Infinity Blended Balanced Portfolio

December 2024

Market Commentary

It was a lacklustre end to 2024 for financial markets with most of the major indices lower, although global equities (A$ unhdg) were able to buck the trend on the back of a sharp decline in the A$ (-4.5%) over the month. Hower, despite the weak end to the calendar year, the overall 12 month performance across all the major asset classes was positive and well above longer term averages. Large cap equities have been the major driver of global equity markets through 2024. While large caps will again loom large over equity markets in 2025, the relative value to smid/small caps will continue to provide a compelling investment case should global growth remain sound and global cash rates continue to track lower through 2025. For bond markets, December was again a challenging month. After a period of stability in bond markets through the middle half of 2024, yields have steadily risen through the 2h24, and most notably post the US Presidential Election where the win by the Republicans and the new policy regime may see inflationary expectations remain elevated with the likelihood of fewer rate cuts through 2025 than was the case in mid-2024. We certainly expect that the Fed will continue to reduce cash rates, although we have increased out terminal rate from ~3.0% to 3.75%-4.00%. This means that we only see two or possibly three rate cuts out of the US through CY25. Our base case is two, but should inflationary pressures remain elevated on the back of higher tariffs coming through the system, we could see an environment where the Fed remains on hold for a large part of 2025. In contrast to the US, we do expect that both the ECB and BoE will continue to push cash rates lower at a quicker pace. Growth across the UK and Europe remains challenging while inflationary pressures remain well anchored within central bank target levels. In China, the tepid outlook for the economy continues. Despite a raft of measures to support an increase in business lending as well as to insulate the downturn in the property sector and improve weak domestic demand there are few signs of a material turnaround, particularly in regard to domestic consumption. Overall, 2024 will be remembered as a solid year for financial market performance, particularly in equity markets. However, we continue to take a cautious approach to repositioning our asset allocation, although in the near term we take the view that markets can continue to edge higher. To this end, we continue to maintain a broad-based investment and asset allocation strategy across the entirety of our portfolios, but with a view to modifying individual portfolio risk exposures as market dynamics evolve.

Portfolio Commentary

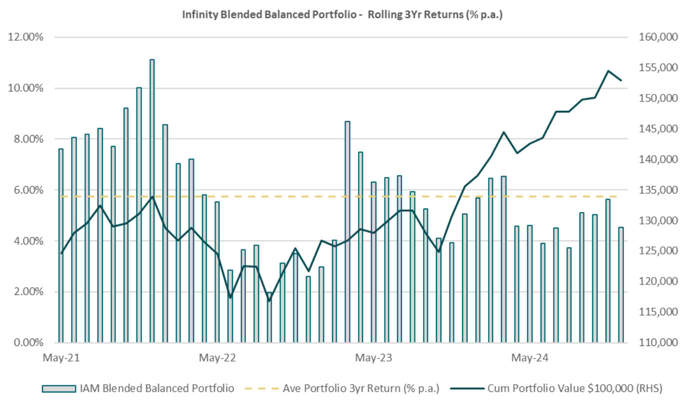
The Portfolio was down -1.0%. While the portfolio benefited from its overweight position in global equities with Ashmore EM (+3.6%), Vinva 120/20 (+2.7%), Bell Gbl SMID (+1.4%) and Invesco Gbl Opp (+2.1), the selloff in bonds and higher yields impacted the more interest rate sensitive parts of the Portfolio in Macq Opp REIT (-5.4%) and Dexus CIF (-3.2%), which were both lower. Other positions were broadly flat. However, longer term returns continue to remain sound, with the Portfolio benefitting from its diverse and flexible asset allocation approach. With a continuing challenging market and macro backdrop, this approach remains an important construct as we continue to look for investment opportunities and better approaches to manage overall Portfolio risk.

Portfolio Characteristics

Characteristic	Portfolio	Characteristic	Portfolio
3yr Risk (std dev)	9.2%	Mthly OPR ratio (%)	63.3%
Sharpe Ratio	0.02	Tracking Error (%)	1.7%
Risk/Return Ratio	0.49	Information Ratio	-0.1

Source: Financial Express Analytics, Infinity Asset Mgt.

Portfolio Performance



Period	Portfolio	FE Peer Fund	Quartile	CPI + 5.0%
1mth	-1.00%	-0.70%	2	0.62%
3mths	2.11%	1.23%	1	1.85%
6mths	6.56%	5.18%	1	3.89%
1yr (p.a.)	12.76%	9.14%	1	8.13%
3yrs (p.a.)	4.54%	3.91%	1	10.31%
5yrs (p.a.)	6.31%	4.48%	1	8.92%

Source: FE Analytics. B'chmk – Refer PDS for details. Performance is net of fees. Target Portfolio Objective: CPI+5.0% rolling 3yr periods. Since Incept: June 2018 Infinity SMA performance since November 2017. Quartile rankings are based on industry peer group. Past performance is no guide to future performance.

Growth/Income Split

Metric	3 mths	6 mths	1yr (p.a.)	3yrs (p.a.)	5yrs (p.a.)
Growth	2.23%	6.47%	10.35%	2.85%	4.36%
Income	-0.12%	0.09%	2.41%	1.68%	1.95%
Total	2.11%	6.56%	12.76%	4.54%	6.31%

Asset Allocation

INFINITY
ASSET MANAGEMENT

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Portfolio Update:

The table below provides a snapshot of the major positions in the portfolio at the end of December. After several changes through November, we made no changes over the month. With a new Administration in the US combined with the fact that speed of the decline in inflation has slowed with expectations that the US Fed as well as other major global central banks will take a more cautious approach to future cuts in cash rates, we believe a period of consolidation around our existing asset allocation and portfolio positioning is prudent. While our longer term thematic around the growth outlook remains, we continue to maintain a broad-based investment and asset allocation strategy across the entirety of our portfolios. Across our exposures, in regard to fixed income we now expect that terminal cash rates (mainly in the US) will be higher than previously forecast (through the mid-point of 2024) and as such we view the current valuations in the fixed interest sector as close to fair value with the likelihood that bond markets will continue to oscillate around current levels in the medium term. Notwithstanding the view that terminal cash rates will be higher, we do expect further cash rates cuts in 2025 by the major global central banks and alongside continued growth out of the US economy, we view this as positive for growth investments. Accordingly, we continue to maintain an overweight position in equities, with a bias towards global (developed) over domestic equities. While lower cash rates may see the US$ moderating over the medium term, we continue to believe that the upside for the A$ will be mitigated by lower commodity prices, continued weakness in China (domestic) economy and a higher US terminal cash rate. We view this as a negative for EM equities in the near term and remain underweight the asset class. While we continue to see inflation moderating further in 2025, cap rate compression across real assets may be slower and lower on the back of higher terminal global cash rates. This does reduce the overall attractiveness of part of the real asset sector and reflects our pivot into listed REITs in recent periods. While global economic activity continues to remain sound, the ongoing catalysts for financial markets to push higher still persists, particularly if central banks look to reduce cash rates further, driven by the ongoing moderation in inflationary pressures as opposed to responding to weaker global economic activity. In addition, as other risks (i.e. trade, geopolitical) are likely to throw a number of curve balls for markets, we continue to take the view that maintaining a broad asset allocation framework across both defensive as well as growth investments provides the best platform for the Portfolio to continue to generate both sound absolute as well as relative investment performance over the medium to longer term.

Manager	Sector	Asset Class	%
IAM Core Portfolio	Core Large Cap	Aust Equity	13.50%
Vinva Gbl Systematic Equities Fund (120/20)	Long/Short	Gbl Equity	9.50%
IAM SMID Portfolio	SMID	Aust Equity	8.00%
Invesco Global Opp Fund	Global Large Cap	Gbl Equity	6.50%
Pendal Fixed Interest Fund	Australian Bonds	Aust Bonds	6.50%
Principal Global Credit Opportunities Fund	Global Credit	Gbl Bonds	6.50%
JP Morgan Global Strategic Bond Fund	Global Bonds (Uncd)	Gbl Bonds	6.00%
CBRE Global Real Assets Fund	Real Assets	Property & Infrastructure	5.50%
CC Sage Capital Equity Plus Fund	Long/Short	Aust Equity	5.00%
JP Morgan Global Research Enhanced Equity Fund (hdg)	Global Large Cap (hdg)	Gbl Equity	4.75%

Portfolio Overview:

Platform Availability:	Panorama, Hub 24, Netwealth, CFS Edge Refer PDS for product codes and details	**Min. Investment Horizon**	3 to 5 years
Asset Class:	Diversified – Balanced	**Min Investment Amt:**	A$25,000
Style:	Active	**Inv Mgt Fee:**	Refer PDS for details
B'chmk Index:	Refer PDS for details	**Neutral Growth/Defensive Split (%)**	62.5/32.5

Investment Objective:

To deliver outperformance of the Consumer Price Index + 5.0% p.a. over a rolling three year period.

Designed for Investors who:

Seek exposure to a diversified mix of income & growth assets with capital appreciation over the longer term and can tolerate a moderate level of investment risk that includes the potential for negative returns in any single year.