AZ Sestante Quarterly Report
As of 31/12/2025
Market Review

Market Review

Global investment markets delivered a solid finish to 2025, with risk assets extending gains through the fourth quarter despite periods of volatility. Most major equity benchmarks ended Q4 higher, and several indices finished the year near record or multi-year highs. Global shares were supported by resilient earnings, ongoing investor enthusiasm for AI-linked themes and a shift in expectations toward easier policy settings into 2026. For the full year, global equities were strong, with the MSCI World Index returning around 21% (USD terms).

A key development was the clear outperformance of non-US equities versus US markets across 2025, driven by cheaper valuations outside the US and a rotation away from crowded US technology exposures. In the US, the S&P 500 gained 2.3% in Q4 and finished the year up over 16%, while the Nasdaq 100 also rose 2.3% in Q4 and ended 2025 up about 20%. Market leadership broadened modestly as value outperformed growth in the quarter (approximately +3% vs +2.2%), with healthcare notably strong at around +12% for Q4. Within the "Magnificent 7", performance was more mixed, with Alphabet up roughly 65% for the year and Nvidia up around 39%, while other mega-cap peers were less dominant than earlier in the cycle.

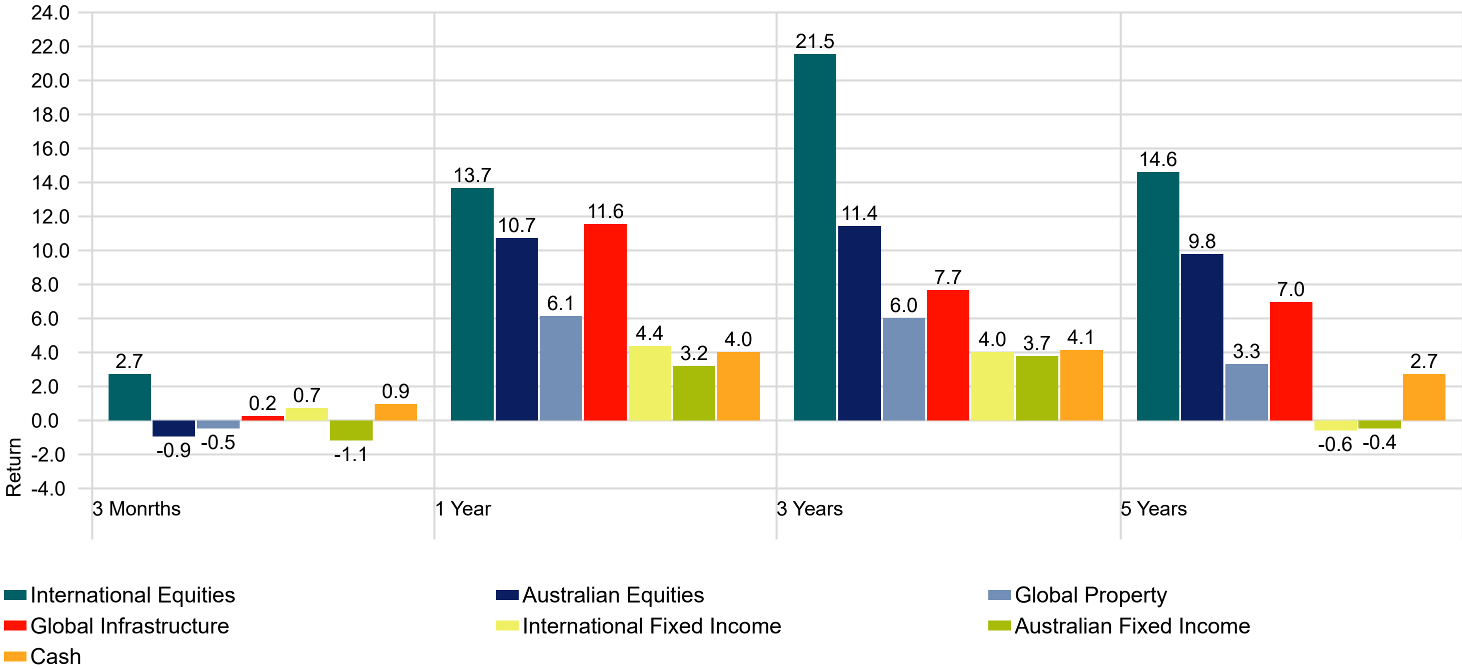
Europe and the UK also recorded robust outcomes. Eurozone equities posted strong gains in Q4 and materially outperformed for the year, with the Euro Stoxx 600 up 6.2% for the quarter. In the UK, performance was particularly strong, with the FTSE All-Share up about 5.7% for the quarter, supported by globally exposed financials, resources and defence-related stocks. In Japan, equities extended their rally, with the TOPIX Total Return up 8.8% and the Nikkei 225 up 12.0% in Q4 (local currency terms).

Emerging markets also outperformed developed peers during the quarter, helped by technology-heavy Korea and Taiwan, while China declined as property concerns resurfaced. Asia ex-Japan rose 4.3% in Q4 and gained about 32% for 2025 (USD terms). Australian equities also participated in the constructive global tone through the quarter, supported by improving risk appetite and stronger confidence heading into 2026.

In fixed income, results diverged across regions as yield curves generally steepened. US Treasuries were mixed, UK gilts outperformed, and Japanese government bonds sold off sharply. Credit produced positive returns with spreads still historically tight, while commodities were led by precious metals, with gold up more than 60% and silver up over 140% in 2025, contrasting with weaker energy markets where WTI ended near $57/bbl (around -20% for the year).

Returns

As of Date: 31/12/2025



*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

Conservative Profile

Dynamic Portfolio

The Dynamic portfolio recorded a 0.71% return, underperforming its cash + 2.0% (annual) benchmark for the quarter. The Schroders Australian Equity Fund outperformed for the quarter, while the Paradice Australian Equities Fund underperformed its benchmark. The asset allocation decision to go outside of Australia's largest companies detracted value for the quarter, with the Yarra Ex-20 Australian Equities Fund underperforming the ASX 200. Global equities saw solid returns. Our position in the Vanguard All-World ex-US Shares ETF outperformed the broader MSCI AC World Index on both a hedged and unhedged basis, adding value to portfolio performance for the quarter. The Infrastructure asset class had a relatively weak quarter compared with global equities, producing a slightly positive return. Within Fixed Income, the Australian duration-based managers i.e. Yarra and Western Asset lost ground over the quarter but returned results very similar to that of the index. The best performing Fixed Interest fund for the quarter was the PIMCO Global Bond Fund, which returned around 1.4%, comfortably outperforming its benchmark.

ESG Portfolio

The ESG portfolio returned 0.70%, underperforming its cash + 2.0% (annual) benchmark for the quarter. Q4 was again a difficult quarter for actively managed ESG styled portfolios. Some of the better performing underlying products were the 4D Global Infrastructure Fund (AUD Hedged), the Nanuk World Fund and the Schroders Australian Equity Fund. After a good Q3, the Australian Ethical Australian Share Fund was the worst performing fund in the portfolio for the quarter, losing 4.3%. The Alphinity Sustainable Share Fund also struggled, losing 2.2%, while the VanEck MSCI Australian Sustainable Equity ETF underperformed the MSCI World Index detracting value for the quarter. Given the rising bond yields over the quarter, the Pendal Sustainable Australian Fixed Interest Fund lost 1.2%, which detracted from the portfolio's absolute return.

Index Portfolio

The Index portfolio delivered a 0.68% return, underperforming its cash + 1.5% (annual) benchmark for the quarter. The best positive returns for the quarter were produced by the Vanguard All-World ex-US Shares Index ETF and the Vanguard Emerging Markets Shares Index Fund, which returned 4.0% and 3.9% respectively for the quarter. Given the Australian equity market was negative for the quarter, the exposure to the iShares Core S&P/ASX 200 ETF detracted from the absolute performance of the portfolio.

Moderately Conservative Profile

Dynamic Portfolio

The Dynamic portfolio recorded a 0.70% return, underperforming its cash + 2.5% (annual) benchmark for the quarter. The Schroders Australian Equity Fund outperformed for the quarter, while the Paradice Australian Equities Fund underperformed its benchmark. The asset allocation decision to go outside of Australia's largest companies detracted value for the quarter, with the Yarra Ex-20 Australian Equities Fund underperforming the ASX 200. Global equities saw solid returns. Our position in the Vanguard All-World ex-US Shares ETF outperformed the broader MSCI AC World Index on both a hedged and unhedged basis, adding value to portfolio performance for the quarter. Both the Infrastructure and Property asset classes had relatively weak quarters compared with global equities. Infrastructure was slightly positive, while Global Property was slightly negative. Within Fixed Income, the Australian duration-based managers i.e. Yarra and Western Asset lost ground over the quarter but returned results very similar to that of the index. The best performing Fixed Interest fund for the quarter was the PIMCO Global Bond Fund, which returned around 1.4%, comfortably outperforming its benchmark.

ESG Portfolio

The ESG portfolio returned 0.72%, underperforming its cash + 2.5% (annual) benchmark for the quarter. Q4 was again a difficult quarter for actively managed ESG styled portfolios. Some of the better performing underlying products were the 4D Global Infrastructure Fund (AUD Hedged), the Nanuk World Fund and the Schroders Australian Equity Fund. After a good Q3, the Australian Ethical Australian Share Fund was the worst performing fund in the portfolio for the quarter, losing 4.3%. The Alphinity Sustainable Share Fund also struggled, losing 2.2%, while the VanEck MSCI Australian Sustainable Equity ETF underperformed the MSCI World Index detracting value for the quarter. Given the rising bond yields over the quarter, the Pendal Sustainable Australian Fixed Interest Fund lost 1.2%, which detracted from the portfolio's absolute return.

Index Portfolio

The Index portfolio delivered a 0.77% return, underperforming its cash + 2.0% (annual) benchmark for the quarter. The best positive returns for the quarter were produced by the Vanguard All-World ex-US Shares Index ETF and the Vanguard Emerging Markets Shares Index Fund, which returned 4.0% and 3.9% respectively for the quarter. Given the Australian equity market was negative for the quarter, the exposure to the iShares Core S&P/ASX 200 ETF detracted from the absolute performance of the portfolio.

Source: Morningstar Direct

Balanced Profile

Dynamic Portfolio

The Dynamic portfolio recorded a 0.70% return, underperforming its cash + 3.5% (annual) benchmark for the quarter. The Schroders Australian Equity Fund outperformed for the quarter, while the Paradice Australian Equities Fund underperformed its benchmark. The asset allocation decision to go outside of Australia's largest companies detracted value for the quarter, with the Yarra Ex-20 Australian Equities Fund underperforming the ASX 200. Global equities saw solid returns. Our position in the Vanguard All-World ex-US Shares ETF outperformed the broader MSCI AC World Index on both a hedged and unhedged basis, adding value to portfolio performance for the quarter. Both the Infrastructure and Property asset classes had relatively weak quarters compared with global equities. Infrastructure was slightly positive, while Global Property was slightly negative. Within Fixed Income, the Australian duration-based managers i.e. Yarra and Western Asset lost ground over the quarter but returned results very similar to that of the index. The best performing Fixed Interest fund for the quarter was the PIMCO Global Bond Fund, which returned around 1.4%, comfortably outperforming its benchmark.

ESG Portfolio

The ESG portfolio returned 0.57%, underperforming its cash + 3.5% (annual) benchmark for the quarter. Q4 was again a difficult quarter for actively managed ESG styled portfolios. Some of the better performing underlying products were the 4D Global Infrastructure Fund (AUD Hedged), the Nanuk World Fund and the Schroders Australian Equity Fund. After a good Q3, the Australian Ethical Australian Share Fund was the worst performing fund in the portfolio for the quarter, losing 4.3%. The Alphinity Sustainable Share Fund also struggled, losing 2.2%, while the VanEck MSCI Australian Sustainable Equity ETF underperformed the MSCI World Index detracting value for the quarter. Given the rising bond yields over the quarter, the Pendal Sustainable Australian Fixed Interest Fund lost 1.2%, which detracted from the portfolio's absolute return.

Index Portfolio

The Index portfolio delivered a 0.87% return, underperforming its cash + 2.5% (annual) benchmark for the quarter. The best positive returns for the quarter were produced by the Vanguard All-World ex-US Shares Index ETF and the Vanguard Emerging Markets Shares Index Fund, which returned 4.0% and 3.9% respectively for the quarter. Given the Australian equity market was negative for the quarter, the exposure to the iShares Core S&P/ASX 200 ETF detracted from the absolute performance of the portfolio.

Assertive Profile

Dynamic Portfolio

The Dynamic portfolio recorded a 0.79% return, underperforming its cash + 4.5% (annual) benchmark for the quarter. The Dynamic portfolio recorded a 0.70% return, underperforming its cash + 3.5% (annual) benchmark for the quarter. The Schroders Australian Equity Fund outperformed for the quarter, while the Paradice Australian Equities Fund underperformed its benchmark. The asset allocation decision to go outside of Australia's largest companies detracted value for the quarter, with the Yarra Ex-20 Australian Equities Fund underperforming the ASX 200. Global equities saw solid returns. Our position in the Vanguard All-World ex-US Shares ETF outperformed the broader MSCI AC World Index on both a hedged and unhedged basis, adding value to portfolio performance for the quarter. Both the Infrastructure and Property asset classes had relatively weak quarters compared with global equities. Infrastructure was slightly positive, while Global Property was slightly negative. Within Fixed Income, the Australian duration-based manager, Western Asset lost ground over the quarter but returned a result very similar to that of the index. The best performing Fixed Interest fund for the quarter was the PIMCO Global Bond Fund, which returned around 1.4%, comfortably outperforming its benchmark.

ESG Portfolio

The ESG portfolio returned 0.63%, underperforming its cash + 4.5% (annual) benchmark for the quarter. Q4 was again a difficult quarter for actively managed ESG styled portfolios. Some of the better performing underlying products were the 4D Global Infrastructure Fund (AUD Hedged), the Nanuk World Fund and the Schroders Australian Equity Fund. After a good Q3, the Australian Ethical Australian Share Fund was the worst performing fund in the portfolio for the quarter, losing 4.3%. The Alphinity Sustainable Share Fund also struggled, losing 2.2%, while the VanEck MSCI Australian Sustainable Equity ETF underperformed the MSCI World Index detracting value for the quarter. Given the rising bond yields over the quarter, the Pendal Sustainable Australian Fixed Interest Fund lost 1.2%, which detracted from the portfolio's absolute return.

Index Portfolio

The Index portfolio delivered a 1.15% return, underperforming its cash + 3.0% (annual) benchmark for the quarter. The best positive returns for the quarter were produced by the Vanguard All-World ex-US Shares Index ETF and the Vanguard Emerging Markets Shares Index Fund, which returned 4.0% and 3.9% respectively for the quarter. Given the Australian equity market was negative for the quarter, the exposure to the iShares Core S&P/ASX 200 ETF detracted from the absolute performance of the portfolio.

Source: Morningstar Direct

Aggressive Profile

Dynamic Portfolio

The Dynamic portfolio recorded a 0.93% return, outperforming its cash + 5.0% (annual) benchmark for the quarter. The Dynamic portfolio recorded a 0.70% return, underperforming its cash + 3.5% (annual) benchmark for the quarter. The Schroders Australian Equity Fund outperformed for the quarter, while the Paradice Australian Equities Fund underperformed its benchmark. The asset allocation decision to go outside of Australia's largest companies detracted value for the quarter, with the Yarra Ex-20 Australian Equities Fund underperforming the ASX 200. Global equities saw solid returns. Our position in the Vanguard All-World ex-US Shares ETF outperformed the broader MSCI AC World Index on both a hedged and unhedged basis, adding value to portfolio performance for the quarter. Both the Infrastructure and Property asset classes had relatively weak quarters compared with global equities. Infrastructure was slightly positive, while Global Property was slightly negative.

ESG Portfolio

The ESG portfolio returned 0.56%, underperforming its cash + 5.0% (annual) benchmark for the quarter. Q4 was again a difficult quarter for actively managed ESG styled portfolios. Some of the better performing underlying products were the 4D Global Infrastructure Fund (AUD Hedged), the Nanuk World Fund and the Schroders Australian Equity Fund. After a good Q3, the Australian Ethical Australian Share Fund was the worst performing fund in the portfolio for the quarter, losing 4.3%. The Alphinity Sustainable Share Fund also struggled, losing 2.2%, while the VanEck MSCI Australian Sustainable Equity ETF underperformed the MSCI World Index detracting value for the quarter.

Index Portfolio

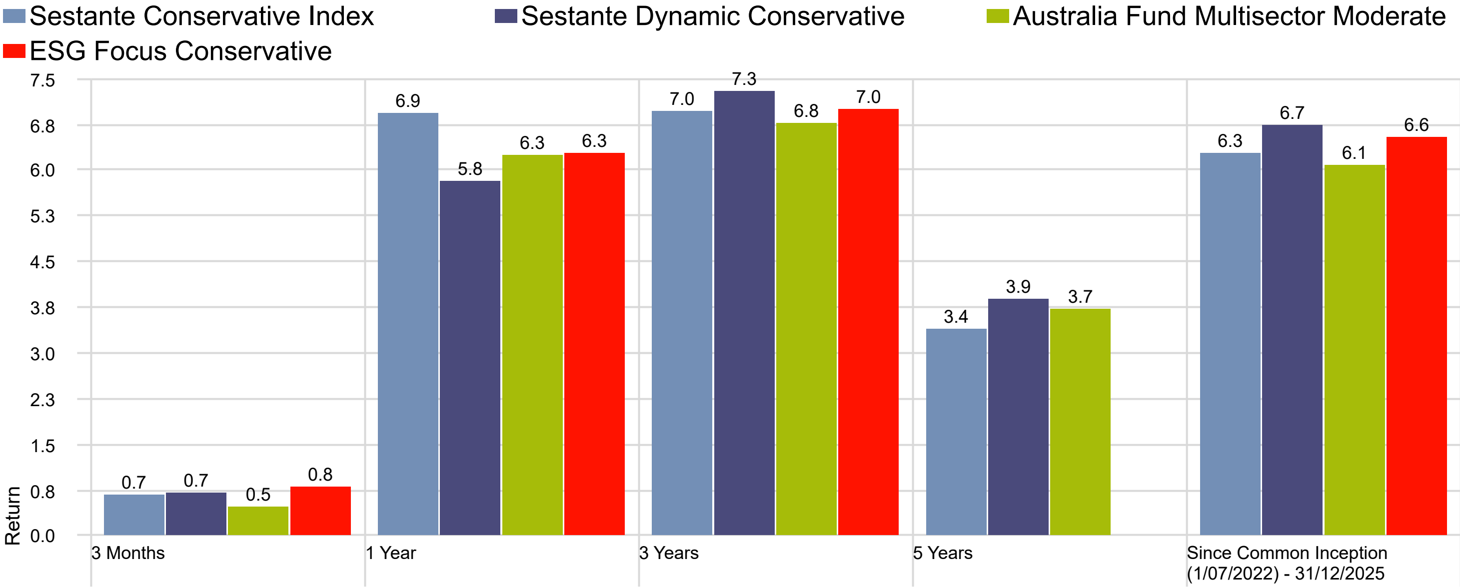
The Index portfolio delivered a 1.21% return, underperforming its cash + 4.5% (annual) benchmark for the quarter. The best positive returns for the quarter were produced by the Vanguard All-World ex-US Shares Index ETF and the Vanguard Emerging Markets Shares Index Fund, which returned 4.0% and 3.9% respectively for the quarter. Given the Australian equity market was negative for the quarter, the exposure to the iShares Core S&P/ASX 200 ETF detracted from the absolute performance of the portfolio.

Source: Morningstar Direct

Peer Group Returns
Multisector Moderate Category

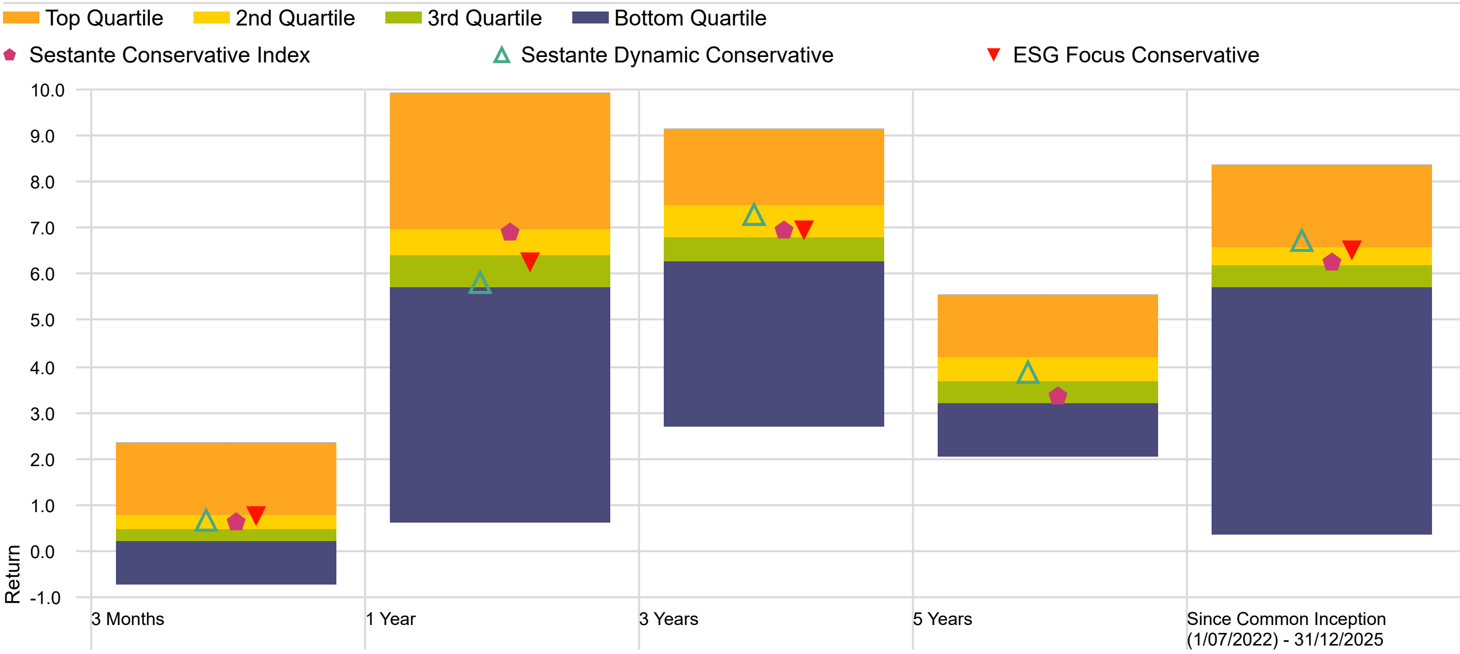
This part of the report aims to provide investors an effective way to compare the AZ Sestante portfolios with like options. The Multisector Moderate Category consists of funds that invest in a number of sectors and have between 21% and 40% of their investments exposed to the growth sectors.

Sestante Conservative Portfolios vs Morningstar Peers



Sestante Conservative Performance Relative to Peer Group

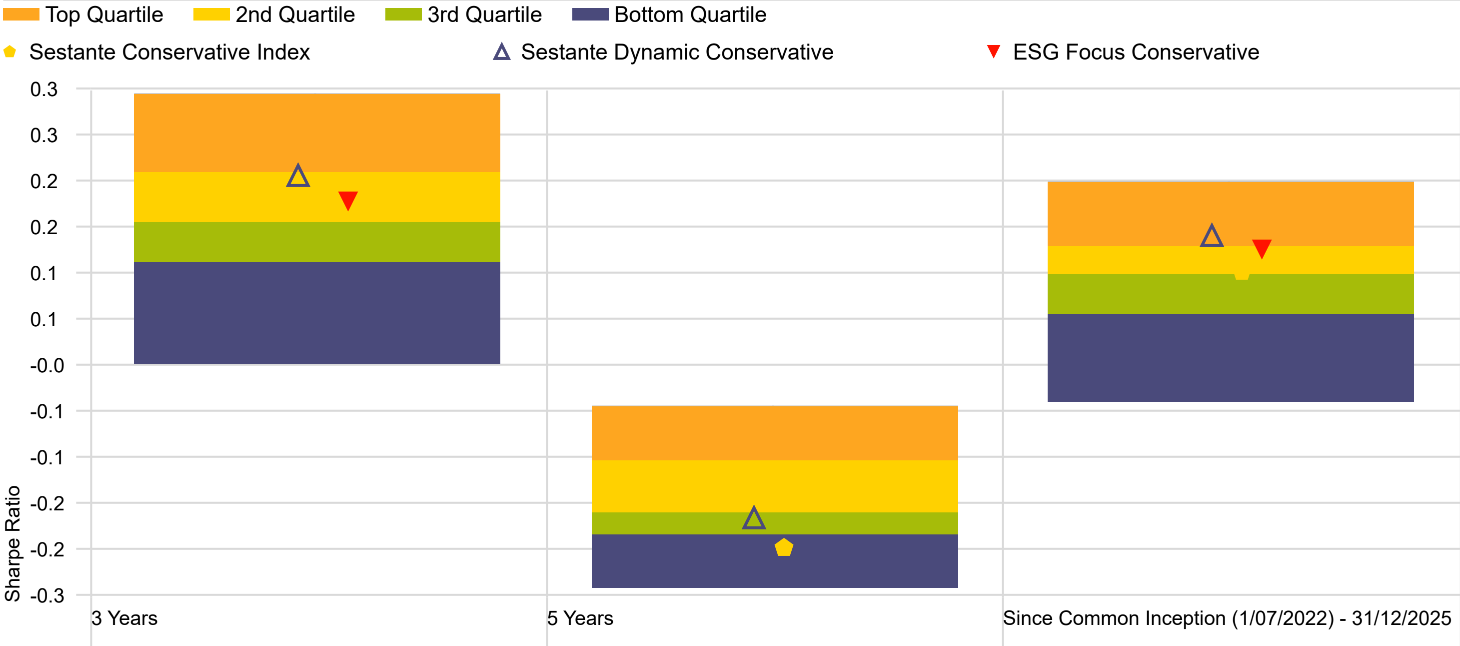
Peer Group (1-100%): Funds - Australia - Multisector Moderate



Source: Morningstar Direct

Sharpe Ratio Relative to Peer Group - Conservative

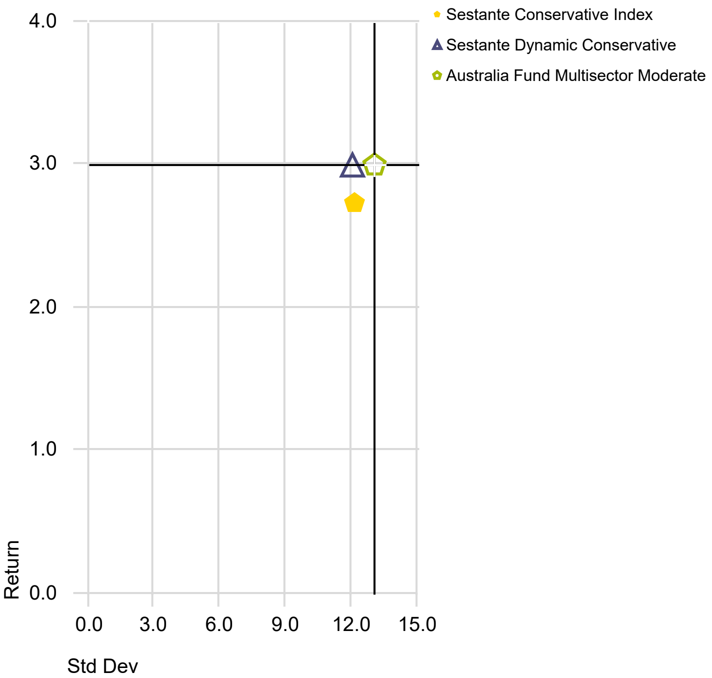
Peer Group (5-95%): Funds - Australia - Multisector Moderate



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.

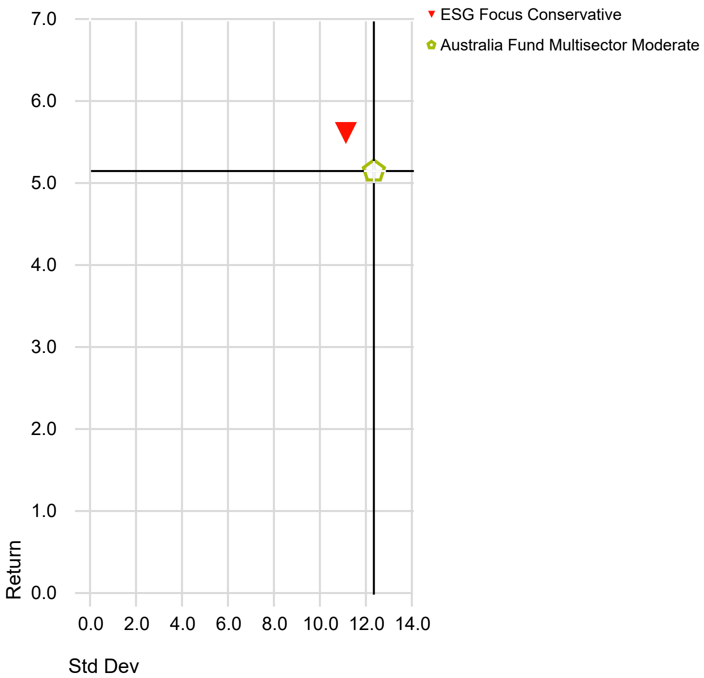
Risk-Reward (Since common inception exclude ESG)

Time Period: Since Common Inception (1/03/2019) to 31/12/2025



Risk-Reward (Since common inception ESG)

Time Period: Since Common Inception (1/07/2022) to 31/12/2025

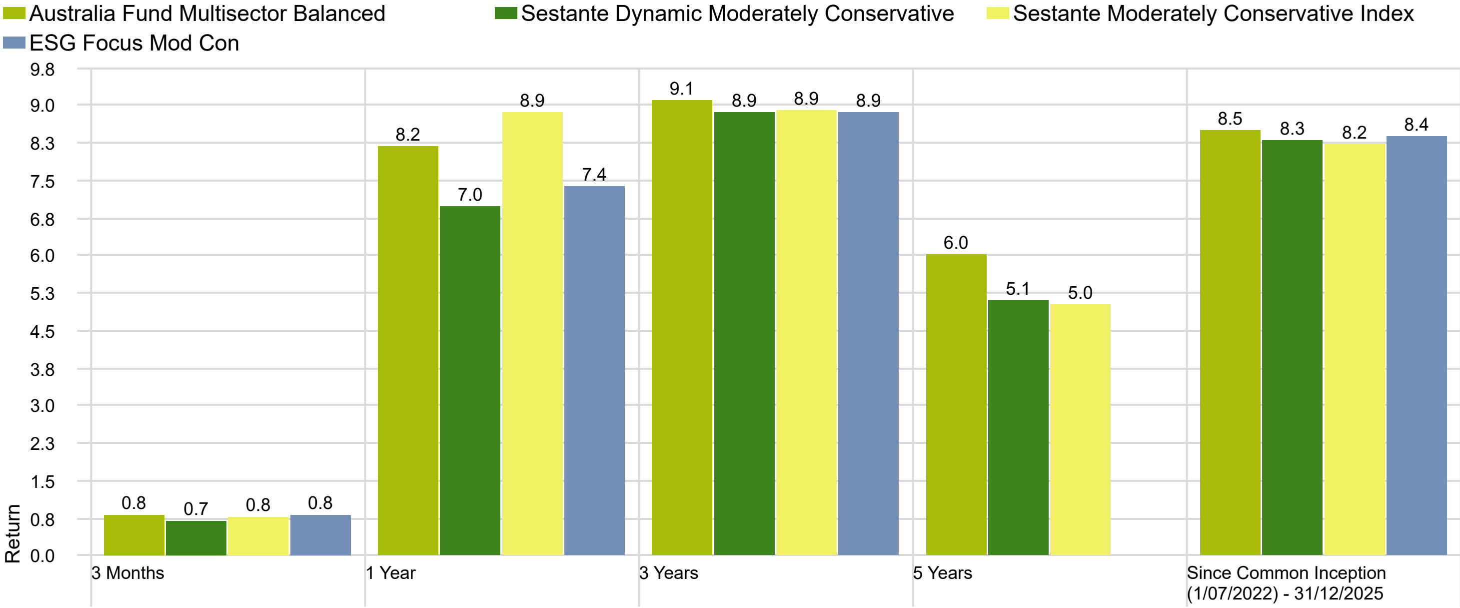


Source: Morningstar Direct

AZ Sestante Quarterly Report
As of 31/12/2025
Peer Group Returns
Multisector Balanced Category

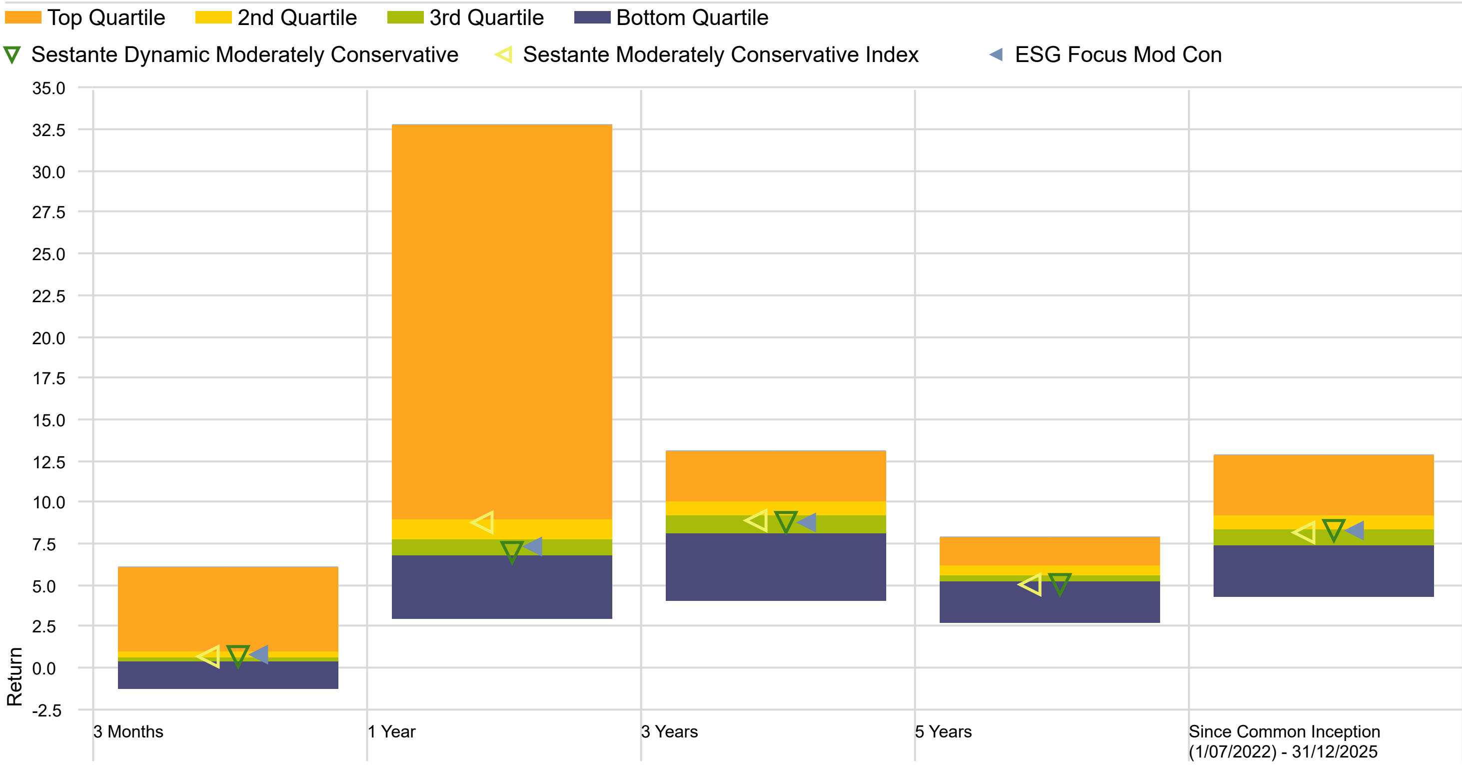
This part of the report aims to provide investors an effective way to compare the AZ Sestante portfolios with like options. The Multisector Balanced Category consists of funds that invest in a number of sectors and have between 41% and 60% of their investments exposed to the growth sectors.

Sestante Moderately Conservative Portfolios vs Morningstar Peers



Sestante Moderately Conservative Performance Relative to Peer Group

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



Source: Morningstar Direct

AZ Sestante Quarterly Report
As of 31/12/2025
Peer Group Returns
Multisector Balanced Category

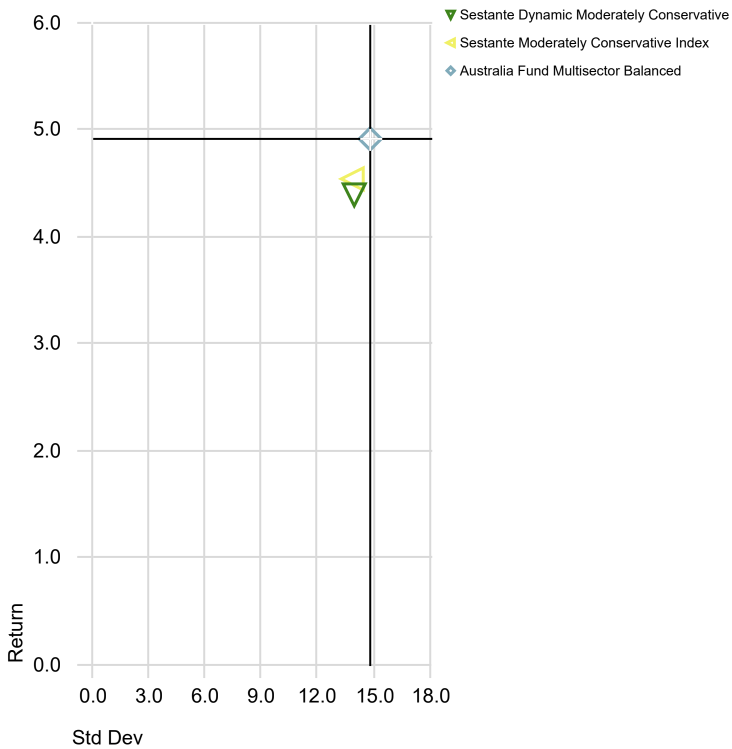
Sharpe Ratio Relative to Peer Group - Moderately Conservative

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.

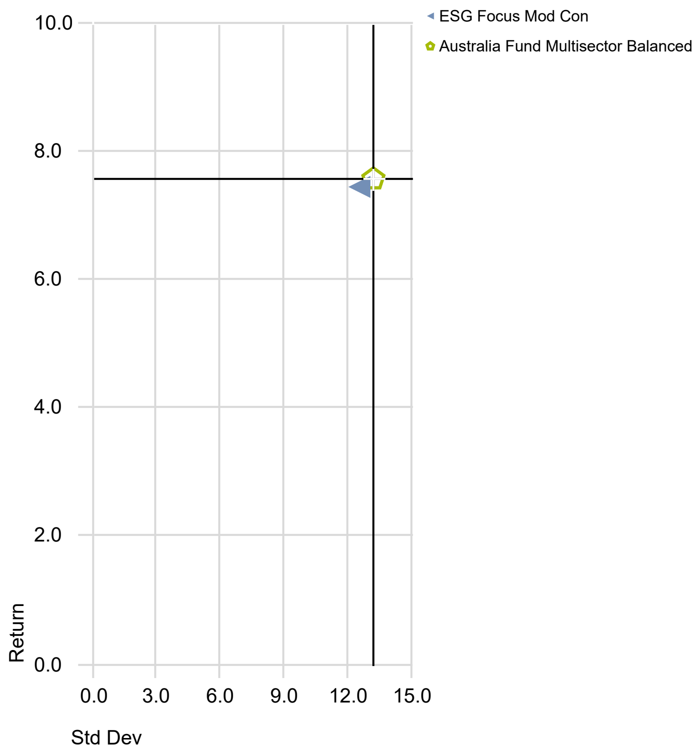
Risk-Reward (Since common inception exclude ESG)

Time Period: Since Common Inception (1/03/2019) to 31/12/2025



Risk-Reward (Since common inception ESG)

Time Period: Since Common Inception (1/07/2022) to 31/12/2025

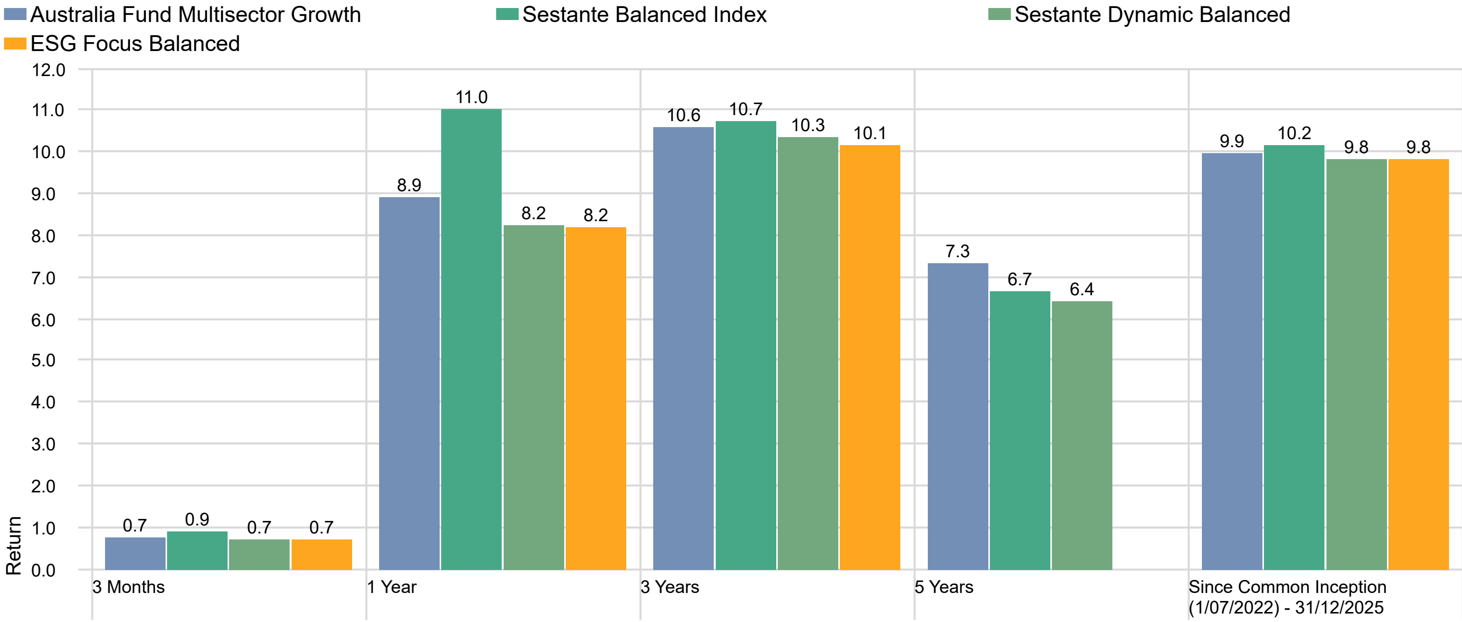


Source: Morningstar Direct

AZ Sestante Quarterly Report
As of 31/12/2025
Peer Group Returns
Multisector Growth Category

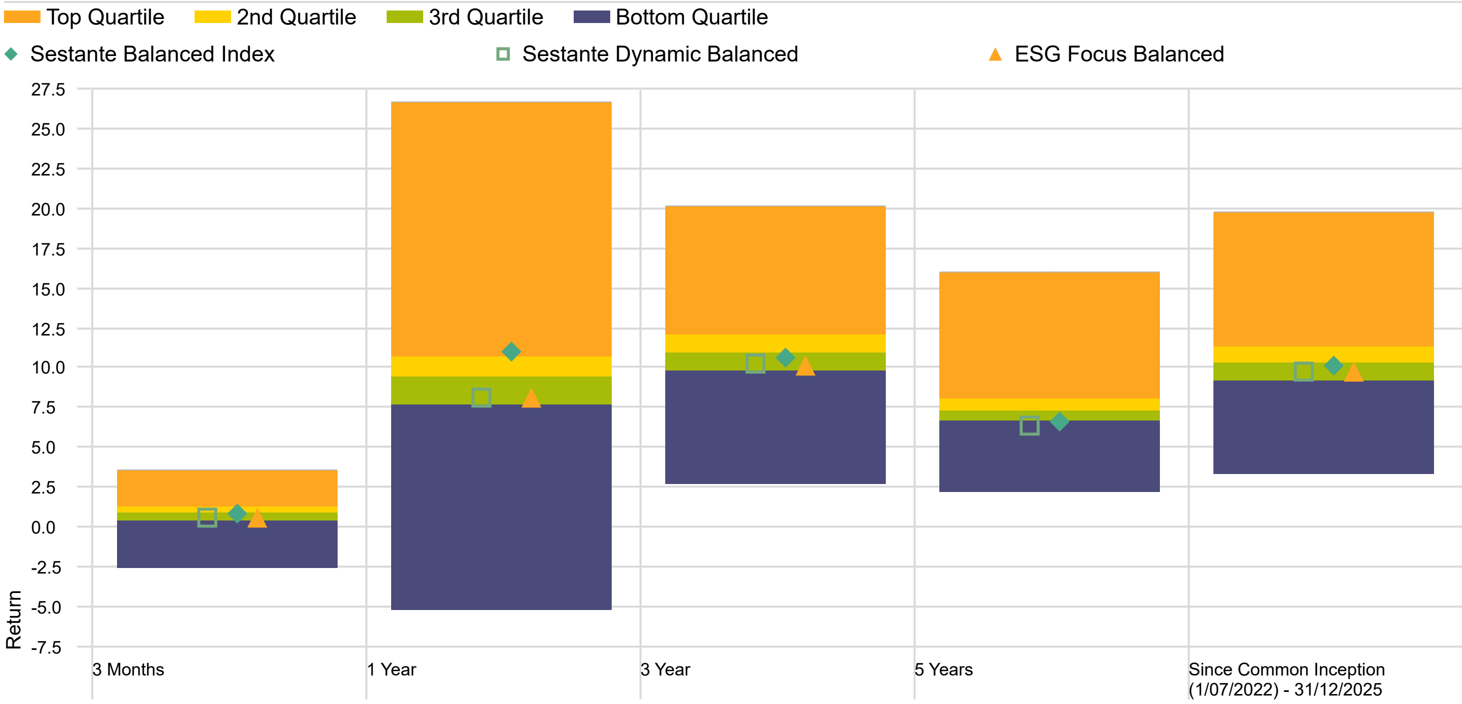
This part of the report aims to provide investors an effective way to compare the AZ Sestante portfolios with like options. The Multisector Growth Category consists of funds that invest in a number of sectors and have between 61% and 80% of their investments exposed to the growth sectors.

Sestante Balanced Portfolios vs Morningstar Peers



Sestante Balanced Performance Relative to Peer Group

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

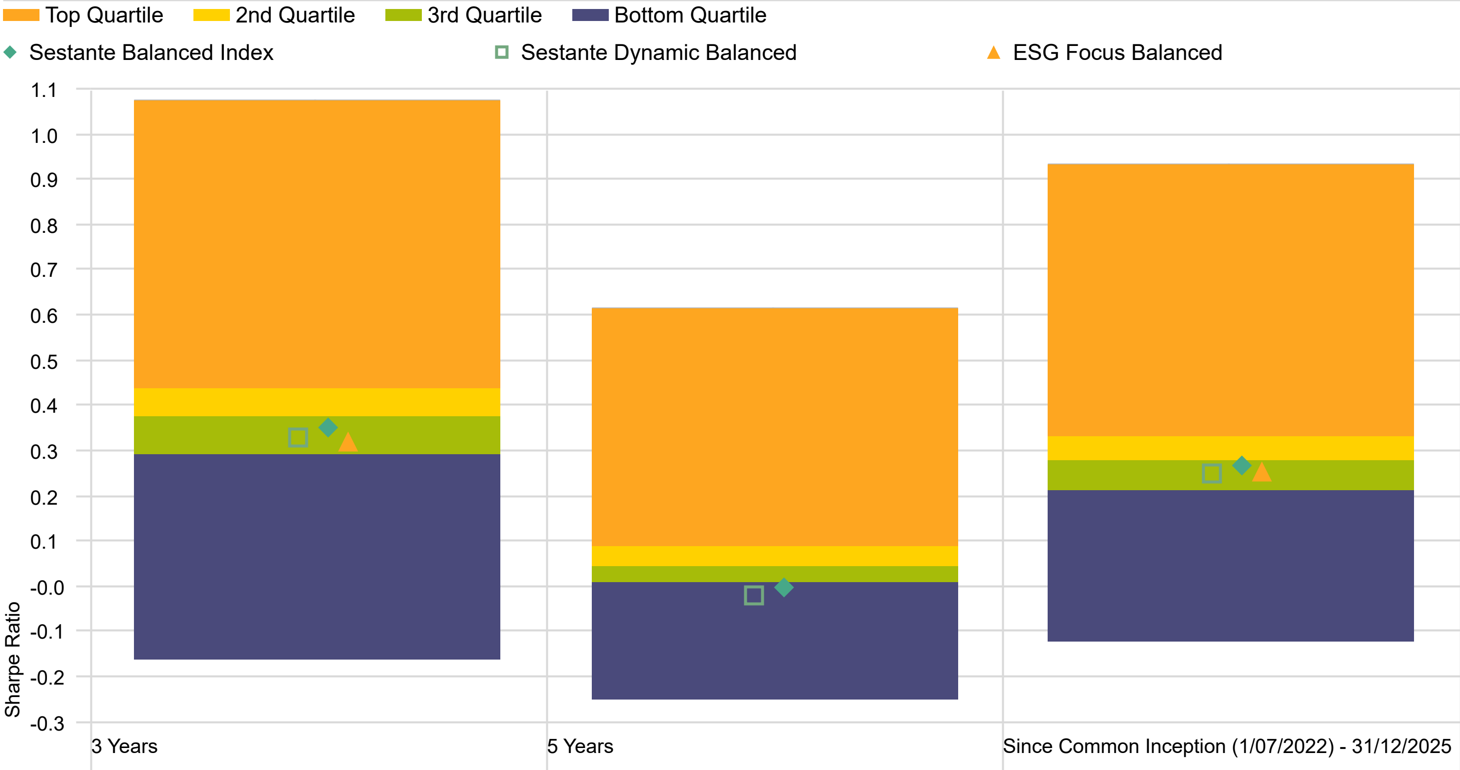


Source: Morningstar Direct

AZ Sestante Quarterly Report
As of 31/12/2025
Peer Group Returns
Multisector Growth Category

Sharpe Ratio Relative to Peer Group - Balanced

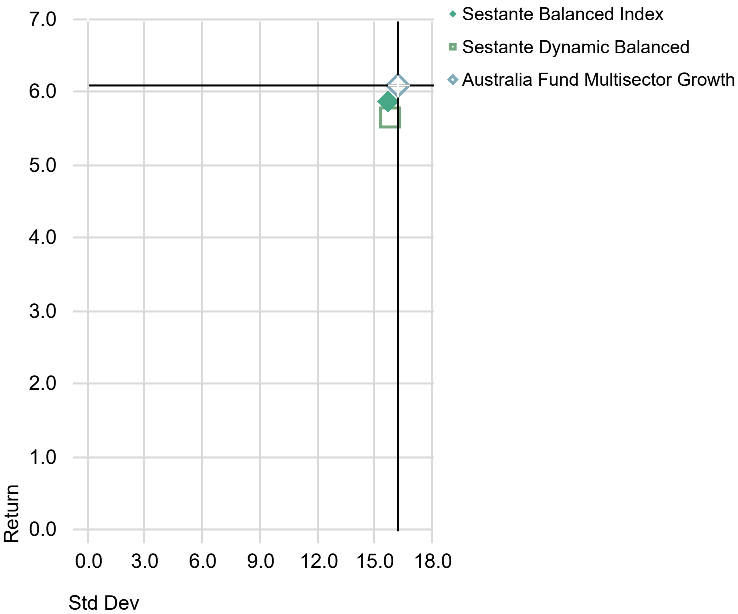
Peer Group (1-100%): Funds - Australia - Multisector Growth



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.

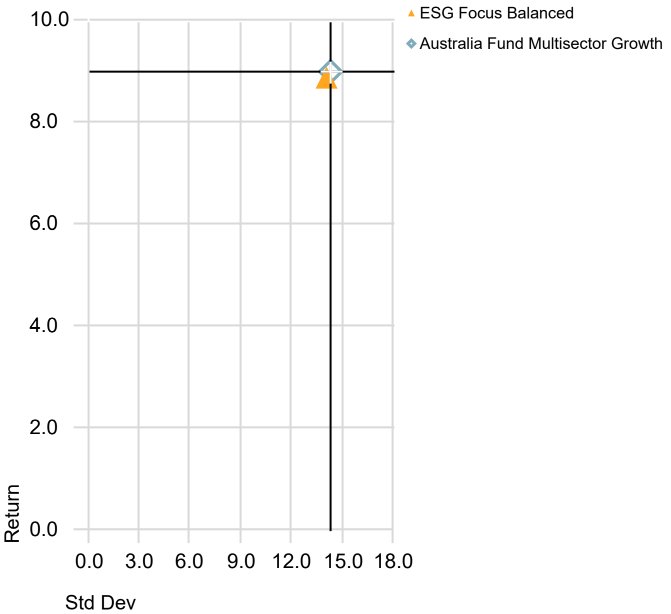
Risk-Reward (Since common inception exclude ESG)

Time Period: Since Common Inception (1/03/2019) to 31/12/2025



Risk-Reward (Since common inception ESG)

Time Period: Since Common Inception (1/07/2022) to 31/12/2025

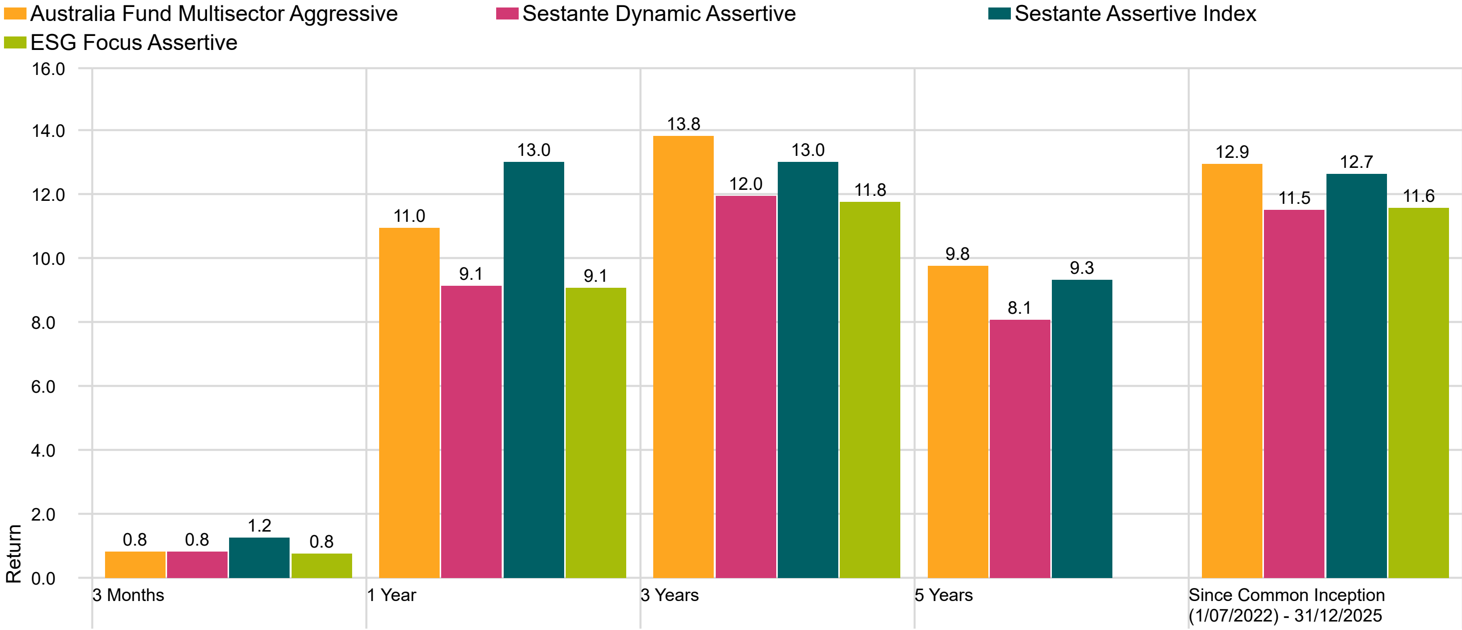


Source: Morningstar Direct

AZ Sestante Quarterly Report
As of 31/12/2025
Peer Group Returns
Multisector Aggressive Category

This part of the report aims to 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

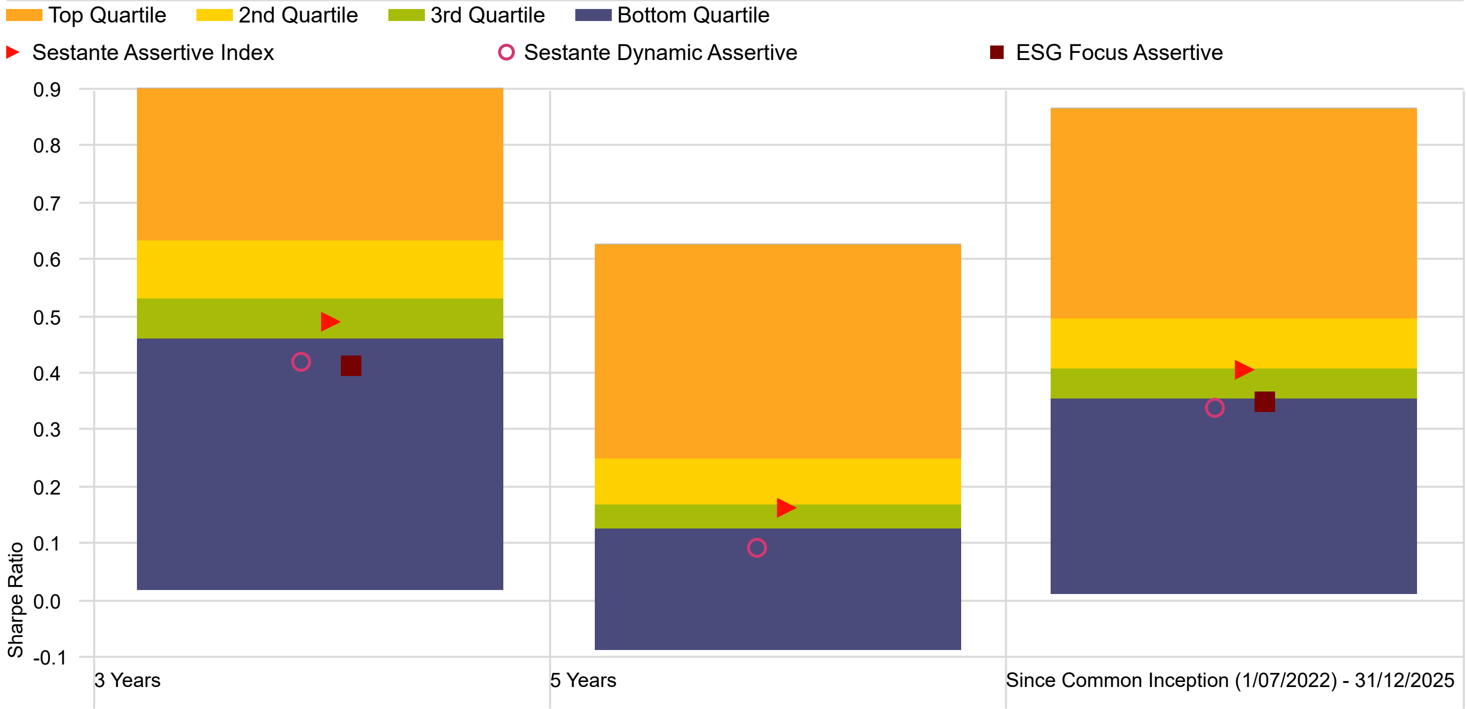
Peer Group (5-95%): Funds - Australia - Multisector Aggressive

Source: Morningstar Direct

AZ Sestante Quarterly Report
As of 31/12/2025
Peer Group Returns
Multisector Aggressive Category

Sharpe Ratio Relative to Peer Group - Assertive

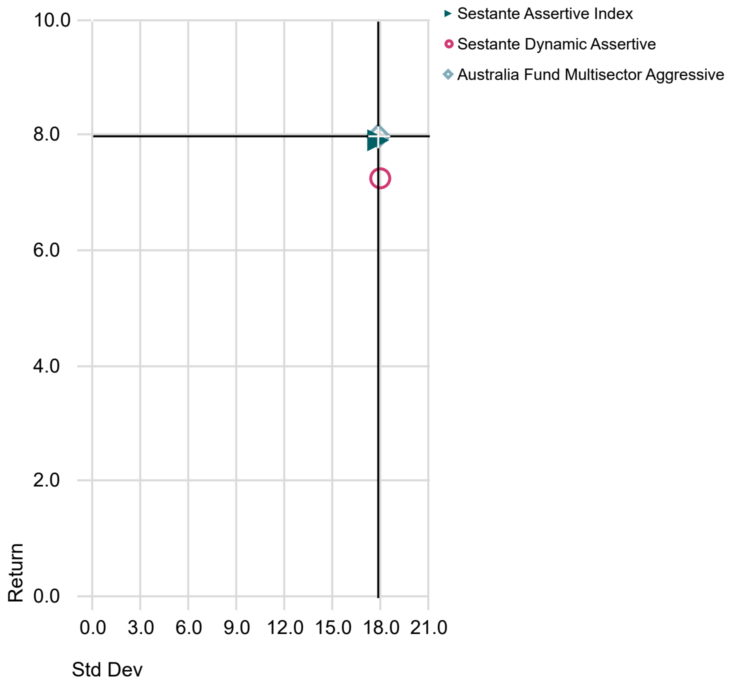
Peer Group (1-100%): Funds - Australia - Multisector Aggressive



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.

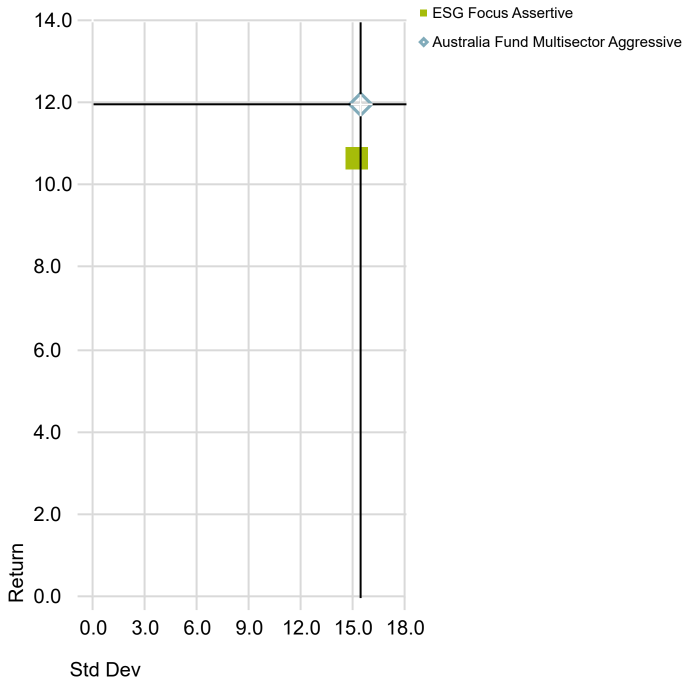
Risk-Reward (Since common inception exclude ESG)

Time Period: Since Common Inception (1/03/2019) to 31/12/2025



Risk-Reward (Since common inception ESG)

Time Period: Since Common Inception (1/07/2022) to 31/12/2025

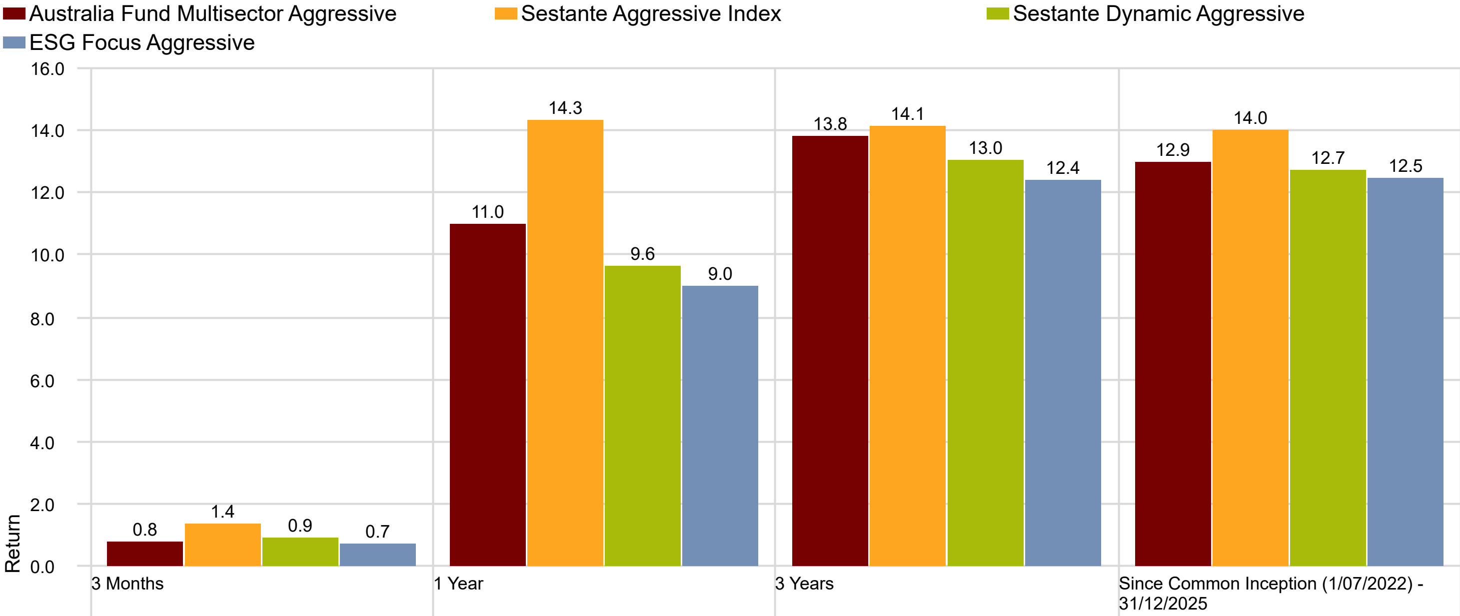


Source: Morningstar Direct

AZ Sestante Quarterly Report
As of 31/12/2025
Peer Group Returns
Multisector Aggressive Category

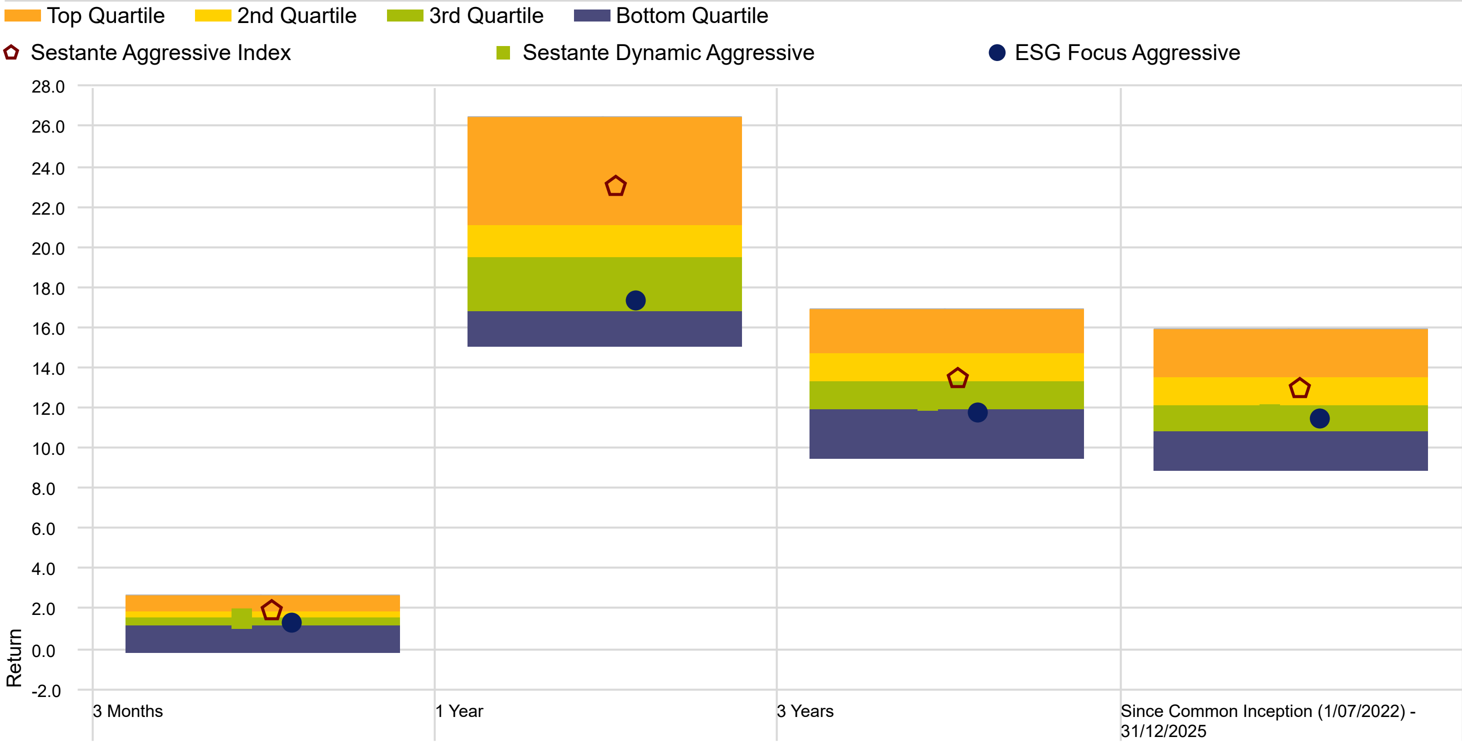
This part of the report aims to provide investors an effective way to compare the AZ Sestante portfolios with like options. Multisector Aggressive funds invest in a number of sectors and have over 80% of their assets in growth sectors.

Sestante Aggressive Portfolios vs Morningstar Peers



Sestante Aggressive Performance Relative to Peer Group

Peer Group (5-95%): Funds - Australia - Multisector Aggressive

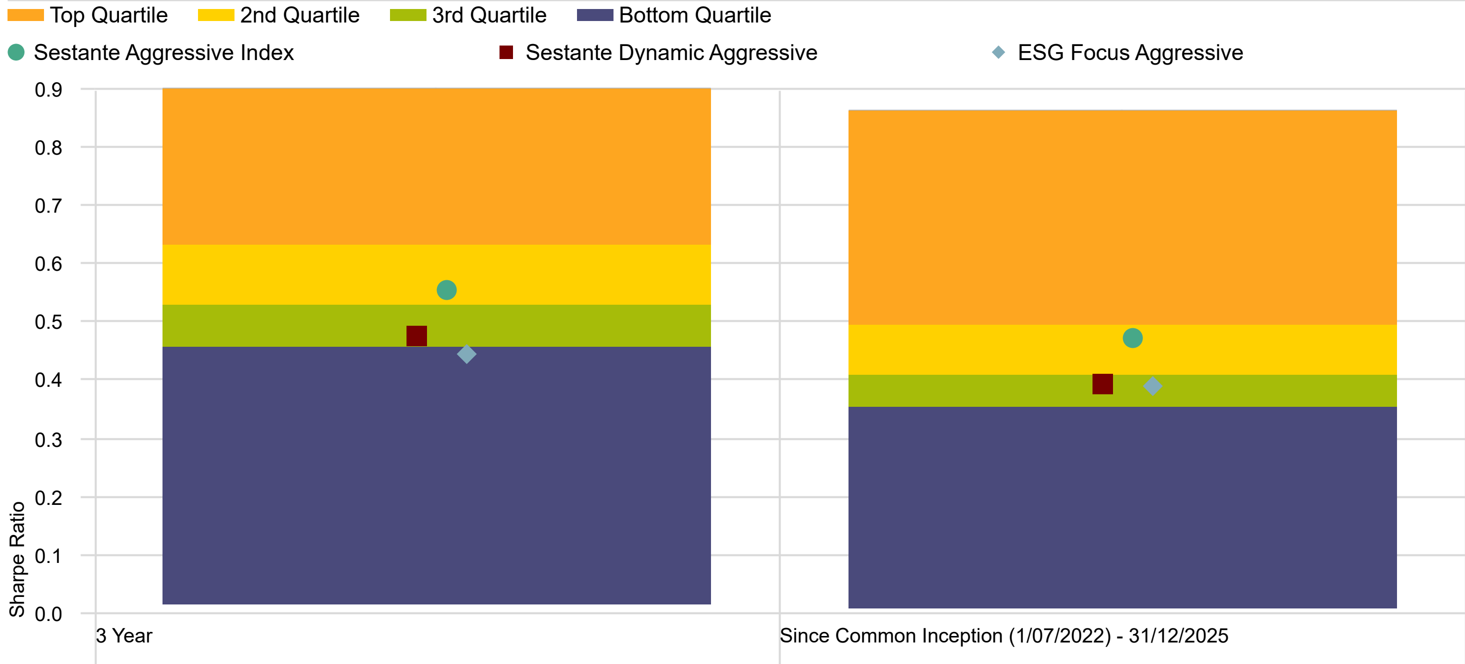


Source: Morningstar Direct

AZ Sestante Quarterly Report
As of 31/12/2025
Peer Group Returns
Multisector Aggressive Category

Sharpe Ratio Relative to Peer Group - Aggressive

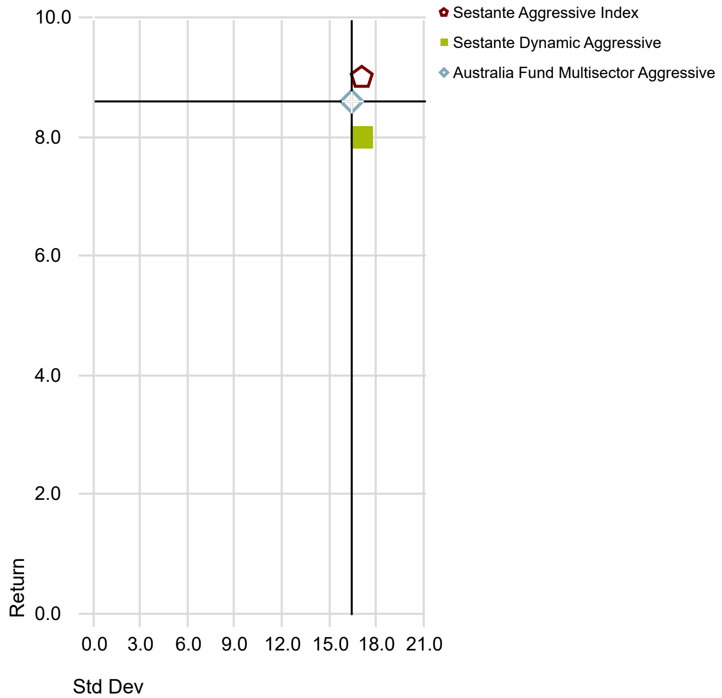
Peer Group (1-100%): Funds - Australia - Multisector Aggressive



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.

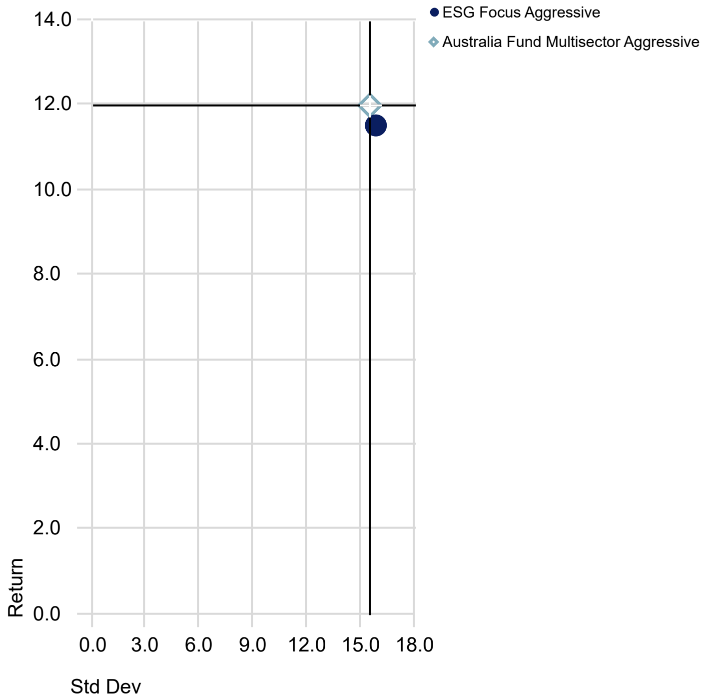
Risk-Reward (Since common inception exclude ESG)

Time Period: Since Common Inception (1/09/2020) to 31/12/2025



Risk-Reward (Since common inception ESG)

Time Period: Since Common Inception (1/07/2022) to 31/12/2025



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.
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