



Student Managed Investment Fund December 2023 Update



December 2023 Fund Update

Dollar values are in AUD unless stated otherwise.

Summary

The SMIF was up +6.33% for the month of December, underperforming the benchmark by -0.96% (ASX: XAO +7.29%). Notably, December marked significant growth for the benchmark, as the index reached its highest level since August 2021. The SMIF's strong return was led by holdings James Hardies Industries (ASX:JHX +18.80%) and RPMGLOBAL (ASX:RUL +15.89%). The monthly result was impeded by IPH (ASX:IPH -5.60%) after their acquisition of Canadian intellectual property firm ROBIC, and PWR Holdings (ASX:PWH -3.84%) after news surfaced that they had pulled out of negotiations for a 5-year production electric vehicle program.

Market Update

The ASX 200 demonstrated a robust performance to end the calendar year. All sectors exhibited positive gains, indicating a broad-based market rally. Regarding domestic inflation, trimmed mean inflation in the December quarter (4.2%) was down from the September quarter (5.1%), contributing to improved stock performance.

However, the full impact of recent monetary tightening still to be felt, which continues to cast a shadow on economic stability. Of particular importance are developments in the tight labour market and significant fluctuations in commodity prices, which are expected to exert considerable influence on market dynamics in the future. Overall, the market appears to be navigating positively through global uncertainties, however economic ambiguities are still being persisted through.

Position Updates

James Hardies Industries (ASX: JHX) +18.80%

James Hardie Industries (ASX: JHX) recorded an impressive gain of +18.80%. The company derives 65% of its revenue from the renovation market and has considerably increased prices of products within this sector throughout 2023.

Substantial price hikes and market share gains in key regions contributed to a notable increase in net profit for the quarter. Noteworthy is the company's strategic pricing actions, with a 14% price increase

in the Asia-Pacific division and an 18% average increase in Europe during the December quarter. In North America, prices rose by 6%. JHX's trailing-12-month gross profit margin stands at 39.17%, significantly higher than the industry average of 28.38%, with trailing-12-month asset turnover ratio is also 20.7% above the industry average at 0.84x. For the third quarter ending December 31, 2023, JHX reported a 13.7% YoY increase in net sales to \$978.30 million. Adjusted net income and EPS rose by 39.2% and 41.4%, reaching \$179.90 million and \$0.41, respectively. Adjusted EBITDA for the quarter increased by 34.2% YoY to \$280.40 million.

SMIF is confident in James Hardie's robust market position. The company is viewed as well-positioned to capitalize on impending interest rate cuts in 2024.

RPMGLOBAL (ASX: RUL) +15.89%

RPMGlobal continues to reward investor faith, climbing 15.89% in December, largely due to upgraded guidance. The company provides mission-critical subscription software to global miners, with its two primary offerings being an asset management tool and a site scheduling platform.

Having provided a positive Q1FY24 business update & upgrading FY24 guidance in October, off the back of a GFA signed with a global Tier 1 miner, an additional November earnings upgrade went largely unnoticed by the market. The \$3.1m boost to FY24 underlying EBITDA guidance, now \$21.5m-\$23.5m (FY23: \$15m), has since received due recognition in December, with no other price-sensitive announcements being made during the month. We believe large contract wins to be demonstrative of both the fundamental benefit of RPM's software to global miners in their transitions to greener energy supply chains, as well as management's ability to capitalise on this and expand its customer & revenue base.

Charter Hall Long WALE REIT (ASX: CLW) +14.52%

Charter Hall's Long Wale REIT (ASX: CLW) delivered a strong December performance gaining +14.52%. The REIT invests in a variety of Australian properties, including logistics properties, BP service stations, office buildings, high-quality retail properties, etc.

On the 11th of December 2023, CLW announced a dividend payment of \$0.065 to be paid on the 14th of February 2024, which was well-received by investors. Additionally, with a portfolio occupancy rate of 99%, CLW is benefitting from strong performance linked to rising rental income. In anticipation of rate cuts, ASX REITs recorded impressive gains over December. Investors continue to look toward interest rate cuts, not expected until mid-2024, cushioning share prices over the past 2 months in the interest rate-sensitive property management industry.

IPH (ASX: IPH) -5.60%

In December, IPH made a significant stride in expanding its global footprint by reaching an agreement to acquire the intellectual property (IP) agency practice of the Canadian IP services firm, ROBIC. This strategic acquisition, valued at A\$76 million, not only strengthens IPH's position within the Canadian market but also marks a crucial step in its ongoing global expansion efforts. Under the terms of the agreement, IPH will also hold an interest in the legal practice of ROBIC, a move made possible by Canadian regulations that allow for such cross-industry ownership. This acquisition is particularly notable as it enhances IPH's service offerings, providing clients with a broader range of IP services underpinned by the expertise and reputation of ROBIC.

The integration of ROBIC into IPH's portfolio is more than just an expansion of services; it represents a strategic alignment with IPH's vision of diversifying its business and cementing its presence in key markets around the world. With ROBIC's established reputation and client base in the Canadian market, IPH not only strengthens its position in North America but also gains valuable insights and capabilities that are critical for its expansion into global secondary markets.

PWR Holdings (ASX: PWH) -3.84%

There were no price sensitive announcements for PWH in December. However, continued downward price momentum is likely driven by news in late November that PWH had pulled out of negotiations for an electric vehicle program which was due to commence production in 2026, for five years. The news wiped 6.4% of PWH's market cap directly after the news.

Despite this, the fund believes PWH is a strong investment due to its operating efficiency and

significant pipeline of growth outside the EV space. PWH's increasing involvement in the aerospace industry, as well as the dominant position it holds within the motorsports industry, means that it has considerable expansion opportunities outside of electric vehicles which should be considered. In addition, there is likely to be no impact on earnings forecasts, considering the program was not scheduled until 2026, which was reiterated by CEO Kees Weel and several brokers.

Performance Summary: December 2023

Code	Name	Value (AUD)	Weighting	Contribution	Total Return %
MQG	Macquarie Group Ltd	22,770.12	7.19%	0.78%	10.90%
PWH	Pwr Holdings Limited	16,084.48	5.08%	-0.20%	-3.84%
RUL	Rpmglobal Hldgs Ltd	15,109.50	4.77%	0.76%	15.89%
JHX	James Hardie Indust	14,235.48	4.49%	0.84%	18.80%
BXB	Brambles Limited	11,614.40	3.67%	0.15%	4.13%
JLG	Johns Lyng Group	11,597.40	3.66%	0.19%	5.15%
BHP	Bhp Group Limited	11,342.25	3.58%	0.33%	9.14%
CAR	Car Group Limited	10,867.86	3.43%	0.45%	13.07%
PRN	Perenti Limited	10,760.88	3.40%	-0.02%	-0.48%
CWY	Cleanaway Waste Ltd	10,563.63	3.33%	0.36%	10.70%
WES	Wesfarmers Limited	10,381.28	3.28%	0.27%	8.19%
NST	Northern Star	10,264.80	3.24%	0.25%	7.73%
QBE	Qbe Insurance Group	9,596.88	3.03%	-0.07%	-2.37%
CSL	Csl Limited	9,459.45	2.99%	0.28%	9.32%
RMD	Resmed Inc	9,209.28	2.91%	0.20%	6.89%
SHL	Sonic Healthcare	9,206.96	2.91%	0.32%	10.97%
SUN	Suncorp Group Ltd	9,141.00	2.88%	0.05%	1.61%
SPK	Spark New Zealand	8,835.97	2.79%	0.06%	2.12%
QUB	Qube Holdings Ltd	8,148.60	2.57%	0.32%	12.50%
DTL	Data#3 Limited	7,815.44	2.47%	0.22%	8.76%
APA	Apa Group	7,737.24	2.44%	0.11%	4.57%
CLW	Chtr H Lwr	7,294.40	2.30%	0.33%	14.52%
MHJ	Michael Hill Int	7,114.21	2.24%	0.26%	11.73%

INA	Ingenia Group	6,750.65	2.13%	0.18%	8.27%
RIO	Rio Tinto Limited	4,883.76	1.54%	0.14%	8.89%
IPH	Iph Limited	4,474.18	1.41%	-0.08%	-5.60%
ELD	Elders Limited	4,126.44	1.30%	0.04%	2.87%
IGO	Igo Limited	3,810.05	1.20%	0.07%	6.10%
IDX	Integral Diagnostics	2,693.67	0.85%	0.09%	11.08%
WDS	Woodside Energy	1,242.40	0.39%	0.00%	0.19%
CASH	CASH	39,762.89	12.55%	0.00%	0.00%
		316,895.55			6.33%

Top 5 Contributors

Ticker	Contribution
JHX	0.84%
MQG	0.78%
RUL	0.76%
CAR	0.45%
CWY	0.36%

Bottom 5 Contributors

Ticker	Contribution
PWH	-0.20%
IPH	-0.08%
QBE	-0.07%
PRN	-0.02%
WDS	0.00%

Top 5 Performers

Ticker	Performance
JHX	18.80%
RUL	15.89%
CLW	14.52%
CAR	13.07%
QUB	12.50%

Bottom 5 Performers

Ticker	Performance
IPH	-5.60%
PWH	-3.84%
QBE	-2.37%
PRN	-0.48%
WDS	0.19%

Portfolio Management Team

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Portfolio Analysts

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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.