INFINITY SMID AUSTRALIAN EQUITY PORTFOLIO

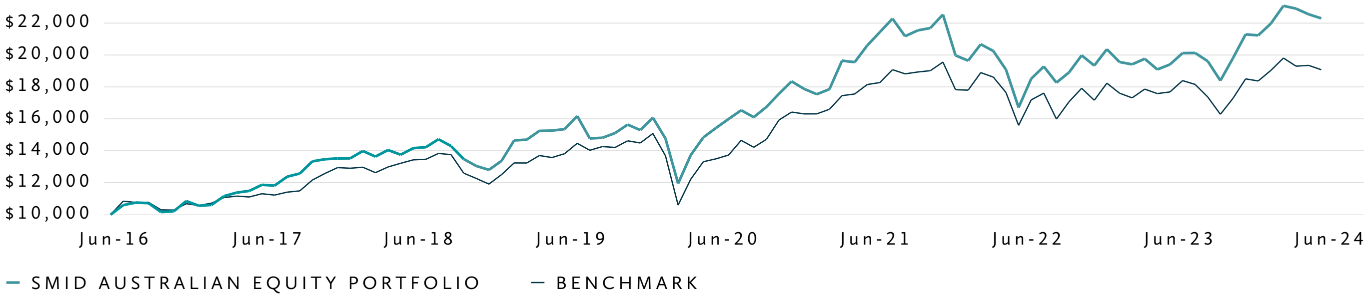
INFINITY ASSET MANAGEMENT

JUNE 2024

Investment Objective

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

Growth of $10,000



Source: Bloomberg. 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.)	Since Inception
Portfolio	-1.12%	-3.40%	4.72%	14.89%	2.68%	7.74%	122.98%
Benchmark	-1.40%	-3.69%	3.11%	7.88%	1.68%	6.67%	90.79%
Excess Return	0.28%	0.29%	1.61%	7.01%	1.00%	1.07%	32.19%

Source: Bloomberg. Incept: 30th June 2016 Past performance is not an indicator of future performance. Performance is gross of fees.

Top 10 Holdings

Company	Portfolio	Benchmark
Steadfast Group Ltd	6.83%	1.30%
Seven Group Holdings Ltd	6.70%	1.36%
Sandfire Resources	6.49%	0.76%
NEXTDC Ltd	6.15%	2.01%
Qube Holdings Ltd	5.13%	1.22%

Company	Portfolio	Benchmark
ALS Ltd	4.86%	1.29%
Regis Resources Ltd	4.40%	0.25%
Dalrymple Bay Infrastructure L	4.34%	0.14%
Netwealth Group Ltd	4.02%	0.49%
Mineral Resources	3.88%	0.00%

Portfolio Overview

Platform Availability	Asset Class	Style	Benchmark Index
BT Panorama: DAM3698AU HUB24: INF009 Netwealth: MACC000381 CFS Edge: EIRNINFSAE	Australian Equities	Active	S&P / ASX Mid Small Cap Total Return Index

Minimum Investment Horizon: 3 to 5 years	**Minimum Investment Amount:** A$25,000
Investment Management Fee: refer to PDS	**Portfolio AUM:** $163m

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
Industrials	24.46%	14.80%
Materials	22.48%	18.25%
Financials	14.01%	13.36%
Information Technology	12.41%	7.75%
Consumer Discretionary	6.65%	10.84%
Health Care	6.46%	6.55%

Sector	Portfolio	Benchmark
Cash	4.34%	0.00%
Consumer Staples	3.61%	4.32%
Real Estate	3.12%	9.27%
Communication Services	2.46%	7.02%
Energy	0.00%	6.59%
Utilities	0.00%	1.24%

Market Commentary

The Australian equity market generally finish the 2024 financial year off on a positive note in June, however the S&P/ASX Mid Small Cap Index lost some ground after declining 1.4% in the month and lowering the FY24 total return to 7.9%.

Health Care (+6.0%) was the best performing sector in the mid/small cap space during the month, driven by double digit gains in names like Pro Medicus (PME) and Healius (HLS). Health care was also one of the best performing sectors over FY24, returning 29.5%, only being beaten by IT with a gain of 30.8% in the mid/small cap space over the year.

The other major winners the mid/small cap space over the financial year included the consumer staples (+23.8%), communication services (+23.1%) and energy (+19.8%) sectors driven by a rebound in food distributors, gains across media and marketing and a rally in uranium companies respectively.

Energy (-8.8%) and materials (-7.9%) were the worst performing sectors across mid/small caps during the month on the back of softer commodity prices. It was a mixed story over FY24 however with the energy sector (+19.8%) significantly outperforming materials (-15.3%) as uranium outperformed lithium.

Large caps (+2.1%) outperformed small caps (-1.4%) in June while growth (+3.2%) outperformed value (-0.3%) This was a similar trend over FY24 with large caps (+14.9%) outperforming small caps (+9.3%) and growth (+12.4%) outperforming value (5.8%).

Earnings revisions during the month were negative (-0.6%), with minor downgrades to resources, health care and industrials overshadowing small upgrades to IT, REITs and communications. As a result of the downgrades and near-record highs on the ASX, the forward price to earnings multiple expanded further to ~17.0x. While this is towards the upper end of what we would consider "fair value", we maintain our cautiously optimistic outlook over the next 12 months as global rate cuts become more imminent, particularly in the US.

Portfolio Commentary

The portfolio declined 1.12% in June, however outperformed the S&P/ASX Mid/Small Cap Total Return Index by 0.28%. Outperformance was driven by positive contributions from both bottom-up stock selection and top-down sector allocations.

Contributions from positive bottom-up stock selections were primarily within the financial and energy sectors with positions in Steadfast (SDF), Netwealth (NWL), and AMP Ltd (AMP).

Portfolio Characteristics

Characteristic	Portfolio
Beta	0.94
Dividend Yield (Gross)(%)	3.57%
PE Ratio (1yr Forward)(x)	16.95x
P/CF (x)	8.94x

Characteristic	Portfolio
P/BV (x)	1.68x
ROE (%)	5.99%
Tracking Error (%)	5.77%

Stock Attribution

Top three Companies	Positive
Steadfast	0.59%
Pro Medicus	0.43%
Dalrymple Bay Infrastructure	0.27%

Bottom three Companies	Negative
Mineral Resources	-1.10%
Sandfire Resources	-0.39%
ResMed	-0.25%

Sector Attribution

Top three sectors	Positive
Energy	0.59%
Financials	0.46%
Real Estate	0.29%

Bottom three sectors	Negative
Materials	-0.56%
Communication Services	-0.29%
Consumer Discretionary	-0.19%

Key Contributors

Steadfast (SDF) advanced 12.0% during after announcing some minor upgrades to FY24 guidance and hosting an investor day which provided more detail on the US strategy, countered investor concerns in relation to the outlook for organic and non-organic growth and gave insights into some lesser-known businesses. We viewed both the upgrade and investor day as reinforcing our belief that SDF remains an attractive investment with a solid growth outlook with double-digit earnings growth likely to continue to compound over the next few years.

Pro Medicus (PME) rallied 19.3% in June after announcing more contract wins in recent months. PME signed five near contracts with a combined minimum value of $45m and will be fully cloud deployed and are expected to be completed within the next 6 months.

Dalrymple Bay Infrastructure (DBI) gained 6.9% in the month despite no company specific news being released. We maintain our positive long-term view of DBI as the owner and operator of a critical piece of infrastructure delivering solid cashflows and distributions to shareholders.

Key Detractors

Mineral Resources (MIN) fell 24.8% in June on the back of a declines in both iron ore and lithium. MIN announced mid-month that it would be ceasing iron ore shipments from its Yilgarn Hub operations by 31 December 2024 following an assessment which confirmed that it was not financially viable beyond the end of the calendar year. While the market may have seen this as disappointing, we viewed it as a prudent decision with much of the digger fleet and employees being able to be redeployed to other projects which are being ramped up such as the Onslow Iron project which is low-cost and long life which we believe should be able to drive higher returns on capital going forward.

Sandfire Resources (SFR) declined 5.6% during the month on the back of a ~5% decline in copper prices globally. While ongoing concerns regarding the growth in China and demand for industrial metals weighed on copper, and the broader commodity complex, in June we maintain our positive long-term view on copper due to demands from the ongoing energy transition and decarbonisation efforts.

ResMed (RMD) lost 7.3% in June following the release of the SURMOUNT-OSA (obstructive sleep apnea) study which assessed the efficacy of GLP-1 weight loss drugs on improving sleep apnea. While the study highlighted that combination therapy (GLP-1 + a RMD like CPAP device) was numerically better on all accounts (vs GLP-1 or CPAP alone) it did show a shift in severity of ~22% of patients down to only mild OSA. We saw the sell-off as an overreaction to results that were largely as expected and subsequent meetings with US physicians reinforced our view that demand for sleep apnea devices remains strong and the overall increase in health awareness that GLP-1 weight loss drugs is bring to the market could ultimately drive the total addressable market for sleep apnea devices higher. We therefore took the opportunity to top up our position in RMD during the month.

Portfolio Changes

We made several changes to the portfolio during the month post the 2024 interim reporting season and a detailed study on listed copper stocks. Life 360 (360) produced a standout result back in March 2024 and it is exactly the type of company that we are happy to own in the portfolio. Separately, we have been able to add another copper name to the portfolio due to the launch of a CDI for Capstone Copper (CSC) a couple of months ago. This company has some exceptional projects in one of the world's premier copper regions in Chile.

To help fund these new additions to the portfolio, we exited IGO Group (IGO) and MRM Offshore (MRM) while reducing our exposure to Sandfire Resources (SFR). We exited IGO due to our declining conviction around the company's downstream lithium operations at Kwinana as well as a depressed outlook for its nickel operations. MRM on the other hand had a scheme meeting pending and with minimal prospects for the merger terms to change we exited our position. To help fund part of the CSC addition, we reduced our weight to SFR. Holding both copper companies in the portfolio provides an enhanced and more diversified exposure to copper which is our preferred mineral commodity.

Outlook

We remain cautiously optimistic over the medium to longer-term for mid/small cap Australian equities and expect mid to high-single digit returns for the domestic market for 2024. 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 growth to continue to improve as GDP accelerates from current lows.

We acknowledge that we have seen more upward pressure on local CPI and an increase in the probability that the RBA's next move could be a rate hike versus a rate cut. However, we're not in the camp of believing that the RBA will raise rates this year, although the ability to cut looks increasingly likely to be pushed out. Therefore, the primary driver of higher equity markets over near-term in our view will be the latest round of economic reports in the US which have reinforced speculation that the Fed could cut rates sooner rather than later as the government marked down personal spending, while separate releases showed declines in factory orders and shipments, weakness in the jobs market and a slide in homebuying activity. We continue to see opportunities to add value by favouring high quality businesses with strong balance sheets, low relative debt and who can compound high single and low double-digit earnings growth regardless of the economic cycle.

We continue to be overweight mining services, where the capex and exploration cycle remains favourable, particularly in materials critical for the energy transition like copper.

We also maintain a quality growth bias within the portfolio, positioning for the potential pick up in global growth and rate cuts in 2024 which should help drive earnings growth across domestic and global cyclicals. Given the uncertainty in the current environment, we're balancing this growth bias with slight overweight positions in more defensive segments like gold, services, and infrastructure.

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
Chief Investment Officer

Dom Mlcek
Portfolio Manager

Chris Adams
Portfolio Manager

Tom Kertapati
Analyst

Andrew Miles
Analyst

Chris Reynolds
Analyst

Contact

Visit our website: www.infinitycapitalsolutions.com.au

INFINITY
ASSET MANAGEMENT

www.infinitycapitalsolutions.com.au