

Student Managed Investment Fund November 2023 Update



November 2023 Fund Update

Dollar values are in AUD unless stated otherwise.

Summary

The SMIF rose +4.88% over November, beating the benchmark by +0.89% (ASX: XAO +3.99% m/m). November marked a notable inflection point for the portfolio, with a number of holdings marking strong double-digit returns such as Elders (ASX: ELD +29.41%) and James Hardie Industries (ASX: JHX +25.63%). Medical imaging services provider Integral Diagnostics Ltd (ASX: IDX -32.77%) incurred significant losses following a trading report at the start of the month that guided to higher labour costs and staff shortages.

Market Update

November saw a positive turnaround compared to the lacklustre month prior. The RBA chose to raise the cash rate another 25 basis points. The cash rate increase signalled the likely end to the hiking cycle, aiding sentiment. The healthcare (+11.8%) and the interest rate sensitive real estate sectors (+10.8%) were the biggest beneficiaries, whilst energy (-7.3%) and utilities (-6.0%) continued to fall victim to volatile demand and high debt financing costs, respectively.

10-Year U.S. Treasury yields fell below 4.3% for the first time since September during the month, a vast reversal from their breach of 5.00% in October. This provided significant relief to U.S. equities which has struggled in recent months, with the S&P 500 achieving its best November in history, rebounding +8.9% due to cooling CPI and labour market data.

Iron ore prices continued to rally off the back of the announcement of Chinese stimulus packages aimed at reviving its ailing property market and broader economy. Given China's continued reliance on importing the commodity, analysts have increased their price forecasts to \$US150 per tonne for 1HCY24, up from \$130 per tonne. Meanwhile, continued uncertainty from geopolitical tensions aided an 8% hike in gold prices within the month, whilst heightened crude oil sales stemming from increased non-OPEC output resulted in a drop of 4.5%.

Finally, AUD/USD realised volatility was 3.58c, which was approximately in line with the 10y

historical realized volatility monthly average of 3.48c.

Position Updates

Elders (ASX: ELD) +29.41%

November saw a significant turnaround for Elders, catalysed by a better-than-feared FY23 result with strong operating cash flow of A\$169.2m (beating consensus of A\$110.8m) underpinning the announcement. Backward integration benefits, opportunity for output price rises, and nine small acquisitions in the past 12 months were also highlighted as key growth catalysts for a more positive FY24, however uncertainty surrounding crop outlook somewhat dampens expectations.

ELD also received a positive response from their Investor Day (25th Nov), providing hope that despite a year characterised by falling livestock and fertilizer prices leading to weakened margins and a 3.6% decline in sales, the outlook may not be so dire. ELD highlighted a number of internal candidates to replace departing CEO Mark Allison and alluded to growth in 2H24 stemming from transformational projects, including Wool Handling, Systems Modernisation, and supply chain optimisation of Rural Products.

James Hardies Industries (ASX: JHX) +25.63%

The strong result seen from James Hardie in November can be largely attributed to its impressive second quarter results, announced on the 8th of November. Despite the housing market being markedly unsettled in recent years, the cement producer's shares rose 12% in early trading on the 8th, following the result. Net profits saw a 2% increase to \$US178.9m for the three months to the end of September, bolstered by a 15% price increase in building materials sold in the Asia-Pacific business from the previous corresponding period.

While reduced home loan affordability amidst high interest rates caused tension in the housing market, JHX did not see a reduction in sales within their Asia-Pacific and European operations. However, in the US, they saw a 2% decline in net sales, but were able to counteract this with higher average net sales prices and reduced costs,

maintaining strong EBITDA and net profit margins. Market sentiment remained steadfast in JHX's ability to operate effectively amidst tough market conditions, further contributing to the upward price momentum.

JHX also announced a \$US250m share buyback, linked to efforts to improve liquidity and reduce debt. The announcement was received positively, further strengthening their result in November.

CSL (ASX: CSL) +13.69%

Without any price-sensitive announcements in October or November, we point to the company's Capital Markets Day as a driver of outperformance, up 13.69% on the month.

It is likely that increased visibility of the company's market leadership and earnings growth sustainability caused an inflow of investor capital amidst volatile market conditions. CSL is the global leader in plasma protein therapies (\$38bn industry), global #2 in flu vaccines (\$7bn industry) and the global leader in iron deficiency therapies (\$5bn industry). The company is poised for annual double-digit earnings growth, supported by a robust R&D portfolio, capacity expansion and disciplined capital allocation. As such, we remain confident in its fundamentals as a long-term SMIF holding.

Integral Diagnostics (ASX: IDX) - 32.77%

Integral Diagnostics' poor performance in November was due to a disappointing first quarter trading update. On the 3rd November, the healthcare services company announced first quarter revenue growth of 8.4% in Australia and a 4.1% increase in revenue in New Zealand. However, the reported lack of expected Operating EBITDA margin improvement in Q1 FY24 relative to 1H FY23 resulted in a 27% decline in share price overnight. This unsatisfactory result was largely attributed to the impact of clinical staff shortages and cost inflation on driving labour costs to unexpected highs.

IGO (ASX: IGO) -11.46%

In November, IGO initiated a comprehensive review of the Cosmos Project. This strategic reassessment, which began in mid-2023, was a response to IGO's decision to impair the value of assets acquired from Western Areas, reflecting a downward adjustment in their valuation. This step

was crucial, highlighting the challenges encountered in developing the project and the need for a thorough evaluation to ensure its future viability.

As a direct outcome of this review, IGO made a significant operational shift by transitioning to an ore trucking operation, moving away from the initially planned mechanised materials handling system. Consequently, construction activities related to the mechanised system have been temporarily halted, allowing the company to reallocate resources more effectively and align the project development with its revised strategic goals. Additionally, IGO has indicated the likelihood of further impairments against the Cosmos assets in its financial results for the first half of the fiscal year 2024.

Performance Summary: November 2023

Code	Name	Value (AUD)	Weighting	Contribution	Total Return %
MQG	Macquarie Group Ltd	20,962.20	7.66%	0.57%	7.40%
PWH	Pwr Holdings Limited	16,447.04	6.01%	0.16%	2.67%
RUL	Rpmglobal Hldgs Ltd	13,166.85	4.81%	0.28%	5.90%
JHX	James Hardie Indust	12,277.44	4.49%	1.15%	25.63%
BXB	Brambles Limited	11,392.36	4.16%	0.09%	2.07%
JLG	Johns Lyng Group	11,218.40	4.10%	0.07%	1.72%
PRN	Perenti Limited	10,864.35	3.97%	-0.04%	-0.94%
BHP	Bhp Group Limited	10,417.50	3.81%	0.10%	2.64%
QBE	Qbe Insurance Group	9,959.76	3.64%	0.06%	1.52%
CAR	Car Group Limited	9,695.22	3.54%	-0.02%	-0.50%
CWY	Cleanaway Waste Ltd	9,660.42	3.53%	0.33%	9.33%
WES	Wesfarmers Limited	9,584.12	3.50%	0.17%	4.98%
NST	Northern Star	9,572.96	3.50%	0.19%	5.29%
SUN	Suncorp Group Ltd	9,220.20	3.37%	0.19%	5.51%
RMD	Resmed Inc	8,811.08	3.22%	0.38%	11.89%
SPK	Spark New Zealand	8,799.23	3.22%	0.18%	5.51%
CSL	Csl Limited	8,653.59	3.16%	0.43%	13.69%
SHL	Sonic Healthcare	8,371.79	3.06%	0.05%	1.67%
APA	Apa Group	7,728.18	2.82%	0.11%	3.77%
QUB	Qube Holdings Ltd	7,343.80	2.68%	0.27%	10.19%
DTL	Data#3 Limited	7,269.10	2.66%	0.26%	9.94%
CLW	Chtr H Lwr	6,518.40	2.38%	0.29%	12.37%
MHJ	Michael Hill Int	6,446.02	2.36%	-0.01%	-0.61%

INA	Ingenia Group	6,265.21	2.29%	0.16%	6.99%
IPH	Iph Limited	4,767.34	1.74%	0.01%	0.74%
RIO	Rio Tinto Limited	4,501.44	1.64%	0.09%	5.70%
ELD	Elders Limited	4,027.80	1.47%	0.43%	29.41%
IGO	Igo Limited	3,612.18	1.32%	-0.15%	-11.46%
IDX	Integral Diagnostics	2,509.85	0.92%	-0.30%	-32.77%
WDS	Woodside Energy	1,240.00	0.45%	-0.04%	-9.65%
CASH	CASH	12,355.93	4.52%	0.00%	0.00%
		273,659.76			4.88%

Further Performance Reporting

Top 5 Contributors	
Ticker	Contribution
JHX	1.15%
MQG	0.57%
CSL	0.43%
ELD	0.43%
RMD	0.38%

Bottom 5 Contributors	
Ticker	Contribution
IDX	-0.30%
IGO	-0.15%
WDS	-0.04%
PRN	-0.04%
CAR	-0.02%

Top 5 Performers	
Ticker	Performance
ELD	29.41%
JHX	25.63%
CSL	13.69%
CLW	12.37%
RMD	11.89%

Bottom 5 Performers	
Ticker	Performance
IDX	-32.77%
IGO	-11.46%
WDS	-9.65%
PRN	-0.94%
MHJ	-0.61%

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

Portfolio Analysts

<i>Name</i>	<i>Current Enrolment</i>
Bernardo Lohmann	Bachelor of Advanced Finance & Economics
Caitlyn Blade	Bachelor of Advanced Finance & Economics
Holly OFlaherty	Bachelor of Advanced Finance & Economics
Kate Rebello	Bachelor of Advanced Finance & Economics
Max Townson	Bachelor of Computer Science
Shaun Andersen	Bachelor of Advanced Finance & Economics
Mitchell Smyth	Bachelor of Advanced Finance & Economics
Raghav Chawla	Bachelor of Advanced Finance & Economics

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.