The University of Queensland Business School

The University of Queensland Australia

CREATE CHANGE

Student Managed Investment Fund April 2021 Update

April 2021 Fund Update

Fund Update

The portfolio returned 4.9% during the month of April. When compared to the benchmark All Ordinaries Accumulation Index return of 3.9%, this represents a total outperformance of 1.0%.

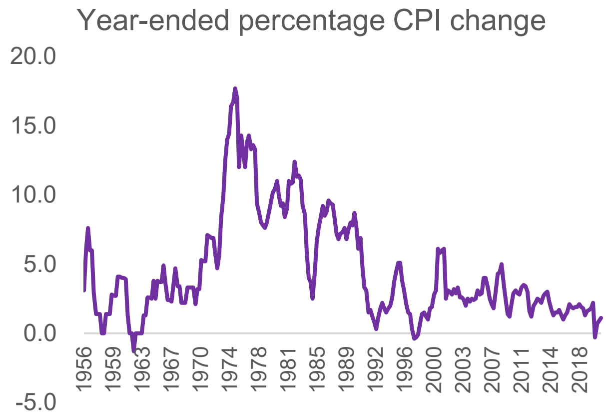
Top performers in the portfolio for the month included Cleanaway Waste Management Limited (ASX: CWY) that rose on the acquisition of $500 million worth of Sydney waste management assets, City Chic Collective Limited (ASX: CCX) and Codan Limited (ASX: CDA) which returned 29.6%, 17.59% and 15.7% respectively. The poorest performers were Cooper Energy Limited (ASX: COE), Woolworths Group Limited (ASX: WOW) and Integral Diagnostics Limited (ASX: IDX) which returned -9.3%, -3.8% and -3.8% respectively.

With the end of April marking the end of Plutus Capital's tenure as the Portfolio Managers of the Student Managed Investment Fund, we would like to reflect on the markets and our performance over the last seven months. Strong recovery sentiment has continued to be the primary driver of market performance with the All Ordinaires rallying 23.2%, eclipsing it's pre-COVID highs. On the other hand, through a combination of a major bank rally in late 2020, that was only half captured by the SMIF portfolio and significant unforeseen declines in certain positions, the fund returned 10.7% over the period, representing an underperformance of 12.5%. In regards to our initial transactions, a majority have yielded exceptional gains with Codan (ASX: CDA) and ANZ Banking Group (ASX: ANZ) in particular returning above 45%.

Market Update

Australian inflation undershoots expectations

For the December-March quarter, tension surrounded the upcoming inflation announcement as, if the 0.9% expectation was exceeded, research shows that stock valuations could reduce by 15% and put pressure on the reserve bank to adjust its QE initiatives. However, headline inflation undershot expectations substantially, rising only 0.6% to 1.1% annually. The RBA's preferred measure of inflation, core inflation, also resulted in only a 0.3% increase. These results have been attributed to the Government's HomeBuilder scheme keeping dwelling prices subdued with a price reduction of 0.1% opposed to the 1.9% increase without the subsidy.



Source: RBA

Vaccination progress

In April, new global coronavirus cases broke another record-high, driven mainly by emerging countries. India, in particular, accounted for a third of new global cases. In Australia, the number of new coronavirus cases remains very low, arising primarily from returned travellers. States continue to show quick and decisive action to prevent further spread, with Perth entering a three-day lockdown following a single positive case this month as an example of such stringency.

So far, approximately 7% of the global population has received at least one dose of the vaccine. Within developed countries, over half of the population in the UK has received a dose followed by 43% of the US. With a focus on vaccinating high priority groups first, Australia is well behind at 7%. However, from May onwards, the vaccine will be available to Australians aged 50 or older.

Additionally, there have been potential concerns surrounding the safety of some vaccines. The AstraZeneca and Johnson & Johnson vaccines have been linked to an increased likelihood of a rare type of blood clot. This news led Denmark to cease their rollout of the AstraZeneca vaccine altogether. While this continues to be rolled out in Australia, the health advice has changed to preference the Pfizer COVID-19 vaccine over AstraZeneca's for those aged under 50 years.

However, markets have continued to look through this as well as the resurgence in new global cases, instead focusing on the impending road to global recovery.

Position Updates

Cleanaway Waste Management (ASX: CWY)

Cleanaway, the largest player in the Australian waste management sector, has reached a 10 year high at $2.85, following the $501m acquisition of Sydney-based landfill assets and waste stations. The acquisition represents a worthwhile end to various tumultuous acquisition attempts over the past several months.

On April 6, Cleanaway announced it had agreed to buy the Australian business of global waste giant Suez for $2.5bn. However, this had the condition that if a global takeover by Veolia occurred the deal was void. Veolia in response to talks between the two had sued both for violation of French takeover law, but as Veolia and Suez reached an agreement these proceedings never had consequences. Regardless, this agreement by Cleanaway did not go ahead.

As part of the April 6 agreement however, Cleanaway agreed to purchase the Sydney assets of Suez in the event of the global takeover. Consisting of two landfill sites and five waste stations, the assets solidify Cleanaway's presence in Australia's largest city. In the absence of competitors, the 501m deal is predicted to be extremely accretive and arguably a stronger strategic move for Cleanaway than the larger deal and will face less scrutiny from the ACCC. Markets have responded very positively since the announcement on April 12, rising from $2.47 to $2.85 by the end of the month.

The acquisition is overall in line with Plutus Capital's original investment thesis and indicative of the new management's ability to execute strategic acquisitions as the outgoing leadership did. The position continues to be a long-term holding capitalising on strong growth strategies and the shift in the industry and government policy towards environmentally conscious vertically integrated solutions.

Sydney Airport (ASX: SYD)

With airlines, airports and travel agencies prostrated by the devastating effects of COVID-19, many doubts were raised as to the ability and capacity of companies such as Sydney Airport to remain profitable and buoyant throughout the crisis and the ensuing aftermath. Indeed, since share price lows on the in March 2020 of $4.58, investors have since shown faith in the company to rebound, with the share price at March 2021 month-end being $6.19. Yet with the release of full year earnings at the end of February, two key takeaways have been made apparent.

First and foremost, whilst overall profitability may have been hampered, the aviation and travel industry has been proactive in devising strategies to steer it through the global pandemic and the challenges that may arise in a post-COVID world. Moreover, Sydney Airport has raised significant debt and equity capital, implemented a 'Safe Terminal and Workplace Plan', and provided relief to retail vendors operating within the airport. The proclivity towards being proactive and anticipating the dynamic changes that state and federal government lockdowns and bans bring, Sydney Airport's operations are not circumscribed by the volatility that COVID has fostered within other industry sub-sectors. Plutus Capital believes that these robust strategies will prepare Sydney Airport for further pandemic-related shocks and provide the company with the ability to recapitalise upon the prospects of a return to normalcy, particularly in the face of vaccine rollouts and international travel bubbles.

This notwithstanding, one cannot fail to overlook the 51% drop in revenue and 75% drop in passengers year-on-year between 2020 and 2021. Together, with no distribution and a $322 million drop in net income, Sydney Airport's present situation looks weak. However, Geoff Culbert (CEO) and his team remain pliable and versatile. In the past 12 months, their investment and commitment to new infrastructure projects such as the Jet Fuel Infrastructure Project and Sydney Gateway means that as air travel demand grows, Sydney Airport will serve as an ideal hub to service

Australia's place within the global aviation ecosystem. As such, while the executive team may not directly be able to boost the number of flights in and out of Sydney Airport each day, they have at least made it the most obvious choice for airlines, travellers and governments alike when travel does eventually resume.

In summary, it is Plutus Capital's view that Sydney Airport share price is poised for significant growth in the mid-to-long term. As air travel becomes more palatable, Sydney Airport has evolved into the natural choice to satiate this demand. Moreover, while the pandemic has provided unprecedented headwinds for the industry, Sydney Airport's tailored response has highlighted management's forward-looking approach and desire to embrace the challenges that COVID has brought.

Final Remarks

Plutus Capital would like to give a special thanks to the SMIF supervisors Dr. Clive Gaunt, Saphira Rekker, Khoa Hoang, our industry mentor Catherine Allfrey, Zion Capital and the broader UQ SMIF committee for their guidance and support throughout our time as Portfolio Managers. It has been an exciting time to be exposed to the markets and with a host of experienced managers to learn from, the skills and knowledge that we have developed over our tenure will be invaluable to our future endeavours. We greatly encourage those with an interest in developing their investing abilities to engage with SMIF to experience a unique, real world opportunity that will assist you throughout your future career. Finally, we would like to congratulate BC Capital for their selection as the new PM's for 2021 and wish them the best of luck over their tenure.

Portfolio Management Team

Name	*Current Enrolment and Contact*
Campbell Depper	Bachelor of Commerce and Bachelor of Science c.depper@uq.net.au
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Kate Wiseman	Bachelor of Advanced Finance & Economics k.wiseman@uq.net.au

Quantitative Data:

SMIF Portfolio Holdings:

Ticker	Company Name	Portfolio Weight	Position 30th April	Return*

JHX	James Hardie Industries plc	8.0%		$22,394	59.1%
MQG	Macquarie Group Limited	7.3%		$19,901	26.4%
BHP	BHP Group	4.6%		$12,593	48.7%
ANZ	Australia and New Zealand Banking Group Limited	4.3%		$11,467	47.2%
CWY	Cleanaway Waste Management Limited	4.3%	▲9	$11,192	27.2%
RIO	Rio Tinto Group	3.9%		$11,025	34.7%
BRG	Breville Group Limited	3.9%	▼3	$10,897	44.2%
SHL	Sonic Healthcare Limited	3.7%	▼1	$10,298	63.6%
PWH	PWR Holdings Limited	3.6%		$9,888	58.6%
CBA	Commonwealth Bank of Australia	3.5%	▼2	$9,883	27.2%
CCX	City Chic Collective Limited	3.5%	▲5	$9,566	95.0%
RMD	ResMed Inc.	3.4%	▼2	$9,474	28.5%
APA	APA Group	3.4%	▼2	$9,087	-11.5%
CSL	CSL Limited	3.3%	▼1	$8,948	20.2%
CNU	Chorus Limited	3.2%	▼3	$8,781	14.3%
WOW	Woolworths Group Limited	3.1%	▼1	$8,017	5.0%
INA	Ingenia Communities Group	3.0%		$8,010	41.4%
NST	Northern Star Resources Limited	2.9%	▲2	$7,904	-11.7%
JLG	Johns Lyng Group Limited	2.8%		$7,770	73.7%
QUB	Qube Holdings Limited	2.7%	▼2	$7,570	16.9%
CDA	Codan Limited	2.6%	▲2	$7,434	44.9%
CAR	carsales.com Ltd	2.5%	▲2	$6,942	-11.3%
SYD	Sydney Airport Limited	2.5%	▼1	$6,617	-27.6%
IDX	Integral Diagnostics Limited	2.4%	▼3	$6,448	34.7%
DOW	Downer EDI Limited	2.0%	▲1	$5,669	15.1%
BAP	Bapcor Limited	2.0%	▼1	$5,466	8.9%
IPH	IPH Limited	1.8%	▲1	$4,942	-5.4%
APX	Appen Limited	1.8%	▼1	$4,714	-10.6%
COE	Cooper Energy Limited	1.2%		$2,903	-40.6%
SSM	Service Stream Limited	1.1%		$2,776	-51.8%
	Cash and Dividends Receivable	1.4%		$3,925	
		TOTAL		$272,499	-

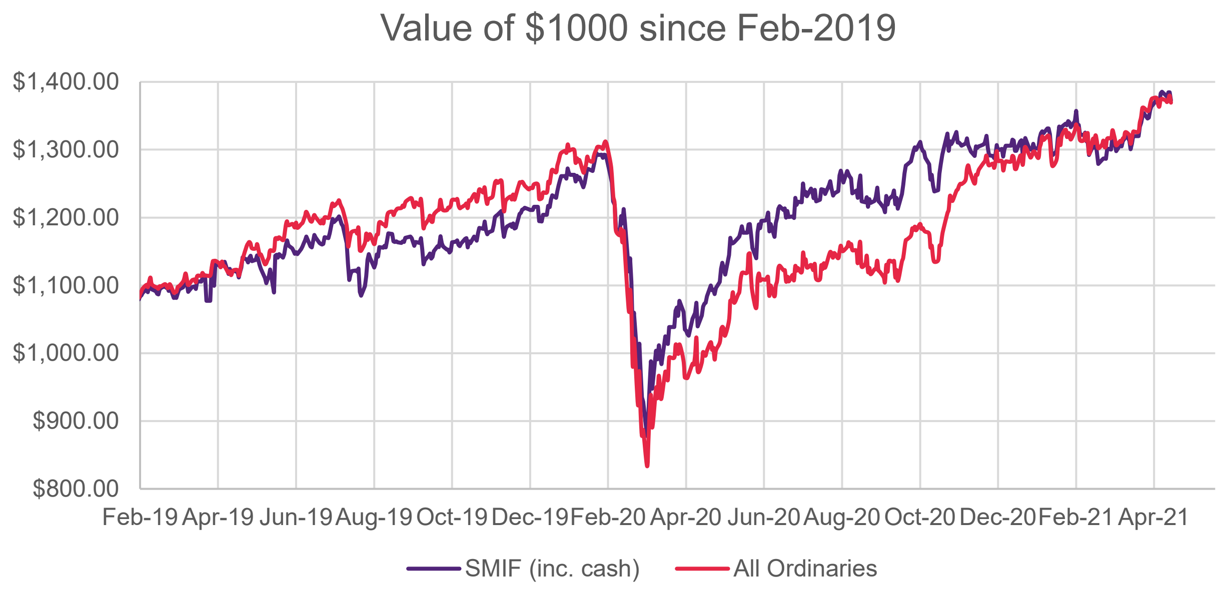
*Total return on each position since purchase, net of fees, excluding dividends

Performance:

	1 month	3 months	6 months	12 months	Inception (Nov 2018)*
SMIF	4.89%	6.22%	10.85%	27.79%	36.67%
All Ordinaries Accumulation Index	3.92%	7.34%	20.69%	33.89%	36.94%
Alpha	0.97%	-1.12%	-9.84%	-6.10%	-0.27%

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

*Total return since fund inception on 19 November 2018.



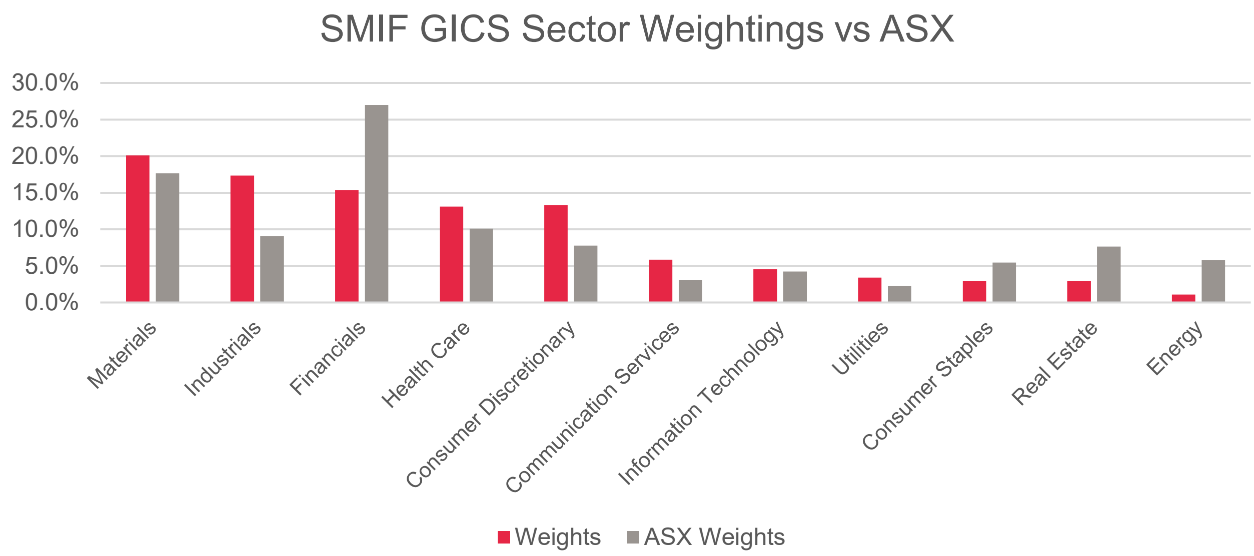
Sector Breakdown:

	% Weight	Change in rank*
Materials	20.1%	-
Industrials	17.3%	-
Financials	15.4%	-
Health Care	13.1%	-
Consumer Discretionary	13.3%	-
Communication Services	5.9%	-
Information Technology	4.5%	-
Utilities	3.4%	-
Consumer Staples	3.0%	-
Real Estate	3.0%	-
Energy	1.1%	-

*Since last update

Key Portfolio Metrics:

	SMIF	All Ords Acc.
Returns		
Annualised return	13.6%	13.7%
Risks		
Annual volatility	20.3%	23.2%
Beta	0.94	1.00
Tracking error	8.1%	0.0%
Risk/Return Trade Off		
Sharpe ratio	0.39	0.34
Information ratio	0.05	0.00
Jensen's alpha	0.4%	0.0%
Treynor's measure	0.08	0.08
Distribution of Returns		
Capture ratio	91%	100%
Downside capture	93%	100%
Upside capture	85%	100%



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.