INFINITY CORE AUSTRALIAN EQUITY PORTFOLIO

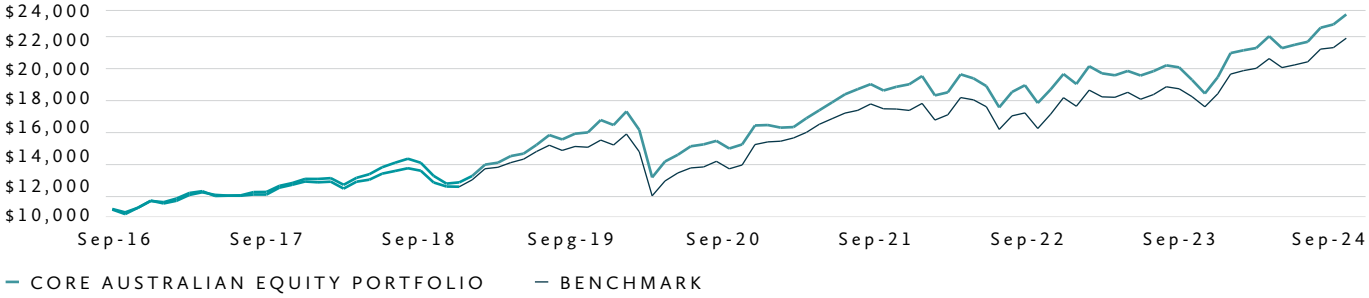
SEPTEMBER 2024

INFINITY ASSET MANAGEMENT

Investment Objective

To deliver outperformance above the benchmark over rolling 3 year periods before fees.

Growth of $10,000



Source: Bloomberg. Benchmark: S&P/ASX 200 TR Index. Incept: 30th June 2016 Past performance is not an indicator of future performance. Performance is gross of fees.

Performance

	1mth	3mths	6mths	1yr (p.a.)	3yrs (p.a.)	5yrs (p.a.)	7yrs (p.a.)	Since Inception
Portfolio	2.94%	8.46%	6.63%	22.95%	8.49%	8.67%	10.60%	136.13%
Benchmark	2.97%	7.79%	6.65%	21.76%	8.45%	8.38%	9.74%	120.12%
Excess Return	-0.03%	0.67%	-0.02%	1.19%	0.04%	0.29%	0.86%	16.01%

Source: Bloomberg. Benchmark: S&P/ASX 200 TR Index. Incept: 30th June 2016 Past performance is not an indicator of future performance. Performance is gross of fees.

Top 10 Holdings

Company	Portfolio	Benchmark
BHP Group Ltd	13.17%	9.49%
CSL Ltd	9.10%	5.63%
Commonwealth Bank of Australia	8.35%	9.23%
Macquarie Group Ltd	8.22%	3.36%
National Australia Bank Ltd	6.65%	4.69%

Company	Portfolio	Benchmark
Goodman Group	5.94%	2.63%
Wesfarmers Ltd	4.95%	3.25%
ResMed Inc	4.47%	0.84%
Qube Holdings Ltd	3.73%	0.28%
Xero Ltd	3.61%	0.87%

Portfolio Overview

Platform Availability	Asset Class	Style	Benchmark Index
BT Panorama: DAM0411AU HUB24: INFoo8 Netwealth: MACC000380 CFS Edge: EIRNINFCAE	Australian Equities	Active	S& P / ASX 200 Total Return Index

Minimum Investment Horizon: 3 to 5 years

Minimum Investment Amount: A$25,ooo

Investment Management Fee: refer to PDS

Portfolio AUM: $629m

Multi Asset Class Winner 2020 IMAP Managed Account Awards

IMAP Managed Account Award Finalist Multi Asset

IMAP Managed Account Award Finalist Multi Asset

Superior SQM Research

Sector Positioning

Sector	Portfolio	Benchmark
Financials	23.22%	31.75%
Materials	19.76%	21.13%
Health Care	16.02%	9.42%
Industrials	9.11%	6.94%
Real Estate	8.51%	7.04%
Consumer Discretionary	6.88%	7.49%

Sector	Portfolio	Benchmark
Information Technology	6.44%	3.15%
Cash	3.84%	0.00%
Consumer Staples	2.37%	3.93%
Utilities	1.93%	1.40%
Communication Services	1.92%	3.60%
Energy	0.00%	4.15%

Market Commentary

The Australian equity market extended its recent rally for a fifth consecutive month in September, with the S&P/ASX 200 advancing 3.0% and closing at a fresh all-time high. Gains were driven by a 50bps rate cut in the US by the Fed, coupled with significant stimulus announcements in China aimed at supporting the GDP growth and the struggling property sector.

Materials (+13.1%) was the best performing sector in September, snapping 4 consecutive months of underperformance relative to the broader market. Rate cuts by the PBOC in China and additional stimulus measures helped drive commodity prices higher, including iron ore which rallied ~17% off its intra-month low and helped lift the likes of BHP (+15.9%), Rio (+15.8%) and Fortescue (+19.4%). The cuts to the policy rate and reserve requirement ratio were in line with economist expectations, however it wasn't expected that these together with a raft of other stimulation measures would be delivered all at the same time, which speaks to the urgency felt in Beijing to try and head off deflationary risks and get growth back on track towards the 5% target.

IT (+7.4%) also enjoyed a solid month of gains driven by future global rate cut expectations which supports the valuations of longer-dated growth options like tech, together with ongoing demand for cloud and AI business solutions which saw the likes of WiseTech (+15.5%), Xero (+4.6%) and NextDC (+3.2%) all close the month higher.

The materials rally came at the expense of financials (+0.1%) who saw significant rotation out of the banks (-1.3%) which had been trading at or near record valuations levels given the strong outperformance over the past 12 months. Consumer staples (-1.7%) also finished the month in negative territory as the ACCC's interim report into supermarkets and news that they would be taking legal actions against Woolworths (-4.1%) and Coles (-2.2%) for allegedly breaching laws by misleading consumers through discount pricing claims on hundreds of common products.

Small caps (+5.1%) outperformed large caps (+2.4%) during the month, and value (+3.7%) outperformed growth (+0.5%).

As a result of forward earnings expectations being downgraded a further 1.5% during the month and the market, the forward price to earnings multiple continued to expand from ~18.1x at the end of August to ~18.7x at the end of September. While this is towards the upper end of what we would consider "fair value", we remain cautiously optimistic and see the potential for further equity market gains through FY25 on the back of global rate cuts and a trough in domestic economic activity levels which should improve in coming quarters.

Portfolio Commentary

The portfolio advanced +2.94% in September, performing roughly in line with the S&P/ASX 200 Total Return Index gain of 2.97%. The absolute return for the portfolio was driven by positive contributions from both bottom-up stock selection and top-down sector allocations.

Overweight allocations towards the IT and real estate sectors and stock selection within these sectors were the primary drivers of the solid total return including overweight positions in WiseTech Global (WTC), Xero (XRO), Goodman Group (GMG) and Scentre Group (SCG).

Portfolio Characteristics

Characteristic	Portfolio
Beta	1.06
Dividend Yield (Gross)(%)	4.19%
PE Ratio (1yr Forward)(x)	21.58x
P/CF (x)	15.22x

Characteristic	Portfolio
P/BV (x)	3.17x
ROE (%)	11.94%
Tracking Error (%)	3.52%

Stock Attribution

Top three Companies	Positive
BHP Group	0.53%
Macquarie Group	0.37%
Goodman Group	0.34%

Bottom three Companies	Negative
Rio Tinto	-0.28%
Fortescue	-0.24%
CSL Ltd	-0.23%

Sector Attribution

Top three sectors	Positive
IT	0.34%
Real Estate	0.30%
Industrials	0.20%

Bottom three sectors	Negative
Health Care	-0.37%
Materials	-0.31%
Consumer Discretionary	-0.19%

Key Contributors

BHP Group (BHP) advanced +15.9% during the month, driven higher by a rebound in commodity prices following Chinese rate cuts and stimulus measured announced in the period. Iron ore gained ~17% off its intra-month low, however with spot prices now roughly in line with market expectations for 2025/26, we see little to drive upgrades at this stage. We maintain our positive view on BHP given its diversified operations and exposure to copper, which we have a very favourable long-term view of. However, we're not looking to chase the recent recovery rebound and are taking a wait and see approach to the Chinese stimulus measures to see if they support short-term consumer spending or if they flow through into more meaningful demand for property which could drive steel production and commodities further.

Macquarie Group (MQG) gained +7.8% in September after it was announced early in the month that the long-awaited sale of data centre owner and operator AirTrunk had taken place for $24bn. MQG Macquarie Asia Infrastructure 2 Fund (MAIF 2) held an undisclosed stake in consortium that owned 88% of AirTrunk prior to the sale to a Blackstone-led consortium. The sale price was significantly higher than initial estimates at the start of the sale process and bodes very well for future performance fees for MQG. The AirTrunk sale was also hopefully an indication that asset sales and realisations could begin to pick up as lower levels of capital market activity has been a headwind to profit growth across MQG's MacCap and MAM businesses. Despite the recent rally, we maintain a positive long-term view and significant overweight position in MQG and believe that ongoing asset realisations, commodity price volatility and further market share gains should drive MQG's MacCap, MAM, CGM and BFS divisions respectively.

Goodman Group (GMG) rebounded +10.8% during the month after declining during reporting season following softer than expected growth guidance for FY25. Despite management guiding for EPS growth of 9% for FY25, given the strength of ongoing demand for both industrial and data centres we continue to believe that this outlook remains very conservative and we're looking for further upgrades throughout the year as we believe that GMG can deliver closer to 13-15% EPS growth. To highlight the strength in data centre demand, GMG recently received signed urban development agreements on a RathenaustraBE, German data centre of 100MVA capacity.

Key Detractors

Rio Tinto (RIO), not held, gained +15.8%. Like BHP above, RIO's gain for the month was driven higher by a rebound in commodity prices following Chinese rate cuts and stimulus measured announced in the period. Iron ore gained ~17% of its intra-month low, however with spot prices now roughly in line with market expectations for 2025/26, we see little to drive upgrades at this stage. As a result, we are taking a wait and see approach to the Chinese stimulus measures and not chasing the recovery rally and prefer to play our commodity exposure through our overweight to BHP at this stage until we see more meaningful demand and/or turnaround in the Chinese property and infrastructure markets.

Fortescue (FMG), not held, rallied +19.4%. Like RIO above, we are not chasing this recovery rally and remain comfortable with our overweight exposure to BHP which offsets zero exposure towards FMG and RIO.

CSL Ltd (CSL) fell -6.1% during the month despite a lack of company specific news and in the absence of any significant earnings downgrades post reporting season. We maintain our positive view on CSL and recent data has shown that US plasma prices have continue to edge higher which should be a positive tailwind for CSL's Behring business while CSL's Garadacimab specialty therapy is also expected to drive further growth in CY25 as it target's the ~US$2.9bn market of hereditary angioedema, although it is an increasingly competitive space.

Portfolio Changes

Following the HY24 result in August and acquisitions in recent months we reviewed our position in Woodside Energy (WDS) and decided to exit within our Core portfolio based on our view that there remain significant uncertainties regarding M&A, higher capital expenditure and the trajectory of dividends which may need to continue to be scaled back. The balance sheet has become increasingly levered at a time when the macro-outlook for oil demand remains subdued, especially in China where economic demand continues to moderate and could drive the oil price even lower.

Outlook

We remain cautiously optimistic over the medium to longer-term for large cap Australian equities and expect mid to high-single digit returns for the domestic market for FY25. Despite the Australian equity market nearing record highs and valuations moving towards the upper end of our "fair value" range we can see a pathway for earnings upgrades as GDP accelerates from current lows while tax cuts and future interest rate reductions by the RBA should boost consumer confidence and activity levels.

In this type of environment, we've maintained our slight growth bias within the portfolio and continue to see opportunities to add value by favouring high quality businesses (GMG, CSL, JBH and MQG) with strong balance sheets (WES and RMD), low relative debt (BHP and CSL) and who can compound solid earnings growth (XRO, WTC and QUB) regardless of the economic cycle.

Given the ongoing macroeconomic uncertainties however, we've maintained exposures to more defensive parts of the market such as gold, health care, infrastructure, and consumer staples.

Investment Philosophy

We take a long term approach to investing in Australian equities and believe that value for investors can be created by focusing on quality companies which have sound fundamentals with solid earnings growth and that are attractively priced.

Designed for Investors Who

Seek exposure to a mix of large cap Australian equities listed within the S&P/ASX 200 Index. Investors need to be able to tolerate a high level of investment risk that includes the potential for negative returns in any single year.

Portfolio Management Team

Piers Bolger
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Dom Mlcek
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Portfolio Manager

Tom Kertapati
Analyst

Andrew Miles
Analyst

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Analyst

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