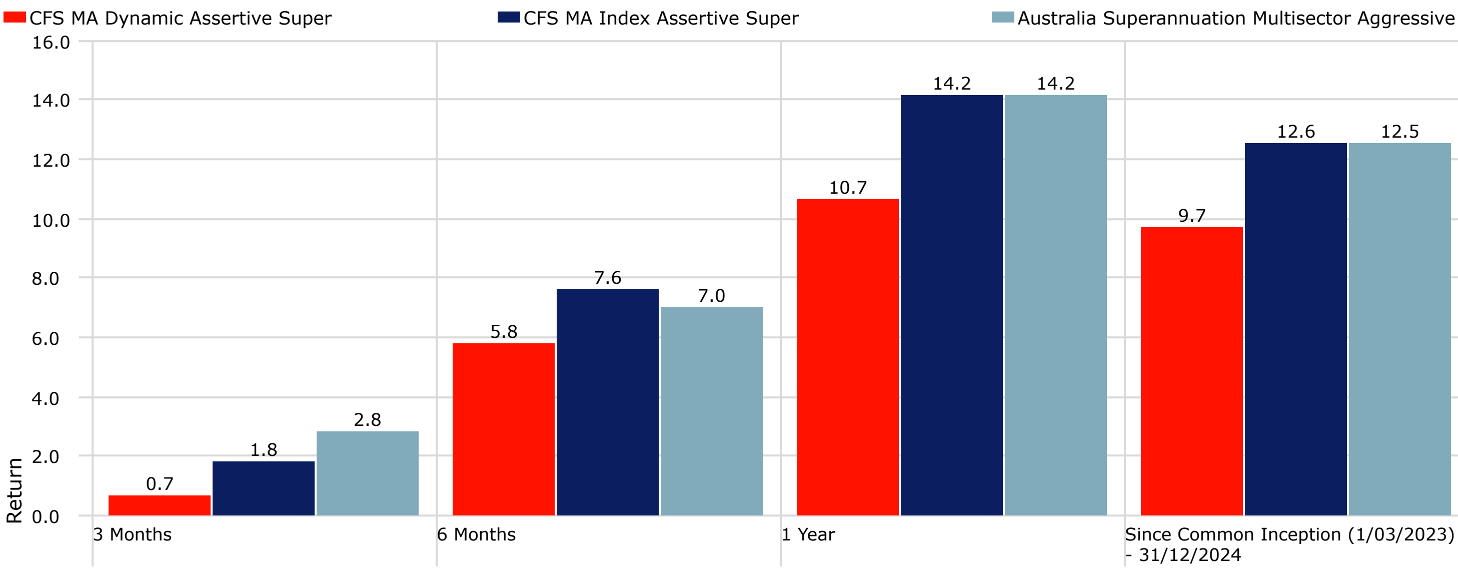


Source: Morningstar Direct

CFS AZ Sestante Quarterly Report
As of 31/12/2024
Peer Group Returns
Multisector Aggressive Category

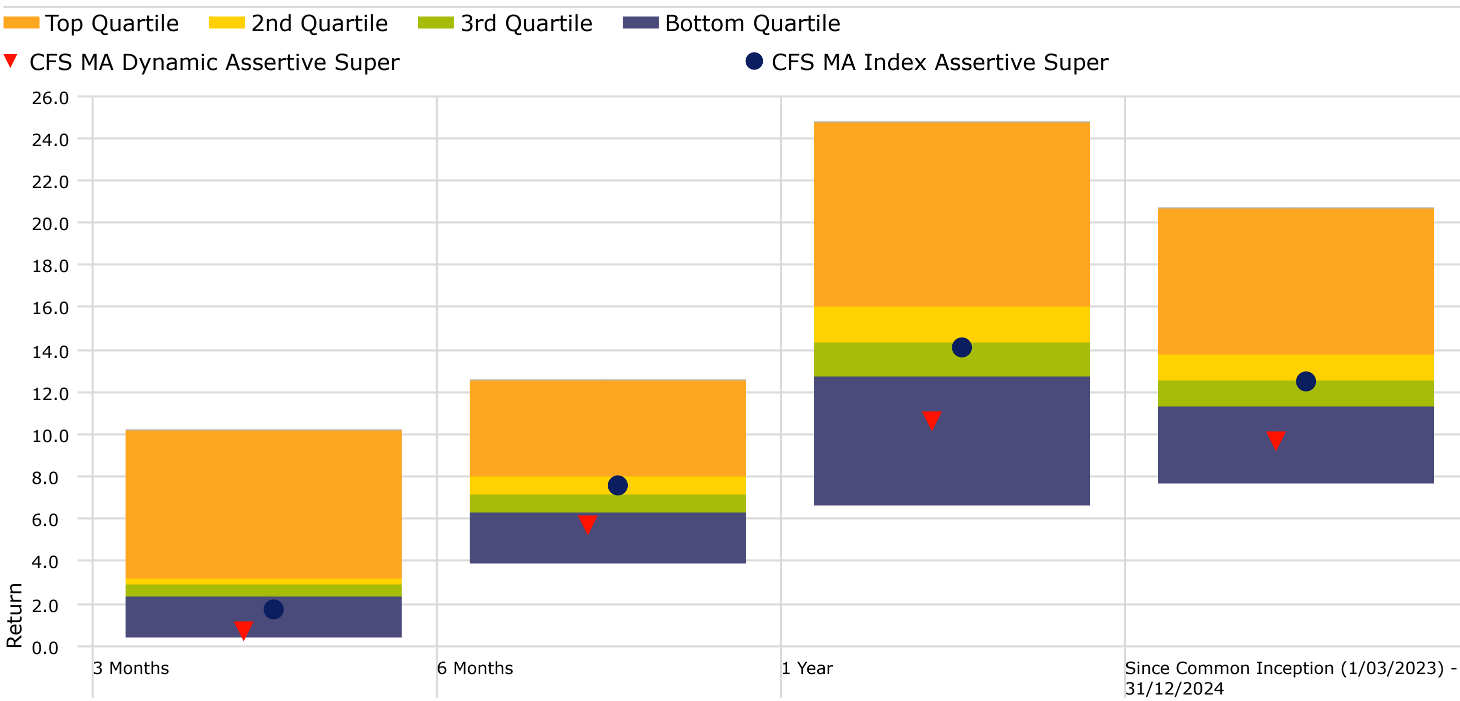
This part of the report aims provide investors an effective way to compare the CFS AZ Sestante portfolios with like options. Multisector Aggressive funds invest in a number of sectors and have <u>over 80% </u>of their assets in growth sectors.

Sestante Assertive Portfolios vs Morningstar Peers



Sestante Assertive Performance Relative to Peer Group

Peer Group (1-100%): Insurance and Pension Funds - Australia - Superannuation - Multisector Aggressive

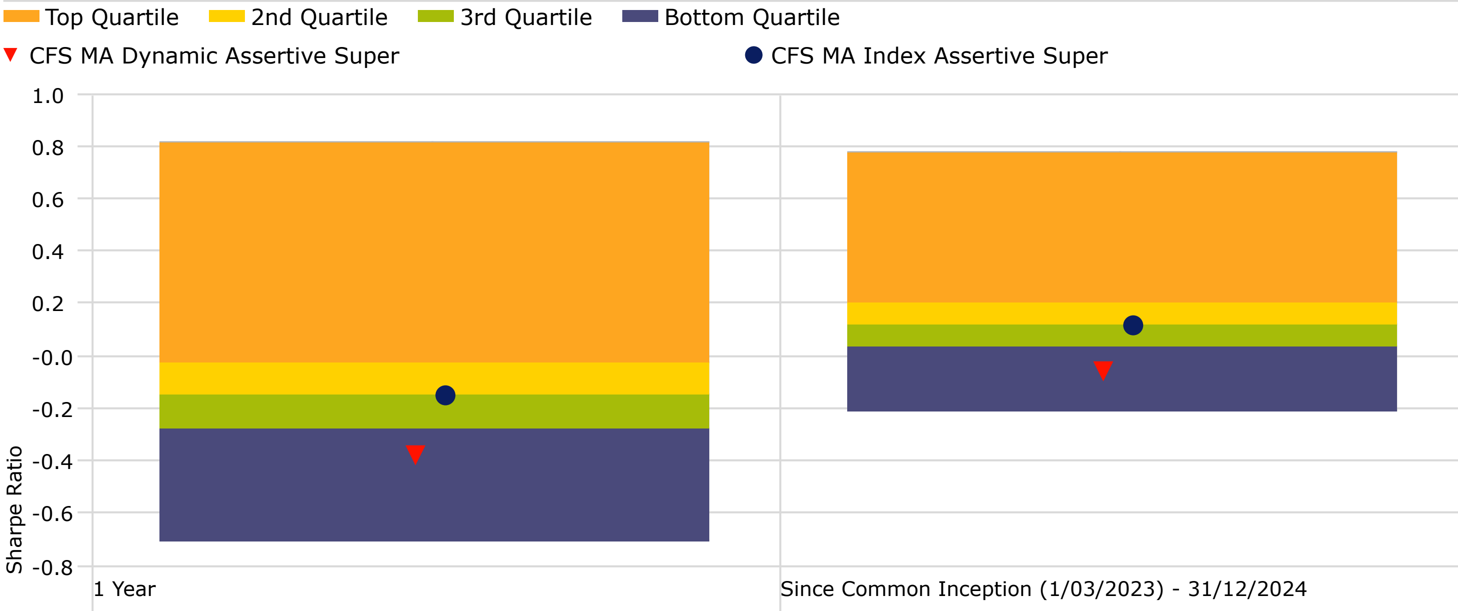


Source: Morningstar Direct

CFS AZ Sestante Quarterly Report
As of 31/12/2024
Peer Group Returns
Multisector Aggressive Category

Sharpe Ratio Relative to Peer Group - Assertive

Peer Group (1-100%): Insurance and Pension Funds - Australia - Superannuation - Multisector Aggressive



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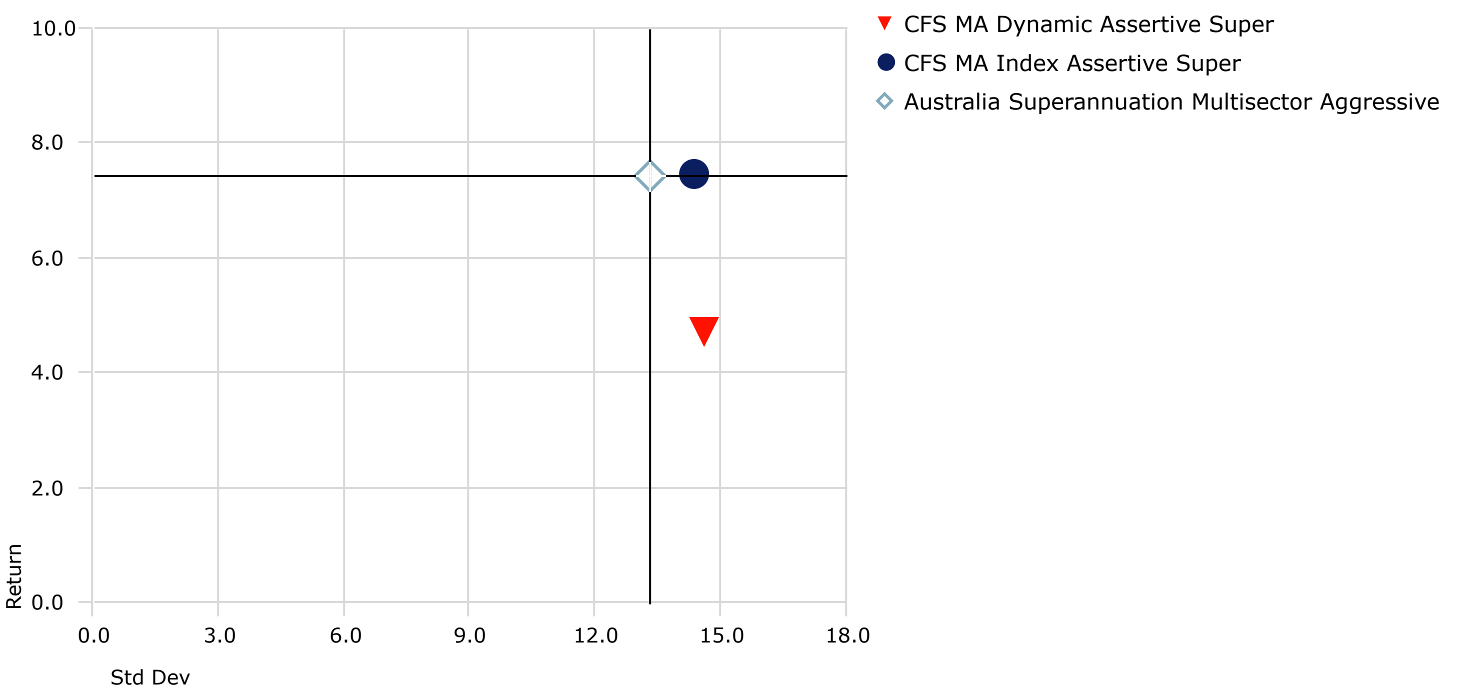
Risk-Reward (Since common inception)



Source: Morningstar Direct

CFS AZ Sestante Quarterly Report
As of 31/12/2024
Peer Group Returns
Multisector Aggressive Category

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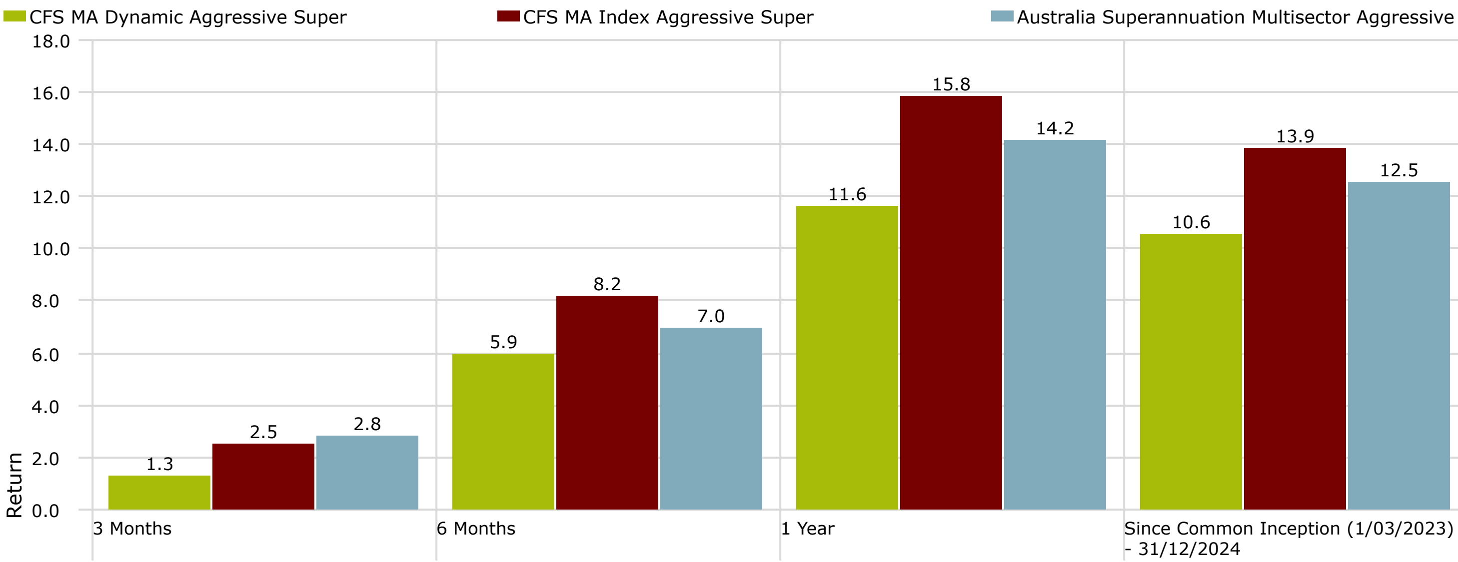
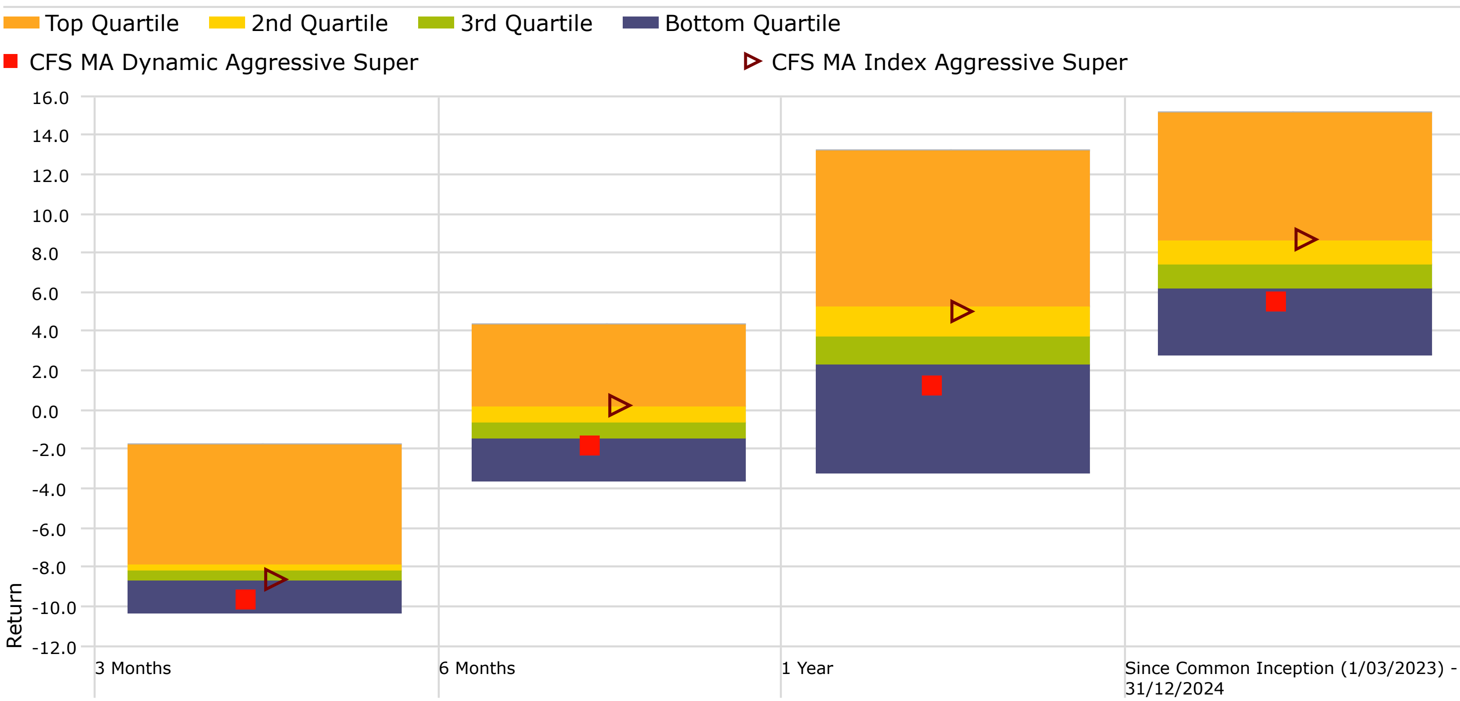
Sestante Aggressive Portfolios vs Morningstar Peers



Sestante Aggressive Performance Relative to Peer Group

Peer Group (1-100%): Insurance and Pension Funds - Australia - Superannuation - Multisector Aggressive

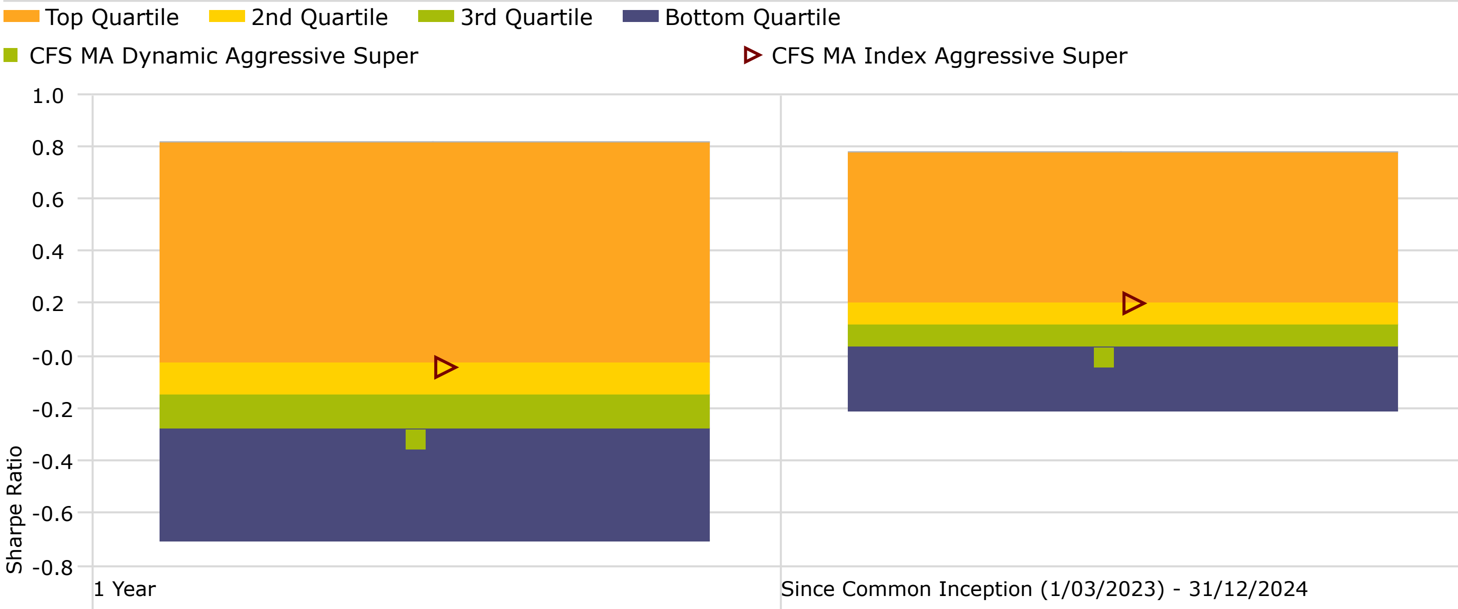


Source: Morningstar Direct

CFS AZ Sestante Quarterly Report
As of 31/12/2024
Peer Group Returns
Multisector Aggressive Category

Sharpe Ratio Relative to Peer Group - Aggressive

Peer Group (1-100%): Insurance and Pension Funds - Australia - Superannuation - Multisector Aggressive



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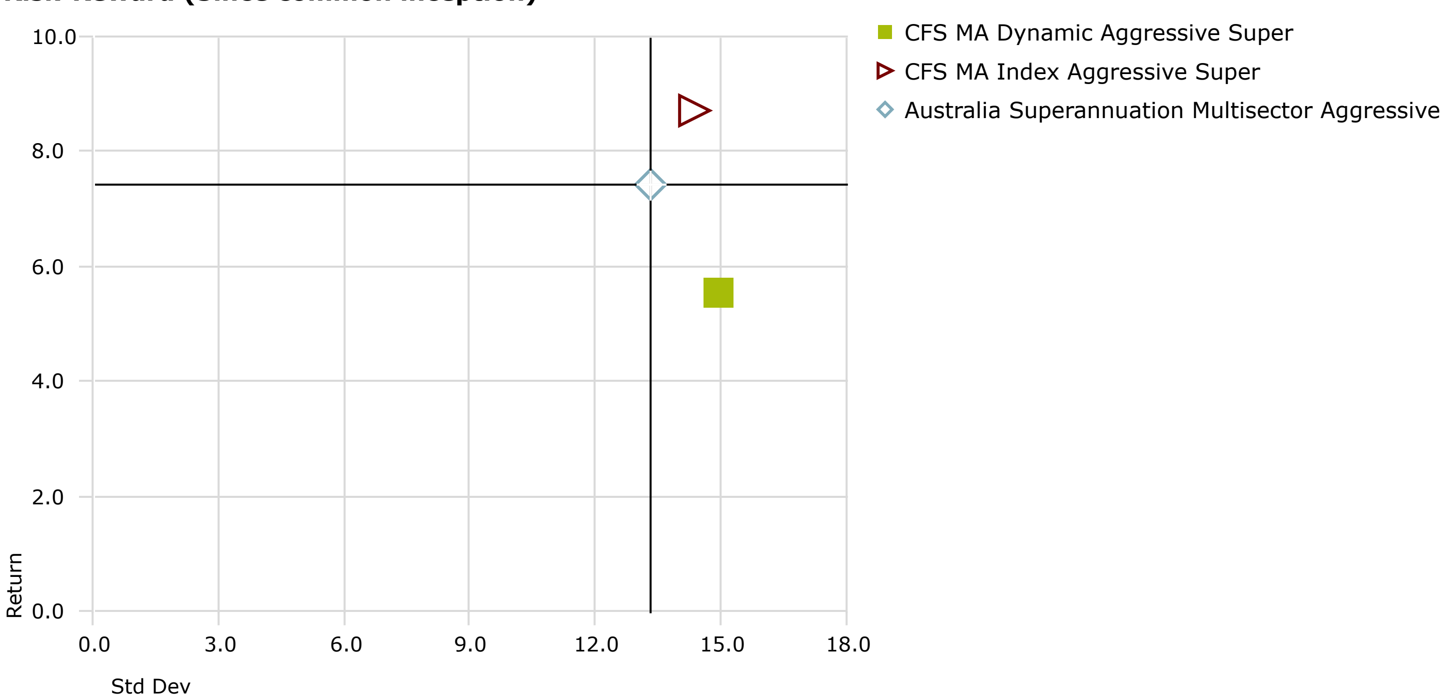
Risk-Reward (Since common inception)



Source: Morningstar Direct

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 AustraliaE: invest@azsestante.com | www.azsestante.com

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Source: Morningstar Direct