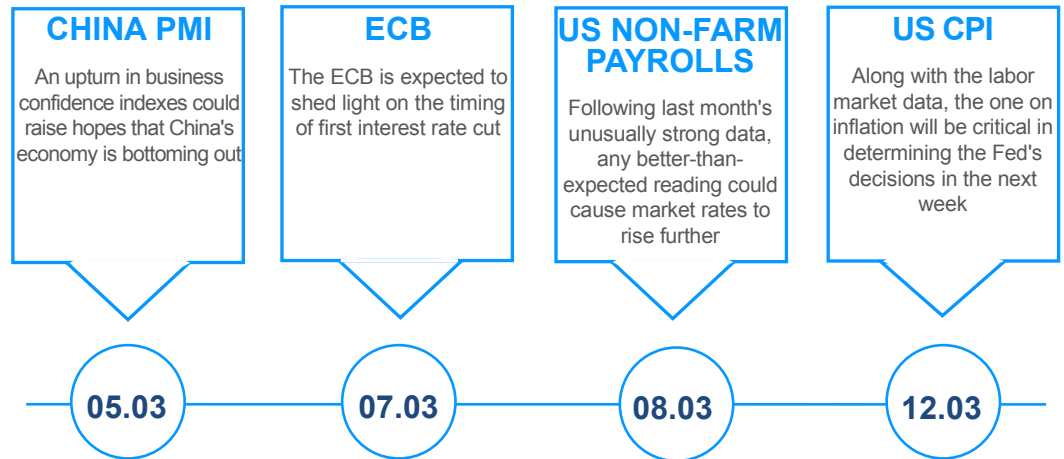


## Main Events

### Azimut Global Network

- \* Milan
- \* Abu Dhabi
- \* Austin
- \* Cairo
- \* Dubai
- \* Dublin
- \* Hong Kong
- \* Estoril
- \* Istanbul
- \* Lugano
- \* Luxembourg
- \* Mexico City
- \* Miami
- \* Monaco
- \* New York
- \* Santiago
- \* São Paulo
- \* Shanghai
- \* Singapore
- \* St Louis
- \* Sydney
- \* Taipei



## Q4 2023 EARNINGS SEASON MONITOR

- The last reporting season showed that there were significant discrepancies in growth across countries and sectors
- The United States, and growth stocks in particular, have experienced higher rates of earnings and sales growth than the rest of the market
- In Europe, results have been weaker, but the possible bottoming in PMI indicators and the increase in capital return programs may foreshadow stronger prospects

At the time of writing, 80% of developed market corporations have reported their Q3 results, revealing interesting divergences both regionally and across different metrics.

The United States has shown resilience, achieving a year-over-year EPS growth of approximately +7%. This growth, indicative of the robust nature of the US market, contrasts sharply with Europe, where there has been a notable -11% decline in EPS. This divergence, already evident in the Q3 reporting season, highlights the different earnings cycles in the two regions and possibly some early signs of bottoming out in European manufacturing data. When excluding the Energy sector from the analysis, the US displays an even more impressive EPS growth of +11%, while Europe shows a moderate recovery at +1%.

### United States (S&P 500)

The October-December quarter witnessed a 4% growth in sales and a 7% growth in EPS. However, the percentage of companies beating sales estimates was "only" at 57%, lower than the long-term average of 60% but recovering from the very low level in Q3 (49%). The lowest sales beat ratios were found in utilities, consumer sectors (both discretionary and staples), and materials. In contrast, the healthcare and communication services sectors had the highest beat ratios. Focusing on earnings, 77% of companies surpassed consensus estimates, in line with the historical average of 76%

(continued)

	No. of cos reported / Total		% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
<b>S&amp;P500</b>	<b>408</b>	<b>/ 500</b>	<b>82%</b>	<b>77%</b>	<b>18%</b>	<b>8%</b>	<b>7%</b>	<b>57%</b>	<b>25%</b>	<b>1%</b>	<b>4%</b>
Energy	18	/ 23	78%	83%	17%	12%	-27%	50%	39%	-1%	-11%
Materials	27	/ 28	96%	63%	33%	3%	-23%	41%	33%	0%	-6%
Industrials	70	/ 78	90%	79%	16%	10%	6%	56%	19%	1%	3%
Discretionary	34	/ 53	64%	74%	26%	13%	29%	47%	47%	3%	8%
Staples	25	/ 38	66%	84%	8%	6%	3%	40%	36%	1%	4%
Healthcare	55	/ 64	86%	82%	15%	8%	-15%	82%	13%	3%	8%
Financials	69	/ 72	96%	81%	18%	9%	4%	57%	24%	0%	6%
IT	51	/ 64	80%	90%	8%	6%	26%	57%	22%	2%	8%
Com. Services	16	/ 19	84%	56%	38%	3%	44%	75%	6%	2%	7%
Utilities	17	/ 30	57%	59%	29%	2%	31%	35%	65%	-11%	-7%
Real Estate	26	/ 31	84%	54%	12%	2%	5%	54%	12%	-9%	7%
<b>Ex-Financials &amp; Real Estate</b>	<b>313</b>	<b>/ 397</b>	<b>79%</b>	<b>78%</b>	<b>18%</b>	<b>7%</b>	<b>8%</b>	<b>57%</b>	<b>27%</b>	<b>1%</b>	<b>4%</b>
<b>Ex-Energy</b>	<b>390</b>	<b>/ 477</b>	<b>82%</b>	<b>76%</b>	<b>18%</b>	<b>7%</b>	<b>11%</b>	<b>57%</b>	<b>25%</b>	<b>1%</b>	<b>6%</b>

Source: J.P. Morgan

Interestingly, nearly all sectors, except for Real Estate (54%), Materials (63%), and Communication Services (56%), exhibited a high ratio of companies beating estimates, with at least 75% surpassing expectations. Regarding market response, stocks reacting positively to beating estimates performed twice as well compared to the average (+0.8% vs. 0.4% historically), while negative surprises were punished slightly more than average (-2.1% compared to -1.7%). This indicates a market response that was relatively more bullish than average and consistent with the recent performance of US equities.

**FAANG**

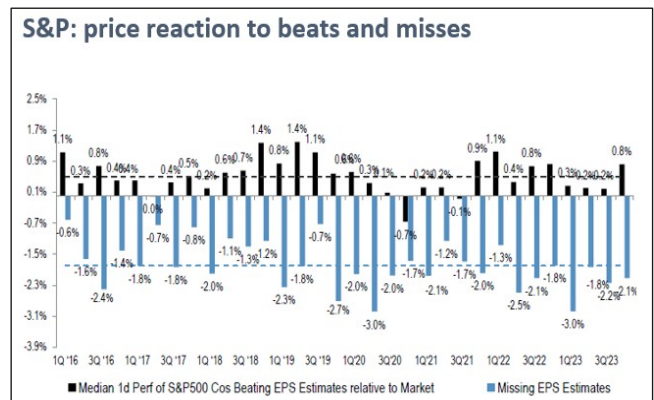
During the Q4 earnings season, the infusion of AI technology emerged as a driving force behind the growth of major tech players. Microsoft showcased impressive strides in its cloud services division, particularly Azure, propelled by strategic AI initiatives. This reinforces Microsoft's position in the fiercely competitive cloud computing arena, hinting at promising growth. Amazon's AWS (Amazon Web Services) sustained solid growth in cloud services, surpassing expectations yet again. AWS experienced a surge in AI workloads, underscoring Amazon's unwavering commitment to technological advancement and its dominant position in the cloud market.

Meta delivered outstanding Q4 performance, with strong growth in advertising driven by increased user adoption and engagement, especially through features like Reels. The company's resilience was evident in substantial investments in AI and efficiency initiatives, bolstering its performance in the advertising sector. Google's Q4 results met expectations, particularly in advertising revenue, though concerns arose regarding perceived high capital expenditures. Apple's Q4 performance remained steady, as iPhone sales met expectations. The highlight of the quarter was the launch of the Apple VR device.

Assessing the overall outlook for the US market, a smaller proportion of US companies are raising EPS guidance this quarter, while a higher proportion are lowering their outlook.



Source: J.P. Morgan



Source: J.P. Morgan

(continued)

	No. of cos reported / Total		% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
<b>Stoxx600</b>	<b>233</b>	<b>/ 425</b>	<b>55%</b>	<b>52%</b>	<b>48%</b>	<b>-2%</b>	<b>-11%</b>	<b>37%</b>	<b>43%</b>	<b>1%</b>	<b>-7%</b>
Energy	12	/ 16	75%	73%	27%	1%	-39%	67%	25%	6%	-18%
Materials	24	/ 43	56%	50%	50%	7%	-24%	13%	67%	-5%	-12%
Industrials	46	/ 85	54%	45%	55%	-23%	-12%	36%	39%	4%	3%
Discretionary	18	/ 46	39%	33%	67%	-10%	30%	53%	35%	0%	3%
Staples	18	/ 32	56%	56%	44%	6%	9%	0%	76%	-10%	-12%
Healthcare	23	/ 40	58%	50%	50%	-1%	15%	43%	26%	0%	-3%
Financials	50	/ 72	69%	53%	47%	5%	2%	46%	46%	-1%	3%
IT	16	/ 23	70%	67%	33%	2%	1%	44%	38%	-1%	-5%
Com. Services	12	/ 29	41%	63%	38%	-7%	16%	50%	25%	0%	0%
Utilities	3	/ 21	14%	0%	100%	-	-9%	33%	67%	-2%	-36%
Real Estate	11	/ 18	61%	50%	50%	-13%	22%	22%	33%	0%	13%
<b>Ex-Financials &amp; Real Estate</b>	<b>172</b>	<b>/ 335</b>	<b>51%</b>	<b>51%</b>	<b>49%</b>	<b>-5%</b>	<b>-17%</b>	<b>36%</b>	<b>43%</b>	<b>1%</b>	<b>-8%</b>
<b>Ex-Energy</b>	<b>221</b>	<b>/ 409</b>	<b>54%</b>	<b>50%</b>	<b>50%</b>	<b>-3%</b>	<b>1%</b>	<b>36%</b>	<b>44%</b>	<b>-1%</b>	<b>-2%</b>

Source: J.P. Morgan

### Europe (Stoxx 600)

Examining Europe, the market's more cyclical nature, in contrast to that of the USA, explains its relatively weaker performance in both sales and EPS metrics, especially when considering the still relatively depressed levels of indicators like PMIs. The overall Stoxx 600 saw a revenue decline of -7%, with a positive surprise margin of 1%. Income, conversely, decreased by -11% overall, with a negative EPS surprise of -2%.

Similar to the scenario in the USA, sectors dependent on commodities faced greater challenges than others, resulting in the lowest ratio of companies beating sales expectations since 2009. When shifting focus to income, the staples and financials sectors stood out as two of the best in terms of the ratio of companies beating EPS expectations, while the consumer discretionary and industrials sectors significantly dragged down this metric.

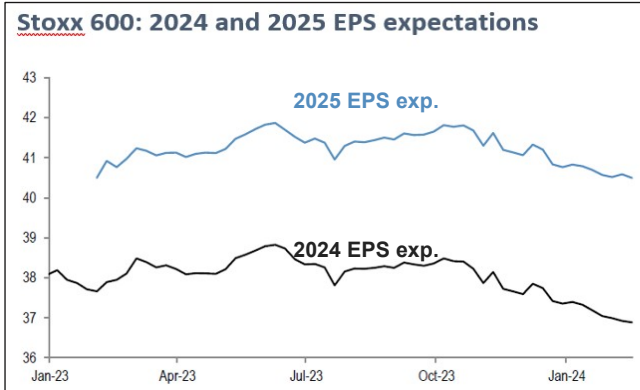
Regarding the outlook, European earnings expectations have declined over the past month, continuing the negative trend since Q3. Forecasts for the current fiscal year suggest a 5% growth for 2024 compared to 2023 and a 10% growth for 2025.

### Japan (Topix)

Japanese companies fared broadly in line with consensus both at a sales and earnings level, showing a 2% and 11% growth, respectively. On the top line, Energy, Materials, and Utilities recorded negative growth, while the negative EPS growth of the HealthCare and Communication services was more than offset by the strong growth of Industrials, Utilities, Staples and Financials.

	No. of cos reported / Total		% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
<b>Topix</b>	<b>2021</b>	<b>/ 2144</b>	<b>94%</b>	<b>55%</b>	<b>45%</b>	<b>1%</b>	<b>10%</b>	<b>50%</b>	<b>42%</b>	<b>1%</b>	<b>2%</b>
Energy	19	/ 19	100%	60%	40%	-8%	-	67%	33%	1%	-5%
Materials	197	/ 199	99%	47%	53%	-4%	31%	39%	51%	-2%	-1%
Industrials	551	/ 577	95%	65%	35%	28%	11%	61%	34%	3%	1%
Discretionary	371	/ 407	91%	50%	50%	-13%	17%	54%	36%	1%	9%
Staples	167	/ 189	88%	66%	34%	8%	26%	43%	46%	1%	3%
Healthcare	102	/ 104	98%	45%	55%	-10%	-25%	47%	49%	3%	1%
Financials	146	/ 147	99%	47%	53%	9%	7%	52%	43%	19%	5%
IT	289	/ 309	94%	49%	51%	-13%	-10%	47%	45%	-10%	1%
Com. Services	105	/ 116	91%	55%	45%	-15%	-25%	45%	41%	1%	2%
Utilities	23	/ 25	92%	75%	25%	99%	-	38%	56%	-4%	-18%
Real Estate	51	/ 52	98%	71%	29%	-5%	6%	17%	65%	0%	6%
<b>Ex-Financials &amp; Real Estate</b>	<b>1824</b>	<b>/ 1945</b>	<b>94%</b>	<b>55%</b>	<b>45%</b>	<b>0%</b>	<b>11%</b>	<b>50%</b>	<b>41%</b>	<b>0%</b>	<b>2%</b>
<b>Ex-Energy</b>	<b>2002</b>	<b>/ 2125</b>	<b>94%</b>	<b>55%</b>	<b>45%</b>	<b>1%</b>	<b>7%</b>	<b>50%</b>	<b>42%</b>	<b>1%</b>	<b>3%</b>

(continued)



Source: J.P. Morgan



Source: J.P. Morgan

When looking at Japan, the current and future fiscal years are likely to display significant mid-teens and high single-digit EPS growth following recent upgrades.

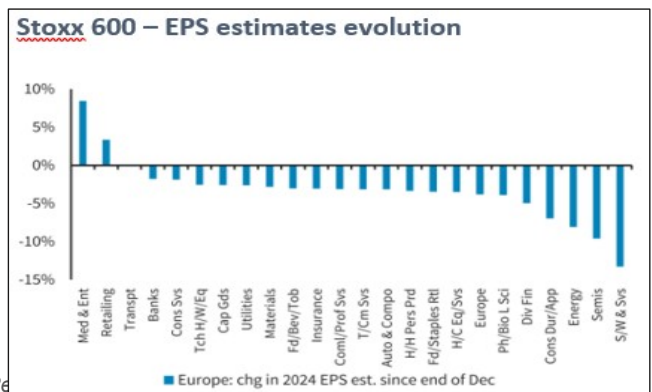
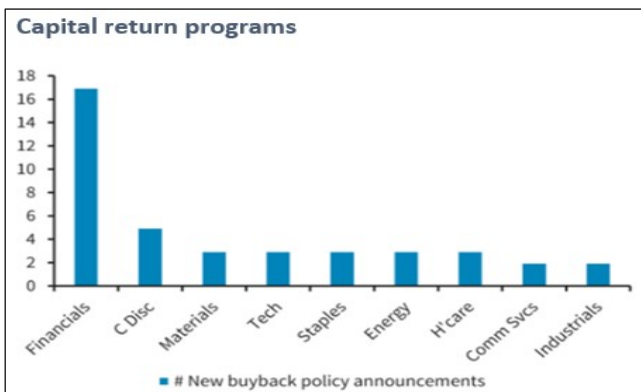
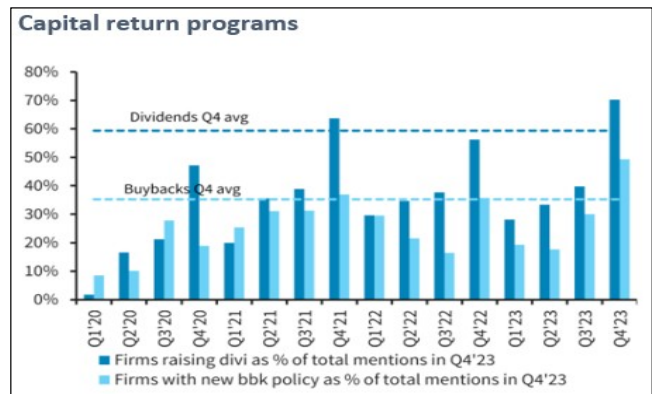
**Corporates' outlook and capital return policies: focus on European companies**

The analysis of commentaries from the results season reveals a modest improvement in companies' outlook on the macroeconomic environment. This shift has led to more positive guidance compared to previous quarters.

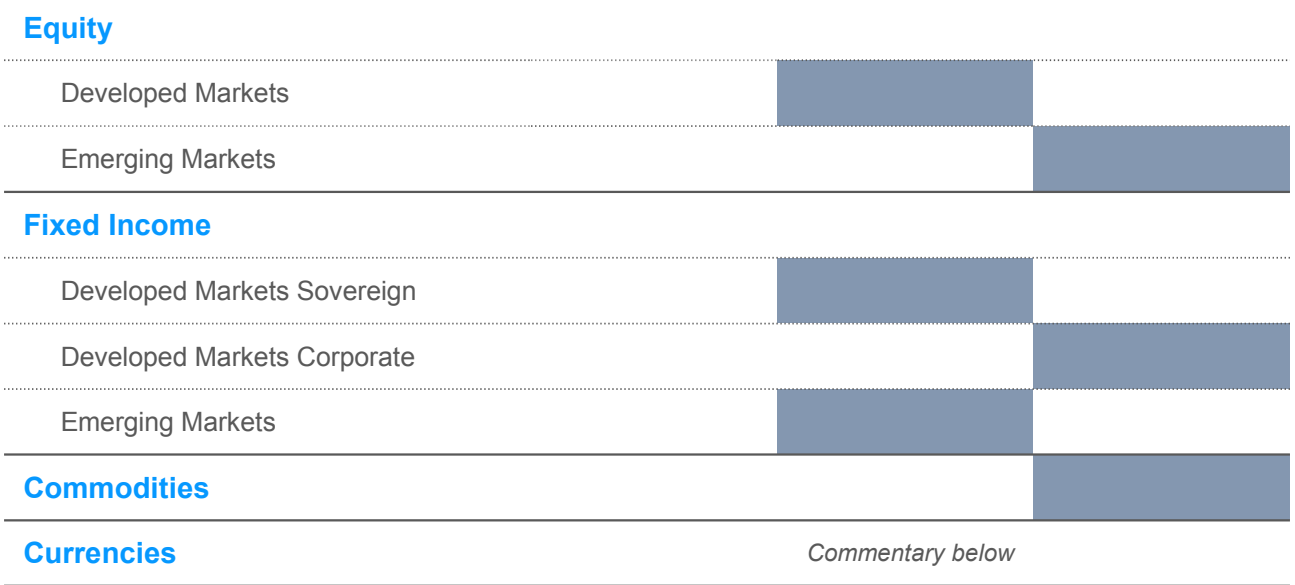
This period also saw a significant number of new capital return programs being announced, alongside the continuation of existing ones. In terms of capital returns, the Financials, Commodities, and Industrials sectors are notable for reinstating or increasing their dividends. Specifically, the Financials sector has been prominent in introducing new buyback programs, while many firms in the Energy sector have maintained their strong repurchase initiatives.

Despite this, following the equity rally that brought the main indexes to their all-time highs, the risk of a pullback from these levels, or at least a consolidation, persists. This is due to the recent reduction in earnings estimates across most sectors, with Tech, Energy, and Durables experiencing the most significant decreases. Conversely, for the markets to continue rising, confirmation of earnings per share (EPS) revisions stabilization is awaited, as recent estimates have stopped declining for both Cyclical and Defensive sectors.

Source: Barclays Research

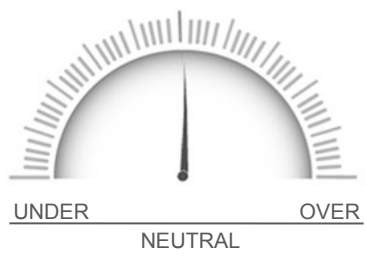


# Asset Allocation View



## Equity

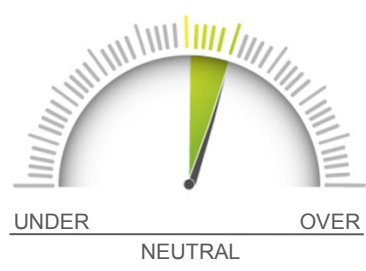
### Developed Markets



We maintained our **Neutral** recommendation on Developed Markets Equities. There is no change from the last report. On the one hand, valuations remain high, markets are severely overbought, and higher interest rates are an increasingly attractive alternative to equities. On the other hand, the strength of the economy and the favorable reporting season, particularly in the US, continue to be supportive of the stock market. Nonetheless, our medium-term outlook for equities remains optimistic, and we view any forthcoming adjustments as potential investment opportunities.



### Emerging Markets

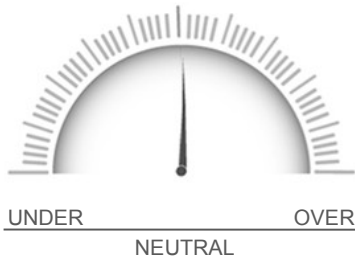


We kept our **Slightly Overweight** recommendation on Emerging Markets Equities. Emerging markets' valuations continue to be attractive on both an absolute and relative basis. When it comes to China, recent data indicate improvement, yet concrete support measures remain lacking. The recent rebound in oil prices may provide support to oil-exporting countries.



## Fixed Income

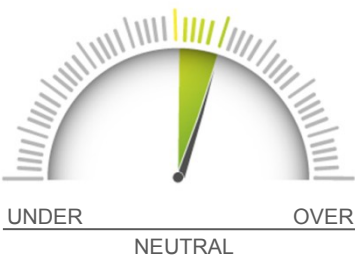
### Developed Markets Sovereign



We maintained the **Neutral** stance on Developed Markets Sovereign Bonds. Market rates have reverted to levels more closely aligned with central bank projections. Unless employment and inflation data exhibit signs of further acceleration in the US economy, current levels can once again be deemed attractive. Given that the trajectory of rates is downward and only the timing of the cuts is uncertain, the committee is progressively positive on the asset class, particularly on the shorter end of the curves. However, some caution persists regarding the long ends, which could still be vulnerable.



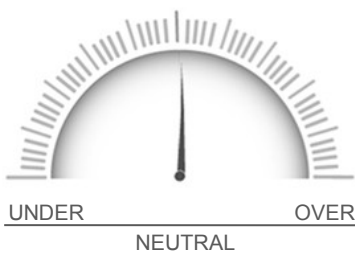
### Developed Markets Corporate



We kept our **Slightly Overweight** recommendation on Developed Markets Corporates. Although the timing and number of the rate cuts has been pushed forward after the recent data, the downward path of rates does not seem to be in question. Moreover, the Fed is expected to shed light on QT tapering at its next meeting, a step that could lead to further spread compression. We continue to favor investment-grade corporate bonds and advise against high-yielding bonds.



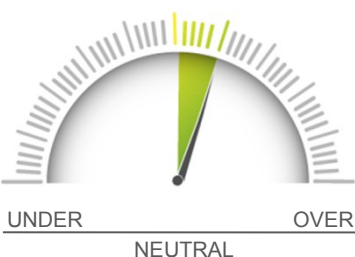
### Emerging Markets



We also maintained our **Neutral** recommendation for Emerging Market bonds. Expectation of more accommodative monetary policies from Western central banks could foster a return of interest towards the asset class from international investors, also considering that EM spreads are wider than those of DM bonds. On the other hand, continued geopolitical tensions and still cautious sentiment towards emerging countries suggest that some caution is still needed.



## Commodities



We kept our **Slightly Overweight** recommendation on Commodities. Precious metals continue to be the preferred commodities as they serve as a portfolio hedge in the event of escalating geopolitical tensions and are the ones that should benefit the most when the interest rate cut cycle begins. The committee remains more cautious on other commodities, as they are linked to the evolution of the business cycle.



## Currencies

The Committee kept the **Neutral** stance on the US Dollar. Stronger than expected US macroeconomic data are now fully priced by the market, and the US dollar looks fairly priced. Barring a further acceleration in inflation and employment, or a change in the Fed's stance, the greenback is expected to remain stable.

The view on the Euro is **Neutral** as well. The weakness of the European economy may lead the ECB to switch to a more dovish stance, as already anticipated by the market, which expects four cuts from the ECB, one more than the Fed.

The view on the **Chinese Renminbi** remains **Neutral**, with a bearish bias. The slightly better-than-expected economic data in recent weeks is not likely to change the scenario for the renminbi.

The outlook for other **emerging market currencies** is **Neutral**. We continue to remain relatively more optimistic about Latin American currencies.

Euro 	USD 	CNY 	Other EM 
--	---	---	--

The information contained herein is confidential and proprietary and intended only for use by the recipient. The materials may not be reproduced, distributed or used for any other purposes. The information contained herein is not complete and does not contain certain material information about the investments described in the present document, including important disclosures and risk factors associated with these investments, and is subject to change without notice. This document is not intended to be, nor should it be construed or used as, an offer to sell, or a solicitation of any offer to buy, shares or limited partner interests in any funds managed by Azimut Investments S.A. If any offer is made, it shall be pursuant to a definitive Prospectus / Private Placement Memorandum/Offering Memorandum prepared by or on behalf of a specific fund which contains detailed information concerning the investment terms and the risks, fees and expenses associated with an investment in that fund.

In addition, the market trend information herein has been prepared by or on behalf of Azimut Investments S.A. and has not been independently audited or verified. Investment returns may vary materially from the stated objectives and/or targets so that investors may have a gain or a loss when they redeem their investment. As with any investment (vehicle), past performance cannot assure any level of future results. Forward looking statements constitute the opinion of Azimut Investments S.A. does not guarantee any specific outcome or performance.

All investments entail substantial risk. The profitability and return of investments are dependent upon numerous factors, which may include the active management of securities, across global markets.

Opinions expressed are current opinions as of the date appearing in this material only. The information provided in these materials is illustrative and no assurance can be provided that any of the future events referenced herein (including projected or estimated returns or performance results) will occur on the terms contemplated herein or at all. While the data contained herein has been prepared from information that Azimut Investments S.A. believes to be reliable, Azimut Investments S.A. does not warrant the accuracy or completeness of such information. The underlying managers used by Azimut Investments S.A. in its portfolios are subject to change in the future and there will likely be additional managers added to the portfolio.