

Student Managed Investment Fund October 2019 Update



October 2019 Fund Update

Fund Review

The portfolio returned (-0.47%) for the month ended 31 October 2019, compared with the benchmark All Ordinaries Accumulation Index return of (-0.4%).

Market Update

October displayed high variance with respect to results across global equities. Australian (-0.4%) and UK (-2.2%) markets lagging in comparison to the performance of the S&P 500 (+2.0%) and Japanese (+5.0%) markets.

October represented a handover month of the fund for the new Portfolio Managers, and we continue to see pockets of quality dotted across the marketplace.

The largest position taken by the fund during the month was in ResMed (ASX:RMD), a market leader in the treatment of sleep apnoea, COPD and other chronic diseases. Pleasingly, the company announced strong first quarter results, with bolstered revenue (+16%) and margin growth (+1.2%) across the business, contributing to a strong performance of (+10.8%) for the month.

Domestically, the Financial sector has continued to come under pressure due to low interest rates and market uncertainty. Westpac recently announced a \$2.5 billion CET1 capital raising, with disappointing full year results resulting in a 7.5% cut to the full year dividend. We believe banks will continue to face low interest rates and tightening margins, and accordingly, reduced the fund's exposure to Westpac, and remain underweight to Financials in general, prior to this earnings downgrade.

Overall, there have not been any fundamental changes in the Australian and global economy since taking over the fund, and we continue to see businesses delaying investment due to uncertainty around the outcome of the US-China trade-war and Brexit negotiations. We will continue to monitor the exposure of the fund to any further developing macro-economic and geo-political events and act when necessary.

RBA Policy and Review

The RBA's statement on monetary policy for the last month flagged several key developments in economic conditions. The first was the recovery of housing prices, even as residential construction continues to lag.

It's the view of the fund that this is concentrated at the top end of the market and this is consistent with lower retail sales. Inflation has picked up slightly to 1.7% as the unemployment rate continues to drop and we start to see modest increases in wage growth.

The RBA further cut rates to a historic low of (0.75%) this month, which will continue to assist in the recovery of asset prices within the housing market.

Investment Philosophy

We have implemented the majority of the recommended changes to the portfolio during the last week of October, and these changes have been closely scrutinised in keeping with our investment philosophy.

As Portfolio Managers, we will continue to extend our focus on high quality companies, with a cyclical business models and solid balance sheets. We will continue to act prudently when making changes to the portfolio.

Given the long-term, quality bias of our philosophy, we intend to have a low turn-over rate within our portfolio and allow companies to grow their economic moat.

Looking forward, further trades are expected to be executed based on the fund's philosophy in the coming months.

Portfolio Management Team

<i>Student</i>	<i>Degree</i>
Xavier Clark	Bachelor of Commerce & Economics
Elyse Dwyer	Bachelor of Advanced Finance & Economics (BAFE)
Zach Hayward	Bachelor of Advanced Finance & Economics (BAFE)
Patrick Jaffe	Bachelor of Advanced Finance & Economics (BAFE)
Callum McFaul	Bachelor of Advanced Finance & Economics (BAFE)
Jordi Montaner	Bachelor of Advanced Finance & Economics (BAFE)

Quantitative Data:**Holdings:**

Ticker	Company Name	Position as of 31 October	Weight	Total Return
FAIR	BETAAUSUST/ETF	\$ 44,239.10	19.20%	24.34%
MQG	MACQUARIE GROUP LTD FPO	\$ 15,936.48	6.92%	8.56%
RMD	RESMED INC CDI 10:1	\$ 11,990.64	5.21%	10.84%
APA	APA GROUP STAPLED	\$ 10,554.90	4.58%	3.01%
SCP	SCA PROPERTY GROUP STAPLED	\$ 9,616.75	4.17%	-1.47%
MICH	MAG INFRA FUND CH TMF UNITS	\$ 9,477.00	4.11%	0.00%
CNU	CHORUS LIMITED FPO NZX	\$ 9,125.60	3.96%	-3.17%
RIO	RIO TINTO LIMITED FPO	\$ 8,270.08	3.59%	1.32%
SHL	SONIC HEALTHCARE LIMITED	\$ 8,190.98	3.56%	34.77%
QUB	QUBE HOLDINGS LTD	\$ 8,173.75	3.55%	29.57%
WBC	Westpac Banking Corp	\$ 7,898.80	3.43%	2.06%
WOW	WOOLWORTHS GROUP LTD FPO	\$ 7,613.28	3.30%	-0.03%
BHP	BHP GROUP LTD	\$ 7,190.00	3.12%	24.90%
TGR	Tassal Group Limited	\$ 5,899.50	2.56%	3.35%
CSL	CSL LIMITED	\$ 5,632.66	2.45%	40.90%
APX	APPEN LTD	\$ 5,533.11	2.40%	55.45%
NST	NORTHERN STAR RESOURCES LTD	\$ 5,267.02	2.29%	19.58%
JHX	JAMES HARDIE INDUST CDI 1:1	\$ 5,175.04	2.25%	0.32%
BAP	BAPCOR LIMITED FPO	\$ 5,062.20	2.20%	1.27%
NCK	NICK SCALI LIMITED	\$ 4,850.60	2.11%	22.72%
SYD	SYDNEY AIRPORT	\$ 4,829.00	2.10%	5.28%
ORG	ORIGIN ENERGY FPO	\$ 4,307.28	1.87%	0.26%
RWC	RELIANCE WORLD WIDE CORPORATION LTD	\$ 4,016.34	1.74%	-9.47%
BRG	BREVILLE GROUP LTD FPO	\$ 2,393.04	1.04%	2.82%
	CASH AND DIVIDENDS RECEIVABLE	\$ 19,114.40	8.30%	
	TOTAL	\$ 230,357.55	100.00%	

Performance:

	1 month	3 months	6 month	Since Inception (Nov 2018)
% Return	-0.47%	-3.31%	2.64%	15.18%

Key Portfolio Metrics:

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P/E	20.93x
P/B	2.57x
ROE	13.49%

Market Capitalisation Breakdown:

	Number of Stocks	% Weight
S&P/ASX1-100	15	49.94%
S&P/ASX101-200	6	16.34%
S&P/ASX201-300	1	2.11%
S&P/ASX301-500	0	0.00%
ex-All Ordinaries	1	4.11%

Sector Breakdown:

	% Weight
Materials	11.24%
Healthcare	11.21%
Financials	10.35%
Consumer Staples	5.87%
Industrials	5.64%
Consumer Discretionary	5.34%
Utilities	4.58%
Real Estate	4.17%
Communication Services	3.96%
Information Technology	2.40%
Energy	1.87%

Note: The FAIR ETF is not included in the above metrics.

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.