INFINITY SMID AUSTRALIAN EQUITY PORTFOLIO

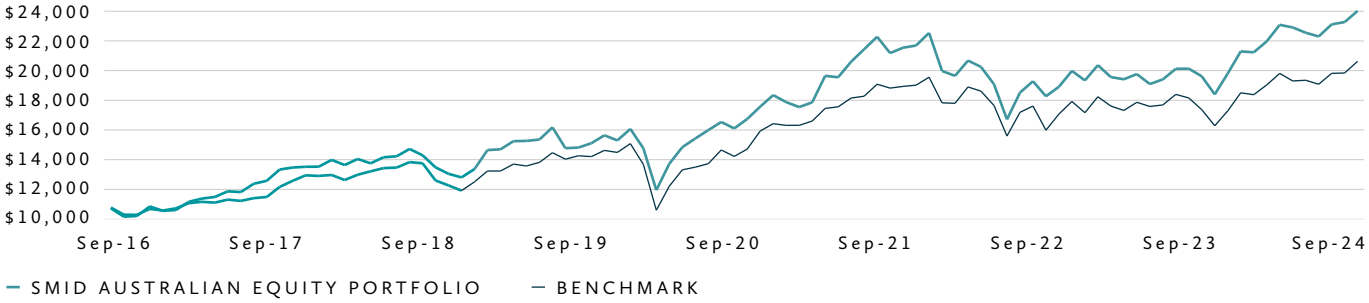
SEPTEMBER 2024

INFINITY ASSET MANAGEMENT

Investment Objective

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

Growth of $10,000



Source: Bloomberg. 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	3.22%	7.72%	4.05%	22.47%	4.28%	10.15%	9.68%	140.19%
Benchmark	3.98%	8.11%	4.11%	18.76%	3.10%	7.65%	8.72%	106.26%
Excess Return	-0.76%	-0.39%	-0.06%	3.71%	1.18%	2.50%	0.96%	33.93%

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
Seven Group Holdings Ltd	7.30%	1.49%
Sandfire Resources Ltd	7.18%	0.86%
Gold Road Resources Ltd	6.79%	0.32%
NEXTDC Ltd	6.19%	1.84%
Steadfast Group Ltd	5.94%	1.09%

Company	Portfolio	Benchmark
Qube Holdings Ltd	5.12%	1.22%
ALS Ltd	4.73%	1.22%
Dalrymple Bay Infrastructure L	4.35%	0.14%
Netwealth Group Ltd	4.17%	0.54%
Life360 Inc	3.96%	0.73%

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: $183m

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	24.67%	14.68%
Materials	18.86%	19.30%
Financials	13.63%	12.59%
Information Technology	13.20%	6.64%
Consumer Discretionary	7.48%	11.30%
Health Care	7.31%	7.56%

Sector	Portfolio	Benchmark
Cash	6.01%	0.00%
Real Estate	3.40%	9.92%
Consumer Staples	3.11%	4.03%
Communication Services	2.33%	6.81%
Energy	0.00%	5.90%
Utilities	0.00%	1.25%

Market Commentary

The Australian equity mid and small cap segment of the market rallied during the month of September, with the S&P/ASX Mid Small Cap Index up +4.0%. 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 (+8.0%) was one of the best performing sectors in the mid/small cap space during the month driven by rate cuts by the PBOC in China and additional stimulus measures which helped drive commodity prices higher.

Health care (+8.3%) within the mid/small caps also performed very well during the month, as did energy (+8.9%) and real estate (+4.1%).

Communication services (-1.4%) was the only sector to finish the month in negative territory, dragged lower by REA Group (REA) which declined on the back of ongoing takeover attempts of UK's Rightmove which prior to the end of September REA had lobbed four separate offers, the last equivalent to ~$12bn in cash and script which was again rejected by the Rightmove board.

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 +3.22% in September, underperforming the S&P/ASX Mid Small Cap Index Total Return Index by -0.76%. Underperformance was a result of a negative contribution from top-down sector allocations which overshadowed a positive contribution from bottom-up stock selection.

The positive contributions from stock selection came predominantly from within the consumer discretionary, communication services and materials sectors where positions in Collins Foods (CKF), oOh!media (OML) and Sandfire Resources (SFR) added value respectively.

Portfolio Characteristics

Characteristic	Portfolio
Beta	0.94
Dividend Yield (Gross)(%)	3.47%
PE Ratio (1yr Forward)(x)	19.11x
P/CF (x)	10.41x

Characteristic	Portfolio
P/BV (x)	2.04x
ROE (%)	5.52%
Tracking Error (%)	6.53%

Stock Attribution

Top three Companies	Positive
Sandfire Resources	1.37%
Gold Road Resources	0.57%
Netwealth Group	0.38%

Bottom three Companies	Negative
Mineral Resources	-0.74%
Steadfast Group	-0.68%
Regis Resources	-0.36%

Sector Attribution

Top three sectors	Positive
Consumer Discretionary	0.38%
Information Technology	0.27%
Communication Services	0.21%

Bottom three sectors	Negative
Energy	-0.51%
Financials	-0.34%
Consumer Staples	-0.32%

Key Contributors

Sandfire Resources (SFR) rallied +25.6% during the month, driven higher by a rebound in commodity prices following Chinese rate cuts and stimulus measured announced in the period. Copper gained +10.1% and we continue to have a favourable long-term view on the commodity.

Gold Road Resources (GOR) gained +8.9% in September on the back of spot gold pushing 5.2% higher to $2,635/oz following the US Fed 50bps rate cut. GOR was a recent addition to the portfolio during the month as we are attracted to the quality of asset base and solid production track record. Additionally, we continue to see further upside for gold as we anticipate further Fed rate cuts to drive spot prices higher.

Netwealth (NWL) advanced 10.4% over the month despite no new material information being released. We caught up with CEO Matt Heine and CFO Grant Boyle during the month and maintain our positive view with expectations for the large flows seen in July to continue through the September and December quarters on the back of large transition wins.

Key Detractors

Mineral Resources (MIN) fell -24.3% during the month prior to our exit within the portfolio. Concerns about the Chinese growth outlook and particularly the demand for bulk commodities like iron ore weighed on investor sentiment earlier in the month prior to Chinese stimulus measure announcements. 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. As a result of MIN's debt laden balance sheet, we continue to see some near-term risks.

Steadfast (SDF) lost -11.0% in September following the release of an ABC article and Four Corners episode which despite focusing on strata managers did bring up insurance brokers and underwriters that services the strata industry. While SDF CEO Robert Kelly did not come across in the best light with a lack of empathy in his responses and doing little to dispel the apparent conflicts of interest across the industry, we believe that it is unlikely to have a meaningful or lasting impact on SDF and we continue to see double-digit earnings growth over the medium to longer-term being achievable.

Regis Resources (RRL) declined -7.2% over the month prior to our switch to GOR. As noted in our July update, the federal government granted protection to part of the McPhillamys site, including the proposed location of the tailings dam which essentially halted any further progress on RRL's project there. While this removed a significant level of capex for RRL, it also reduced the potential future growth prospects given RRL's relatively short-life operating assets. While the free cash flows remain attractive and likely to increase with higher spot gold prices, we had some concerns about the future prospects of the business and as a result switched our gold allocation to GOR.

Portfolio Changes

An action packed, and generally positive, domestic earnings season together with ongoing concerns about the outlook for Chinese growth and demand for commodities led to several changes in the portfolio during the month. As noted above, we added GOR to the portfolio. GOR has a 50% stake in the Gruyere project that has 10 years of open cut production left with Gold Fields operating the mine. Combined with this production asset is an 18% stake in De Grey mining who owns the highly prospective Mallina. This investment allows GOR to participate in its upside in a lower risk fashion as it moves towards production over the next few years. Overall, GOR has an attractive blend of production, exploration and development.

Funding the addition of GOR was the exit of RRL as noted above. Following the non-approval of its McPhillamy's gold mining project the company now faces a challenging production profile after the next few years. This is because both of its current producing projects (Duketon and Tropicana) are coming to the end of their open cut mining lives. There may be the prospect of continued underground mining at these mines, but these would be at a much higher risk and cost profile and therefore not sufficiently attractive for us to maintain our holding.

Additionally, we exited both BlueScope Steel (BSL) and MIN. The rapid deterioration in the Chinese economy has seen a glut in global steel supplies and a resultant decline in both steel prices and steel spreads. Given we believe this downturn is likely to be quite severe and structural we now forecast a declining earnings profile meaning BSL now lacks compelling investment rationale. MIN's FY24 result and FY25 outlook did little to calm investor nerves with a stretched balance sheet at a time when the Onslow iron ore project continues to ramp up and the lithium business is making a loss at current prices. With an uncertain outlook for iron ore, we chose to exit MIN following the result as we believe things could get worse before they get better which could result in higher levels of debt or more asset sales to fund ongoing projects.

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 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 environment, 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

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