

Student Managed Investment Fund July 2023 Update



July 2023 Fund Update

Dollar values are in AUD unless stated otherwise.

Fund Update

The fund was up 2.91% for the month of July, slightly underperforming the benchmark by 8 basis points.

The fund's largest holding, Macquarie Group (7.51% weighting, down 1.47% MoM) constrained the returns of the portfolio for July.

BHP Group's (ASX: BHP) dividend and strong announcements by RPMGLOBAL (ASX: RUL) and DDH1 Drilling (ASX: DDH) were the positives for July.

Moving forward, we plan to reevaluate the method of performance measurement for the Fund. Specifically, revaluating the measurement of alpha to better provide an indication of the Fund's risk-adjusted returns.

Market Update

The ASX 200 increased 2.9% for the month, with particularly strong returns in Energy sector (XEJ +8.8% MoM), which is not represented in the SMIF portfolio, and Financials sector (XFJ +4.9% MoM). Small caps performed strongly with the Small Ordinaries index (XSO) gaining 3.5% in July.

After consecutive 25bps rate hikes in May and June, the RBA announced a pause at its July meeting, keeping the OCR at 4.10% as we likely approach the peak of the tightening cycle. Importantly, it appears that the RBA has finally made inroads into the strong inflationary environment, based on ABS data for the June Quarter. Inflation data sat below consensus as CPI rose 0.8% in the quarter, potentially signalling a turning point for inflation and traction toward a desired soft landing. While this gives cause for optimism in the market, headline inflation in the 12 months to June 2023 is still well above the RBA's target band at 6.0%. Services inflation continues to outpace goods inflation, up 6.3% in the 12 months to June 2023.

Labour markets continue to display resilience with monetary policy yet to make an impact on unemployment, which remained at 3.5% in June (-40bps from the first RBA rate hike). Leading

indicators (i.e., vacancies and business surveys), however, are pointing towards softer jobs growth moving forward. Given sustained strength in the labour market may ramp up inflationary pressures, in addition to strong population growth and a tight rental market, we remain cautious of the fabled 'soft landing'. These will all be key factors to monitor over the coming months as the ultimate effect of policy shocks become apparent, particularly in relation to consumer-linked companies held in the SMIF portfolio.

Position Updates

IGO Limited (ASX: IGO -9.21%)

On July 17th, IGO made an announcement concerning its FY23 results, revealing that the company would incur an impairment ranging from \$880 million to \$980 million. This impairment was attributed to a write-down associated with the assets acquired from Western Areas in June 2022, a transaction valued at \$1.2 billion. Based on preliminary findings, IGO concluded that they significantly overpaid for the Forrestania and Cosmos assets. The aftermath of this announcement was characterised by a significant sell-off.

On July 31st, the materials company released their quarterly update. IGO delivered record quarterly results, largely due to their lithium operations. In summary, IGO's quarterly underlying EBITDA was up 19% quarter-on-quarter to a record of \$636 million, and lithium spodumene and nickel production were up 11% and 14% respectively.

We value IGO's diversified exposure to critical future-facing metals, however, we will continue to assess its position in the portfolio, particularly with the appointment of new CEO, Ivan Vella, later this year.

Northern Star (ASX: NST -4.72%)

On July 19th NST released their results for the quarter ending 30 June. The market reacted negatively after the company reported some strong, but mixed, results.

For FY23 NST reported a growth capital expenditure of \$752 million, surpassing revised expectations. The company attributed this primarily to its KCGM Mill Expansion early works, and increased capital drilling at Jundee (Yandal).

NST's sales and costs for FY23 came in at the very low end of guidance; the company had sales of 1.563 million ounces of gold at an all-in-sustaining cost (AISC) of \$1,759 per ounce. The miner initially forecasted sales of 1.56 million ounces to 1.68 million ounces of gold at an AISC between \$1,730 and \$1,760 per ounces. In response to the company's quarterly update, UBS analysts downgraded NST's shares to a sell rating with an \$11.70 price target. We will continue to assess NST's performance, and position within the portfolio.

BHP Group Limited (ASX: BHP +19.34%)

BHP's strong quarterly results were mainly derived from the company hitting full year production guidance on copper, iron ore, metallurgical coal, and energy coal. Nickel achieved revised guidance and finished in line with the lower end of original guidance. Average realised prices for copper, iron ore and metallurgical coal products were lower in the 2023 financial year compared to the prior year. Nickel prices remained stable, while thermal coal prices were stronger, predominantly in the first half.

BHP finished with a strong fourth quarter, increasing annual production across the board and achieving annual records at WAIO, Olympic Dam and Spence. WAIO shipped record volumes on the back of productivity in its supply chain, rail network and car dumpers, while South Flank completed its deployment of autonomous haul trucks in May and is on track to ramp up full production in the next 12 months. Olympic dam's improved reliability and productivity delivered record annual output in copper, gold and silver, and the integration of OZ Minerals into the company's South Australian copper business is expected to lift production to between 310 and 340 kt in FY24.

Inflationary pressures effected BHP's business in the year, but the company remains focused on safety and efficiency to remain competitive. BHP's portfolio is geared towards high quality steelmaking and growth options in future facing commodities. The Jansen potash project in Canada remains ahead of plan and studies for Stage 2 are progressing. Through the year, BHP made strategic investments and exploration progress in copper and nickel prospects globally.

DDH1 Drilling (ASX: DDH +11.38%)

DDH1 is undergoing a merger with Perenti, a development to which the market has shown a favourable response. The merger will see DDH1 combine with Perenti to create the ASX's leading contract mining services group, offering enhanced scale and a greater breadth and depth of capabilities across drilling services, contract mining, technology solutions and other mining services across the globe.

Together, the Combined Group has a pro-forma revenue of over A\$3.4bn and a pro-forma market cap of over A\$1.2bn. This larger Combined Group is expected to benefit DDH1 Shareholders from increased investor relevance, market focus, liquidity, broadening of the investor base and diversification by geography, customer, commodity, and service offering. The deal is expected to be highly synergistic and accretive, resulting in substantial value creation, which DDH1 Shareholders will have the opportunity to benefit from via meaningful ongoing ownership.

Elders Limited (ASX: ELD +10.79%)

Though Elders performed well during the month, the company has updated its earnings guidance for financial year ending September 2023. Underlying EBIT is now expected to be between A\$165m and A\$175m, down from previous guidance range of between A\$180m and A\$200m. Elders is experiencing cautious customer sentiment in light of uncertain seasonal conditions in some farming regions, compared to forecast assumptions. This uncertainty is now supported by the Bureau of Meteorology's long-range forecast for September to November which predicts a heightened probability of warmer and drier than average conditions in Easter and Western parts of Australia and risk of an El Nino declaration.

Major issues are also stemming from lower than forecast Rural Products sales in recent weeks, greater than forecast pressure on Rural Product gross margins especially in crop products and further weakness in the prices of cattle and sheep with a lower than forecast offset from volumes traded.

However, Elders has a proven track record of resilience against a volatile agricultural industry backdrop, mainly derived from softened livestock trading conditions, weaker crop input prices and unseasonably wet weather.

Performance:

	1 Month	3 Months	6 Months	1 Year	Inception p.a.*
SMIF	2.91%	-0.44%	-0.72%	4.93%	8.98%
All Ordinaries Accumulation Index	2.99%	1.91%	1.27%	11.14%	10.02%
Alpha	-0.08%	-2.35%	-1.99%	-6.21%	-1.04%

Alpha may not equal SMIF return minus All Ordinaries return due to rounding.

* CAGR since fund inception on 19 November 2018

Top 5 Contributors (%)

Company Name:	Monthly Return:
Bhp Group Limited	19.34%
DDH1 Drilling	11.38%
Elders Limited	10.79%
RPMGLOBAL Holdings Limited	10.51%
Woodside Energy	10.31%

Top 5 Detractors (%)

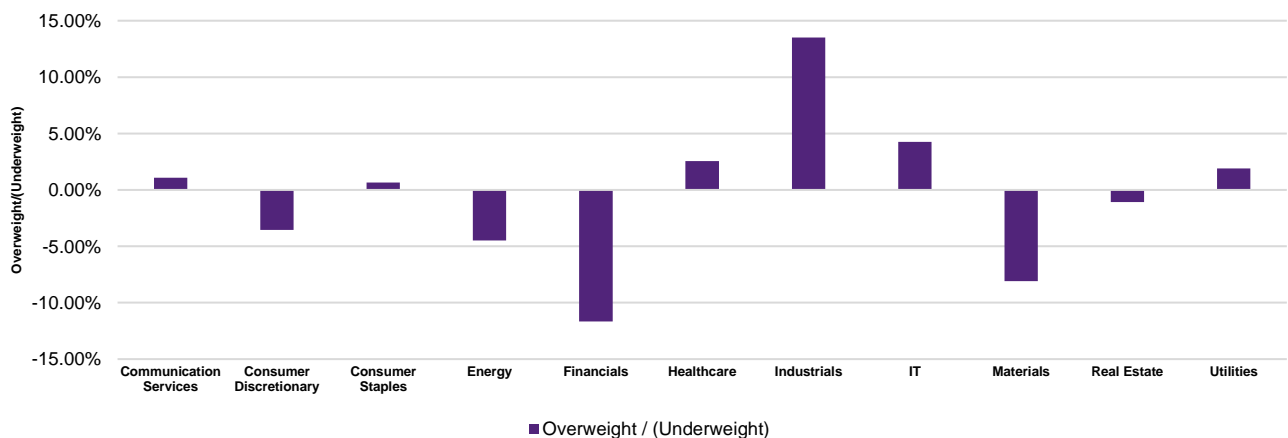
Company Name:	Monthly Return:
IGO Limited	-9.21%
Integral Diagnostics	-7.62%
Northern Star	-4.72%
CSL Limited	-3.19%
Brambles Limited	-2.36%

Sector Breakdown:

Contributors to Returns (%)

	SMIF Weighting	All Ords Weighting	Overweight / (Underweight)
Communication Services	6.04%	4.95%	1.09%
Consumer Discretionary	2.50%	6.04%	-3.54%
Consumer Staples	4.51%	3.85%	0.66%
Energy	0.53%	5.00%	-4.47%
Financials	14.29%	25.95%	-11.66%
Healthcare	12.25%	9.69%	2.56%
Industrials	21.06%	7.57%	13.50%
Information Technology	7.27%	3.02%	4.25%
Materials	18.64%	26.72%	-8.08%
Real Estate	4.90%	5.97%	-1.08%
Utilities	3.13%	1.24%	1.90%
Cash	4.87%	n/a	n/a

SMIF GICS Sector Weightings against Benchmark



SMIF Portfolio Holdings:

SMIF Portfolio Holdings:				For the month of July 2023:			Since Inception:		
Ticker	Company Name	Portfolio Weight	Position as at 31st July	Capital Gains	Dividends	Return	Capital Gains	Dividends	Return
MQG	Macquarie Group Ltd	7.51%	\$21,701.24	-1.47%	0.00%	-1.47%	8.17%	5.00%	12.18%
PWH	Pwr Holdings Limited	5.23%	\$15,112.16	5.77%	0.00%	5.77%	31.84%	3.23%	33.63%
RUL	Rpmglobal Hldgs Ltd	4.87%	\$14,073.42	10.51%	0.00%	10.51%	8.43%	0.00%	8.43%
DDH	Ddh Drill	4.81%	\$13,897.92	11.38%	0.00%	11.38%	14.82%	9.09%	23.69%
RMD	Resmed Inc	4.21%	\$12,177.68	2.53%	0.00%	2.53%	14.55%	1.12%	15.33%
BXB	Brambles Limited	4.16%	\$12,015.78	-2.36%	0.00%	-2.36%	13.03%	3.02%	15.64%
JHX	James Hardie Indust	3.79%	\$10,956.96	9.38%	0.00%	9.38%	14.40%	1.96%	15.81%
CWY	Cleanaway Waste Ltd	3.75%	\$10,838.52	6.56%	0.00%	6.56%	7.79%	2.23%	9.75%
BHP	Bhp Group Limited	3.58%	\$10,352.25	2.27%	17.07%	19.34%	8.76%	15.63%	21.40%
QBE	Qbe Insurance Group	3.53%	\$10,218.96	0.64%	0.00%	0.64%	-1.07%	0.00%	-1.07%
SHL	Sonic Healthcare	3.49%	\$10,088.05	-1.18%	0.00%	-1.18%	10.55%	4.49%	13.74%
JLG	Johns Lyng Group	3.47%	\$10,024.55	-0.56%	0.00%	-0.56%	28.63%	3.17%	30.49%
SUN	Suncorp Group Ltd	3.25%	\$9,391.80	5.49%	0.00%	5.49%	15.33%	7.20%	21.45%
APA	Apa Group	3.13%	\$9,060.00	3.20%	0.00%	3.20%	-3.26%	4.94%	2.11%
WES	Wesfarmers Limited	3.13%	\$9,036.30	0.63%	0.00%	0.63%	4.93%	4.83%	9.72%
CSL	Csl Limited	3.07%	\$8,861.16	-3.19%	0.00%	-3.19%	4.42%	1.31%	5.57%
SPK	Spark New Zealand	3.04%	\$8,799.23	2.57%	0.00%	2.57%	2.20%	0.00%	2.20%
CAR	Carsales.Com Ltd.	3.00%	\$8,676.14	4.37%	0.00%	4.37%	3.79%	2.82%	6.43%
NST	Northern Star	2.99%	\$8,655.52	-4.72%	0.00%	-4.72%	24.23%	4.58%	26.67%
CLW	Chtr H Lwr	2.76%	\$7,973.40	2.49%	0.00%	2.49%	-6.51%	6.01%	-0.02%
QUB	Qube Holdings Ltd	2.56%	\$7,394.10	3.16%	0.00%	3.16%	2.85%	3.19%	5.74%
MHJ	Michael Hill Int	2.50%	\$7,232.12	2.79%	0.00%	2.79%	-1.23%	0.00%	-1.23%
DTL	Data#3 Limited	2.41%	\$6,954.26	4.31%	0.00%	4.31%	8.50%	0.00%	8.50%
INA	Ingenia Group	2.14%	\$6,189.36	2.51%	0.00%	2.51%	2.80%	2.53%	5.19%
IGO	Igo Limited	2.01%	\$5,809.80	-9.21%	0.00%	-9.21%	-9.40%	0.00%	-9.40%
IPH	Iph Limited	1.91%	\$5,514.20	0.89%	0.00%	0.89%	1.70%	4.42%	5.97%
IDX	Integral Diagnostics	1.48%	\$4,284.42	-7.62%	0.00%	-7.62%	-3.41%	3.30%	0.15%
RIO	Rio Tinto Limited	1.46%	\$4,214.52	2.08%	0.00%	2.08%	7.24%	11.56%	17.07%
ELD	Elders Limited	1.38%	\$3,994.92	10.79%	0.00%	10.79%	-20.91%	4.82%	-14.62%
WDS	Woodside Energy	0.53%	\$1,519.60	10.31%	0.00%	10.31%	23.33%	15.29%	38.14%
	CASH	4.87%	\$14,083.93						
TOTAL		100.00%	289,102.27			2.91%			8.98%

Portfolio Management Team

<i>Name</i>	<i>Current Enrolment and Contact</i>
Tom Collier	Bachelor of Advanced Finance & Economics t.collier@uqconnect.edu.au
Amelia Fox	Bachelor of Advanced Finance & Economics amelia.fox@uqconnect.edu.au
Omar Rahman	Bachelor of Advanced Finance & Economics o.rahman@uqconnect.edu.au
Harry Lusk	Bachelor of Advanced Finance & Economics h.lusk@uqconnect.edu.au
Avinesh Ganasan	Bachelor of Advanced Finance & Economics a.ganasan@uqconnect.edu.au

Information on the Fund and Disclaimer

This update has been prepared by the student portfolio managers of the University of Queensland Business School Student Managed Investment Fund. The Fund was seeded by the University with \$200,000 in 2018 and the first investments were made in November 2018. The University of Queensland is the sole owner of the assets in the Fund and no fees are payable by the University for the management of the Fund. The Fund recognises the support of Morgans Brisbane as stockbroker to the Fund.

The information in this update is prepared primarily for educational purposes and to keep internal and external Fund stakeholders informed. Any views expressed in this update are the views of the student portfolio managers. The accuracy, reliability or completeness of data or information presented in this update is not guaranteed. The information is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to an investment.