Infinity Balanced Portfolio

August 2024

Market Commentary

While financial markets were able to move higher over the month, the performance across several segments of the market varied as volatility increased. No better example of this was Nvidia, which saw its share price drop -16% in the first week of August, to then bounce +31% higher by the middle of the month, only to end up +2.0% higher (from its July close) by the end of August. The move in Nvidia paralleled broader market volatility in global equities as investors digested weaker than forecast payroll numbers out of the US. This combined with a pickup in the unemployment rate led to investors conclude that economic growth in the US was declining at a more rapid pace than originally forecast with potential for the 'soft landing' scenario turning into a recession. The overall increase in volatility in markets through August also hinged on several other factors. While the weaker than anticipated jobs numbers initiated the increase in market volatility, the unwinding of the USD/JPY carry trade also increased market volatility as the BoJ increased cash rates by 0.15% (to 0.25%) over the month. This saw the JPY move to a low of ~160 to the USD back to ~147 by the end of the month as FX traders looked to the outlier policy framework of the BoJ compared to that of other major central banks in the Fed, ECB, BoE and BoC where cash rates have been stable or moving lower. The sharp depreciation in the US$ and shift in capital flows added to the risk-off sentiment in markets. In addition to the fall in the US$, the impact from the decline in the technology sector led by the Magnificent 7 group of companies also added to investor concerns. While Nvidia led the market lower, the other group of technology related companies and major equity index constituents in Microsoft, Amazon, Apple, Alphabet (Google) and Tesla were also lower. This resulted in global equities being one of the worst sectors over the course of the month, and more so in unhedged terms (A$) terms. While financial markets digested the decline in broad global equities, emerging markets also continued their downward trajectory. Emerging markets have been hampered by the ongoing weakness in the Chinese economy, which continues to face spiralling deflationary pressures alongside anaemic economic activity. Overall, the performance (and volatility) of markets through August continues to highlight the ongoing challenges facing investors. Nevertheless, with a view that we are now heading into a period of synchronised lower global cash rates we continue to see opportunities across both 'growth' and 'defensive' sectors over the medium term.

Portfolio Commentary

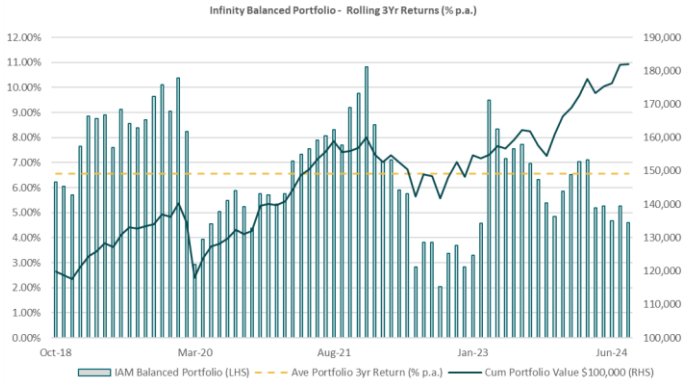
The Portfolio was up 0.1% over the month. Despite increased market volatility most strategies across the Portfolio added value, with the position in global equities, REITs, credit and Aust FI the best performing segments of the Portfolio. The better performing strategies included JPM REI (hdg) (+1.7%), Macq Opp REIT Fund (+1.7%), PGI Gbl Credit (+1.5%), Pendal AFI (+1.3%) and FT ARBF (+1.0%). The sell-off in Nvidia impacted RLAM Gbl Eq (-2.6%) and was the biggest drag on performance. 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)	8.9%	Mthly OPR ratio (%)	64.2%
Sharpe Ratio	0.0	Tracking Error (%)	1.44%
Risk/Return Ratio	0.5	Information Ratio	0.6

Source: Financial Express Analytics, Infinity Asset Mgt.

Portfolio Performance



Period	Portfolio	FE Peer Fund	Quartile	CPI + 5.0%
1mth	0.10%	0.41%	3	0.67%
3mths	3.77%	3.42%	2	2.06%
6mths	5.43%	4.19%	1	4.12%
1yr (p.a.)	12.34%	8.42%	1	8.58%
3yrs (p.a.)	4.61%	3.13%	1	10.42%
5yrs (p.a.)	6.52%	4.47%	1	8.89%

Source: FE Analytics. B'chmk – Market Weighted Average Asset Allocation
Target Portfolio Objective: CPI+5.0% rolling 3yr periods. Since Incept: October 2015
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	1.81%	3.32%	9.63%	2.29%	4.00%
Income	1.96%	2.11%	2.71%	2.32%	2.52%
Total	3.77%	5.43%	12.34%	4.61%	6.52%

Asset Allocation

INFINITY ASSET MANAGEMENT

Infinity Balanced Portfolio August 2024

Portfolio Update:

The table below provides a snapshot of the major positions in the portfolio at the end of August. We made several changes to the Portfolio over the month. At a headline level we added to our position in global bonds taking from defensive alternatives, while reconfiguring the Portfolio's global equity exposures. With global inflation continuing to move lower expectations of a US Fed rate cut at its Sept FOMC has been baked into the market. In our view this will continue to support global interest rate sensitive sectors, such as bonds, REITs and infrastructure as well as equities over the medium term. We expect that the Fed's move will be the first of several rate cuts in 2024 with further reductions over the course of 2025. While we have seen bond yields move lower, our expectations remain that this trend will continue, providing additional upside to these asset classes over the medium term, although in the near term we expect further yield curve steepening, with the decline in yields more pronounced at the front end of the curve, with longer end yields remaining more stable. Nevertheless, this will allow for a better balance of performance drivers across the Portfolio, with a more consistent contribution from multiple asset classes and underlying investment strategies. The increase to global bonds (+0.5%) was funded via the Portfolio's defensive alternatives position in Fulcrum (-0.5%). Within the Portfolio's exposure to REITs, while we have not changed the overall allocation at a headline level, we have added to the GREIT allocation given our assessment of the direction of global interest rates (relative to Aust), where we believe the RBA will be slower in reducing cash rates alongside fewer rate cuts given the differential in Aust cash rates to other global markets combined with higher (ongoing) domestic inflation. Within the Portfolio's equity configuration we made no changes to the overall asset allocation between Aust and global equities. However, within the global equity component we did add to our position in (A$) hedged equities (+0.5%). With US cash rates moving lower, we anticipate the support for the US$ will moderate over the medium term, although the upside for the A$ will be mitigated by lower commodity prices and continued weakness in China economy. While global economic activity continues to remain sound, the ongoing catalysts for financial markets to push higher through the latter stages of 2024 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. That being said, geopolitical and other risks (i.e. trade, global election cycle) are likely to throw a number of curve balls for markets. Accordingly, 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	%
Infinity Core Australian Equity Fund	Concentrated Core	Aust Equity	12.00%
Ironbark Royal London Concentrated Global Share Fund	Concentrated	Gbl Equity	10.50%
Pendal Fixed Interest Fund	Australian Bonds	Aust Bonds	6.50%
CBRE Global Real Assets Fund	Real Assets	Property & Infrastructure	6.00%
Principal Global Credit Opportunities Fund	Global Credit	Gbl Bonds	6.00%
JP Morgan Global Strategic Bond Fund	Global Bonds (Uncd)	Gbl Bonds	6.00%
CC Sage Capital Equity Plus Fund	Long/Short	Aust Equity	5.50%
T. Rowe Price Global Equity Fund	Growth	Gbl Equity	5.00%
Infinity SMID Australian Equity Fund	SMID	Aust Equity	5.00%
JP Morgan Global Research Enhanced Equity Fund (hdg)	Global Large Cap (hdg)	Gbl Equity	4.75%

Portfolio Overview:

Product Code:	**Panorama**: DAM2547AU	**HUB:** INF002	**NWL: MACC000374**	**Min. Investment Horizon**	3 to 5 years
Asset Class:	Diversified – Balanced			**Min Investment Amt:**	A$25,000
Style:	Active			**Inv Mgt Fee:**	0.3596% p.a.
B'chmk Index:	Composite of underlying indices. 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.