

Market Commentary

The Australian equity market advanced for a fifth consecutive month in a row, with the S&P/ASX Mid Small Cap Index outperforming its large and small cap only peers with a return of 4.1% in March.

Financials (+6.9%) topping the leaderboard in the mid/small cap space thanks to M&A activity driving the likes of Virgin Money (VUK) 35% higher, while asset managers and wealth platforms also enjoyed double-digit gains during the month as they were buoyed by strong investment markets.

REITs (+6.7%) were also strong despite only a small decline across bond yields. Improving credit conditions and some upgrades to earnings expectations post reporting season saw names across industrials, office, retail, and residential property rally over the month.

Communication services sector (-0.8%) was the only sector to finish the month in the red as earnings for underlying media segment continue to be revised lower.

We see several reasons for Australian equity investors to remain positive despite the strength of the recent rally and valuation pushing higher with the price to forward earnings multiple for mid/small caps currently at 19x. While GDP is slowing near-term there are multiple factors to drive growth higher in the second half of the calendar year in our view including high immigration, ongoing strength in employment and near-record terms of trade.

Portfolio Commentary

The portfolio advanced 5.07% in March, outperforming the S&P/ASX Mid/Small Cap Total Return Index by 0.99%. Outperformance was primarily driven by positive contributions from bottom-up stock selection which overshadowed a flat contribution from top-down sector allocations.

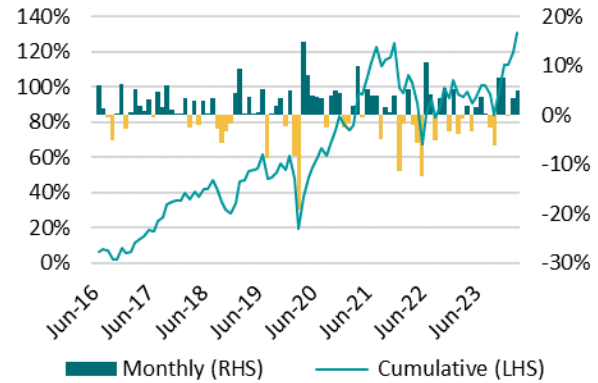
Contributions from positive bottom-up stock selections were broad based across materials (Sandfire Resources (SFR) and Regis Resources (RRL)), industrials (Seven Group (SVW) and ALS Ltd (ALQ)), energy (MMA Offshore) and health care (ResMed (RMD)).

Portfolio Characteristics

Characteristic	Portfolio
Beta	0.91
Dividend Yield (gross) (%)	3.7
PE Ratio (1yr forward) (x)	18.8
P/CF (x)	9.4
P/BV (x)	1.7
ROE (%)	14.8
Tracking Error (%)	6.0

Source: Bloomberg, Infinity Asset Management

Cumulative Portfolio Return (%)



Source: Bloomberg, Infinity Asset Management

Performance

Period	Portfolio	Benchmark	Excess Return
1 months	5.07%	4.08%	0.99%
3 months	8.41%	7.06%	1.35%
1yr (p.a.)	18.89%	14.40%	4.49%
3yrs (p.a.)	8.93%	6.07%	2.86%
5yrs (p.a.)	9.45%	8.40%	1.05%
Since Incept.	130.84%	98.11%	32.73%

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

Stock Attribution

Company	Positive	Company	Negative
Sandfire	1.02%	Virgin Money	-0.24%
Regis Res.	0.51%	Evolution	-0.24%
Seven Group	0.44%	Life360	-0.20%

Sector Attribution

Sector	Positive	Sector	Negative
Materials	0.90%	REITs	-0.55%
Industrials	0.76%	Discretionary	-0.25%
Health Care	0.19%	IT	-0.09%

Top Active Holdings

Company	Active (%)	Company	Active (%)
Sandfire Res.	6.4	MinRes	4.1
Seven Group	5.6	Dalrymple Bay	3.8
Steadfast	5.4	Elders	3.7
Regis Res.	4.8	Qube	3.6
NEXTDC	4.3	Monadelphous	3.3

Relative Sector Positioning

Sector	Active (%)	Sector	Active (%)
Industrials	8.9	Utilities	-0.9
Materials	4.6	IT	-1.1
Cash	3.9	Comm. Serv.	-3.4
Health Care	1.3	Discretionary	-4.3
Staples	1.2	Energy	-4.6
Financials	0.8	REITs	-6.4

Key Contributors

Sandfire Resources (SFR) rallied 17.1% during the month on the back of solid gains in copper. An improving short-term outlook for copper is being driven by supply shortages against a backdrop of relatively robust demand. While we've long maintained a positive fundamental view on copper due to the industrial demand and energy transition requirements, the growing demand of AI and data centres provides further implication with the International Energy Agency outlining their base case for global data centre power demand to grow at 15% CAGR to 2026 which would imply ~2.6Mt of cumulative new copper demand.

Regis Resources (RRL) gained 11.0% in March on the back of stronger spot gold prices. We maintain a positive near-term outlook for gold, and we maintain a positive view on RRL heading into 2H as cash flows should materially improve following the hedge book buyout.

Seven Group (SVW) advanced 6.5% in the month, continuing its strong share price performance which has seen it rally 76% over the 12 months to the end of March. During the month, SVW continued its push to takeover 100% of Boral (BLD) which it currently owns ~65% of. We continue to see long-term growth for SVW as WesTrac benefits from increasing mining capex, while BLD and Coates deliver into the East Coast infrastructure boom.

Key Detractors

Virigin Money (VUK) not held, rallied 35.2% in March after announcing in a joint statement with Nationwide that a preliminary agreement had been reached for Nationwide to acquire VUK for £2.9bn cash, representing a 38% premium versus VUK's close prior to the agreement.

Evolution Mining (EVN) not held, gained 21.4% during the month on the back of stronger spot gold prices, together with higher copper which makes up ~25-30% of group revenues.

Life360 (360) not held, jumped 60.4% in March after releasing FY23 results on the 1st of the month. EBITDA of \$20.7m was significantly higher than management guidance of \$13-16m. Despite the strong result and interest business model, 360's valuation multiple of >300x forward earnings is extremely rich, even for a high growth tech name.

Portfolio Changes

Following solid results and a positive outlook for several companies held in the portfolio through reporting season we have strengthened our conviction and decided to increase our position in the following businesses: ALS Ltd (ALQ) which

provides exposure to mineral exploration and expansion, maintenance of processing plants and new construction business Monadelphous (MND), and drill and blast company Perenti (PRN) which provides underground services to copper and gold mines.

These companies are all within the mining services sector where we are substantially overweight. Activity levels remain very strong in the end markets for most minerals, and we are attracted to the longer-term dynamics of such commodities as countries like China and India continue to industrialise their economies.

To fund these increases and following very strong result from Beacon Lighting (BLX) and Seven Group (SVW) and subsequent share price strength we have decided to lock in some profits for these two holdings. SVW remains our biggest position and we continue to be very attracted to the earnings profile of this group and the continued upside from both its WesTrac and Boral operations. BLX has been trading much better than expected through a difficult period by first pushing up its gross margins and secondly through strong progress from its new trade initiatives. So timely to now be taking some profits.

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. However, given the strong start to the year and current level of valuations we wouldn't be surprised to see a period of consolidation in the coming months as investors wait for potential rate cuts in the US and further clarity on the earnings outlook domestically before the market could move materially higher from here.

In this type of environment, 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.

Product Code:	BT Panorama: DAM3698AU HUB24: INF009 Netwealth: MACC000381 CFS Edge: EIRNINFAE	Minimum Investment Horizon:	3 to 5 years
Asset Class:	Australian Equities	Minimum Investment Amount:	A\$25,000
Style:	Active	Investment Management Fee:	0.6978% p.a.
Benchmark Index:	S&P/ASX Mid Small Cap Total Return Index	Portfolio AUM:	\$162m

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