

Student Managed Investment Fund February 2024 Update



February 2024 Fund Update

Dollar values are in AUD unless stated otherwise.

Portfolio Summary

The SMIF rose +2.26% over February, beating the benchmark by +2.21% (ASX: XAO +0.05%). Reporting season was successful for the SMIF, with 16/27 (59%) of holdings seeing a positive share price reaction on the day of their earnings release. The average share price reaction of holdings that reported was -0.65%, and the average share price reaction of winners (i.e., positive movers on earnings release day) was +2.39% and the average share price reaction for losers was -5.07%.

Market Update

The February reporting season for the ASX was mixed. Of the 161 companies that reported, 49% of those companies saw their share price move positively on the day of earnings release, with an average daily gain of +0.1%.

Considering the key financial metrics; revenues & profits, 35.6% of companies fell short of broker expectations, 32.2% beat expectations and 32.2% met expectations.

Morgan's 'management sentiment' tracker analysed 102 company result transcripts. Sentiment leaned negative across all sectors, most significantly across utilities, packaging, food/agriculture, and banks. All sectors saw sentiment fall further from August's results.

Overall, the reporting season showed that earnings of Australian corporates continue to hold up solidly and valuations remain high in relative terms (P/E NTM ASX200 @ EOM Feb24 16.68x vs 10y avg. 16.29x) despite the influence of prolonged contractionary monetary policy across Australia and core G10 peers.

Regarding the cross-market, 5 of the 7 'magnificent seven' US stocks reported results for 4Q23. These companies broadly met or exceeded expectations, leading a +5.3% gain in the S&P500 over the month. Nvidia's 4Q23 earnings and sales beat contributed to the positive performance of Australian tech stocks with the ASX200 tech index increasing +18.46% m/m.

On the macroeconomic front, the RBA's February meeting (the first meeting under the new 2-day format and post-meeting press conference) was interpreted as slightly more hawkish than expected, again pushing out expectations for cuts until 2H24. A similar story was observed in the US, with strong PMI's and NFPs further reducing the number of cuts priced over the year.

Position Updates

RPMGLOBAL (ASX: RUL) +26.91%

RPMGlobal continued its strong performance (+55% in ~6mnths) off the back of its February 1H24 results presentation. The company set revenue and profit records, growing 21% and 467% vs pcp respectively. Furthermore, the ESG advisory segment demonstrated strong growth, with revenues and profit up 18% and 21% vs pcp respectively. FY24 guidance was reaffirmed, with revenues and profit expected to jump to \$110-\$115m (12-17% growth vs FY23) and \$16.5m-\$18m (244-275% growth vs FY23). We maintain strong conviction in RPM to be able to capitalise on contract win momentum and generate sustained earnings growth over the medium term.

PWR Holdings (ASX: PWH) +18.28%

The strong performance of PWR Holdings (ASX:PWH) in February can undoubtedly be attributed to its strong HY24 results. The automotive and aerospace cooling systems manufacturer reported a 25.5% increase in NPAT on the pcp, driven by a similar gain in revenues. Moreover, the company announced statutory earnings per share of \$0.097, an 8.2% beat on analysts expectations.

The surprisingly strong result caused analysts covering the stock to upgrade their full year forecasts. The consensus price target has risen 7.4% to \$11.26, placing the stock's current \$11.93 price at a 5.95% premium (as at 07/03/24). The upgrade shows a promising sign that the intrinsic value of the business is improving. The EPS forecast for FY24 was also upgraded, predicted to

increase 17% to \$0.28. Acting as an obvious improvement in the sentiment surrounding PWH's earnings outlook, their strong HY results is a significant contributor to their 18.28% gain in February.

Michael Hill International (ASX: MHJ) -14.97%

A large part of Michael Hill's underperformance over the month of February is attributable to the company's 1H24 results presentation release, which catalysed an on-the-day fall of ~10%. Result lowlights included margin pressures due to input costs and market conditions, with gross margin down 370bps vs pcp to 61.5% and comparable EBIT down to \$31.3m, -43% vs pcp.

UQ SMIF's position in Michael Hill resembles that of the recently sold Dusk Group. Whilst we still look favourably upon the company's current valuation, the Bevilles acquisition and Michael Hill brand elevation journey have not eventuated as desired. As such, we do not hold confidence in MHJ's position in the unfavourable jewellery segment of retail is. So, we are evaluating MHJ's position in the portfolio.

Data#3 (ASX: DTL) -12.46%

Data#3 (ASX: DTL) experienced a significant decline (21.37%) in share price following the release of its H1 FY24 report in mid-February. While the report displayed strong financial performance, it appears to have fallen short of overly optimistic analyst expectations. The decline followed a period of surging digital sector momentum, which had propelled Data#3's share price to record-breaking highs of \$9.93 AUD prior to the report's release.

The ASX200 tech stock's half-yearly financial report revealed robust profitability, with profits climbing 25.5% over the prior half-year's performance. Data#3's gross sales growth was double that of industry comparators, increasing by 13.4% to \$1.3 billion. Data#3's business services units displayed consistent sales growth, with the sole exception being the people solutions unit, which experienced a 12.8% decline attributed to delays in customer decision-making. Despite positive markers, investor sentiment turned negative as the report failed to meet analyst expectations for even higher sales targets. Continued industry tailwinds, driven by investment

in the use of GenAI and data centers, will underpin significant sales growth for Data#3.

Johns Lyng Group (ASX: JLG) -8.31%

Building services provider, Johns Lyng Group (ASX: JLG) delivered a weak February performance, down 8.31%. The company's poor performance can be attributed to the release of its H1 FY24 results on February 27th, which was ultimately not supportive to share price. Despite JLG delivery a record volume of BaU work, resulting in revenue up 13.7% on H1 FY23, investors were not impressed as the group's NPAT fell to \$31.1 million from \$34.1 million from H1 FY23, down \$12.5%. This led to a fall in EPS from 9.68 cents to 8.47 cents.

Despite these half year results, the company has upgraded its full-year forecast group sales revenue to \$1.2 billion and forecast EBITDA to \$129.4 million. Group CEO, Scott Didier, noted "an ongoing and escalating trend" of valuable projects in the catastrophe business, stemming from prolonged adverse weather events will continue to underpin growth for the building company.

Performance Summary: February 2024

Code	Name	Value (AUD)	Weighting	Contribution	Total Return %
MQG	Macquarie Group Ltd	24,156	7.46%	0.17%	2.29%
PWH	Pwr Holdings Limited	20,369	6.29%	0.97%	18.28%
RUL	Rpmglobal Hldgs Ltd	19,340	5.97%	1.17%	24.44%
JHX	James Hardie Indust	15,309	4.73%	0.20%	4.36%
BXB	Brambles Limited	12,870	3.97%	0.11%	2.94%
CAR	Car Group Limited	12,829	3.96%	0.40%	11.36%
WES	Wesfarmers Limited	12,128	3.75%	0.48%	14.56%
JLG	Johns Lyng Group	11,920	3.68%	-0.30%	-7.64%
QBE	Qbe Insurance Group	11,204	3.46%	0.29%	9.09%
CWY	Cleanaway Waste Ltd	10,524	3.25%	0.10%	3.08%
SUN	Suncorp Group Ltd	10,098	3.12%	0.23%	7.82%
BHP	Bhp Group Limited	9,884	3.05%	-0.23%	-7.07%
NST	Northern Star	9,701	3.00%	-0.06%	-1.90%
RMD	Resmed Inc	9,651	2.98%	-0.28%	-8.70%
CSL	Csl Limited	9,446	2.92%	-0.16%	-5.12%
PRN	Perenti Limited	9,416	2.91%	0.30%	11.66%
SPK	Spark New Zealand	8,671	2.68%	-0.12%	-4.45%
SHL	Sonic Healthcare	8,567	2.65%	-0.19%	-6.78%
QUB	Qube Holdings Ltd	8,174	2.52%	-0.02%	-0.91%
DTL	Data#3 Limited	7,788	2.41%	-0.39%	-14.01%
INA	Ingenia Group	7,342	2.27%	0.17%	8.04%
CLW	Chtr H Lwr	7,236	2.23%	-0.01%	-0.53%
APA	Apa Group	7,112	2.20%	-0.18%	-7.54%

MHJ	Michael Hill Int	5,581	1.72%	-0.30%	-14.97%
ELD	Elders Limited	4,987	1.54%	0.02%	1.34%
RIO	Rio Tinto Limited	4,456	1.38%	-0.10%	-6.88%
IPH	Iph Limited	4,418	1.36%	-0.11%	-7.59%
IGO	Igo Limited	3,343	1.03%	0.05%	5.03%
IDX	Integral Diagnostics	3,125	0.97%	0.10%	12.18%
WDS	Woodside Energy	1,214	0.38%	-0.03%	-6.33%
CASH	CASH	40,232	12.43%	0.00%	0.00%
Total Portfolio Value		323,304.85			2.26%

Top 5 Contributors	
Ticker	Contribution
RUL	1.17%
PWH	0.97%
WES	0.48%
CAR	0.40%
PRN	0.30%

Bottom 5 Contributors	
Ticker	Contribution
DTL	-0.39%
JLG	-0.30%
MHJ	-0.30%
RMD	-0.28%
BHP	-0.23%

Top 5 Performers	
Ticker	Performance
RUL	24.44%
PWH	18.28%
WES	14.56%
IDX	12.18%
PRN	11.66%

Bottom 5 Performers	
Ticker	Performance
MHJ	-14.97%
DTL	-14.01%
RMD	-8.70%
JLG	-7.64%
IPH	-7.59%

Sector	Return	Weighting	Contribution
Utilities	-7.54%	2.20%	-0.18%
Materials	1.00%	16.09%	0.16%
Industrials	-1.53%	14.80%	-0.23%
Communication Services	4.39%	6.64%	0.28%
Real Estate	3.61%	4.50%	0.16%
Healthcare	-5.27%	9.51%	-0.53%
IT	10.29%	8.38%	0.78%
Consumer Staples	10.36%	5.29%	0.50%
Consumer Discretionary	9.10%	8.02%	0.67%
Financials	5.10%	14.04%	0.68%
Energy	-6.33%	0.38%	-0.03%
Cash	0.00%	12.43%	0.00%
Total Return	2.26%	100%	2.26%

Portfolio Management Team

<i>Name</i>	<i>Current Enrolment and Contact</i>
Tom Collier	Bachelor of Advanced Finance & Economics t.collier@uqconnect.edu.au
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Portfolio Analysts

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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.