The University of Queensland Business School

Student Managed Investment Fund April 2024 Update

April 2024 Fund Update

Dollar values are in AUD unless stated otherwise.

Fund Update

April 2024 saw a negative monthly return for the SMIF of -1.50%. Despite low returns, the portfolio outperformed the ASX All-Ordinaries Index benchmark, which saw a loss of 2.71% on the month of trading. Poor results across the market were caused mainly by persistent inflationary pressures, continued monetary policy tightening and poor investor sentiment due to escalating conflict in the Middle East.

The portfolio's negative performance over April was largely driven by John Lyng Group, James Hardie Industries, Charter Hall Long WALE REIT, Ingenia Group and Elders Ltd with negative returns of -12.32%, -12.02%, -11.26%, -10.90% and -9.49% respectively. A long tail of other poor performers across Industrials and Energy also hampered the fund. The portfolio's overall return was bolstered, however, by the strong performance of Integral Diagnostics, IGO and RPM Global Holdings. These positions generated returns of 12.89%, 11.88% and 11.76% respectively. No sectors had particularly strong performances across the month, although Consumer Discretionary and Healthcare remained solid. Information Technology had the largest returns, which was due to RPM Global returns positively offsetting a downtick in the other IT holding Data#3 Limited. Real Estate was extremely poor performing, losing 11.07%. Such movement was due to building material shortages and labour supply constraints as well as weaker international demand.

Market Update

In April 2024, the global economy faced heightened volatility, driven by persistent inflationary pressures in the US, a weakened bond market, and escalating geopolitical tensions. Major economies, including the U.S. and Europe struggled, with firm inflation despite ongoing monetary tightening across central banks. Australia's economy, while resilient, was not immune to these challenges. The ASX experienced notable declines, especially in interest rate-sensitive sectors such as property and consumer discretionary. Australia's reliance on global trade, including ties with the Chinese market, compounded the uncertainty as geopolitical risks and inflationary concerns weighed heavily on market sentiment. Bearish conditions are expected to play out, unless key inflation, unemployment and GDP growth data points materially improve.

In terms of the Australian economy, in April it faced significant headwinds amid global market instability, with GDP growth (0.1%) barely moving on March and 1.1% year on year inflationary pressures from key trading partners like the U.S. and China, combined with domestic inflation, forced the Reserve Bank of Australia to maintain a tight monetary stance. This policy, aimed at curbing economy wide cost-push and demand-pull inflation exerted pressure on sectors highly sensitive to interest rates. Property stocks, which had seen a strong performance earlier in the year, experienced sharp declines, while consumer spending weakened, contributing to poor performance on the ASX. Australian banks, likewise, saw reduced profitability due to rising borrowing costs and concerns over slowing demand for housing loans.

Despite these challenges, Australia's broader economic fundamentals remained relatively strong. Exports, particularly in natural resources, continued to provide a buffer, though slower growth in key markets like China weighed on trade prospects. Moreover, geopolitical risks in the Asia-Pacific region, including Australia's strained relations with China, created additional uncertainty. Business and consumer confidence softened, reflecting concerns over inflation, interest rates and global market volatility. In response, the RBA signalled a cautious approach, balancing inflation management with the need to support economic growth

For the remainder of 2024, the Australian economy is expected to experience moderate growth, with GDP projected to increase by around 1.4% YoY, weighed down by weak consumer demand and slowing investment. Inflation is likely to continue its gradual decline to the target band, but the RBA’s hawkish monetary policy stance and global economic uncertainties may constrain a quick recovery.

Positions Update

Integral Diagnostics (ASX: IDX 12.89%)

Integral Diagnostics' share price increase in April 2024 was fuelled by positive diagnostic imaging industry developments indicating that the sector is coming out the other side of a challenging operating environment over the last few years. With greater speculation over private equity buy outs of medical imaging companies, investors have flooded into the industry looking to capitalise on control premiums. Moreover, in April the Australian government announced changes to the Diagnostic Imaging Medicare Benefits Schedule Services. This included new items for MRI, PET/CT and Ultrasound. Therefore, more types of scans will come under the funding scheme, increasing demand for the services and improving pricing power. Such a development has followed a period of regulatory intervention after the sector was pushed to the wall with higher labour charges, skilled worker shortages and poor Medicare rebates. Moreover, the company’s continued integration of technology and artificial intelligence in its teleradiology arm IDXt is continuing to drive cost out initiatives and greater efficiency.

IGO Ltd (ASX: IGO 11.88%)

IGO Limited's share price saw a large spike, attributed mostly to its strong Q3 2024 performance report released at the end of the period. Despite challenges in the lithium market, the company's operations at the Greenbushes lithium mine, part of a joint venture with Tianqi Lithium, continued to generate robust cash flows. However, the quarter saw lower spodumene production and sales compared to Q2 2024, with sales down 34% and production down 22%. This decline was expected due to lower offtake nominations and changing market dynamics, particularly with a new pricing mechanism affecting spodumene. Despite this, IGO reported an EBITDA of $211m for the quarter, reflecting resilience in the business amid fluctuating commodity prices. Investors were further encouraged by the company's focus on operational efficiency and safety improvements. IGO's Q3 results also highlighted an 8% increase in cash costs, rising to AUD 386 per tonne. The strong cash position and continued improvements in cost control, alongside market anticipation of stabilizing spodumene prices, contributed to renewed investor confidence.

John Lyng Group (ASX: JLG -12.32%)

Johns Lyng Group's (ASX: JLG) performance in April 2024, which saw a negative return of 12.32%, reflected several operational challenges that impacted its profitability. Although the company's core insurance restoration services maintained strong demand, rising labour costs and supply chain disruptions significantly affected margins. These cost pressures were exacerbated by increased competition in the construction and repair sector, which also slowed project completion times. Furthermore, external economic factors, including inflation and tighter credit markets, reduced the pace of recovery efforts in major disaster zones, dampening growth in some of its key regions. Despite these hurdles, Johns Lyng continued to expand its U.S. and New Zealand operations, which offered some revenue diversification. However, supply chain bottlenecks and rising material costs cut into the profitability of these international projects. Investors reacted boldy to the company's tempered growth outlook and concerns over continued operational cost pressures, contributing to the stock's negative performance during the month.

James Hardie Industries (ASX: JHX -12.02%)

James Hardie Industries' performance in April 2024 reflected ongoing challenges, primarily due to slowing demand in all key markets. The company's share price faced pressure as it grappled with reduced volumes in its largest segment, North America, where housing market uncertainties remained prevalent. Despite a 5% decline in volume for their Fiber Cement products in the Asia-Pacific region, James Hardie was able to offset some of these challenges by raising average selling prices, leading to a 9% boost in that metric. However, increased employee costs and higher SG&A expenses continued to weigh on the company's profit margins. EBIT margins in the Asia-Pacific region fell by 170 basis points, reflecting the broader industry trends of rising costs and subdued demand. In their Q3 earnings announcement, James Hardie reported a modest increase in net sales by 9%, driven by a mix of strategic price hikes and cost efficiency initiatives. While their adjusted net income grew by 19% year on year, the company's EBIT margins shrank in key segments due to cost pressures, which contributed to a mixed market response. Looking ahead, James Hardie remains cautious about global housing markets but plans to outperform by expanding its market share through targeted investments in capacity and operational improvements.

Performance Summary

Ticker	Name	Value	Weighting	Total Return	Contribution
MQG	Macquarie Group Ltd	24,762.80	4.85%	-6.12%	-0.30%
RUL	Rpmglobal Hldgs Ltd	19,081.14	3.74%	11.76%	0.44%
PWH	Pwr Holdings Limited	19,001.44	3.72%	1.82%	0.07%
JHX	James Hardie Indust	15,525.72	3.04%	-12.01%	-0.37%
BXB	Brambles Limited	13,792.10	2.70%	-9.47%	-0.26%
CAR	Car Group Limited	12,591.92	2.47%	-6.24%	-0.15%
WES	Wesfarmers Limited	12,448.80	2.44%	-2.35%	-0.06%
JLG	Johns Lyng Group	12,146.95	2.38%	-12.32%	-0.29%
QBE	Qbe Insurance Group	11,748.24	2.30%	-2.21%	-0.05%
RMD	Resmed Inc	10,914.30	2.14%	8.96%	0.19%
NST	Northern Star	10,881.44	2.13%	3.25%	0.07%
SUN	Suncorp Group Ltd	10,810.80	2.12%	1.47%	0.03%
CWY	Cleanaway Waste Ltd	10,681.44	2.09%	-0.74%	-0.02%
PRN	Perenti Limited	10,140.06	1.99%	-2.55%	-0.05%
BHP	Bhp Group Limited	9,960.75	1.95%	-2.80%	-0.05%
CSL	Csl Limited	9,501.36	1.86%	-3.88%	-0.07%
QUB	Qube Holdings Ltd	8,576.15	1.68%	-2.35%	-0.04%
SHL	Sonic Healthcare	8,440.67	1.65%	-8.98%	-0.15%
SPK	Spark New Zealand	8,027.69	1.57%	-0.92%	-0.01%
INA	Ingenia Group	7,933.91	1.55%	-10.90%	-0.17%
DTL	Data#3 Limited	7,667.28	1.50%	-7.61%	-0.11%
APA	Apa Group	7,619.46	1.49%	-1.07%	-0.02%
CLW	Chtr H Lwr	7,410.80	1.45%	-11.26%	-0.16%
MHJ	Michael Hill Int	5,502.70	1.08%	-5.71%	-0.06%
ELD	Elders Limited	5,140.24	1.01%	-9.49%	-0.10%
IPH	Iph Limited	4,404.38	0.86%	-0.32%	0.00%
RIO	Rio Tinto Limited	4,383.36	0.86%	7.17%	0.06%
IDX	Integral Diagnostics	3,181.50	0.62%	12.89%	0.08%
IGO	Igo Limited	2,976.47	0.58%	11.88%	0.07%
WDS	Woodside Energy	1,220.00	0.24%	-7.44%	-0.02%
CASH	CASH	214,114.61	41.93%	0.00%	0.00%
Total		**510,588.48**	**100%**		**-1.50%**

Performance Overview

	1 Month	3 Months	6 Months	1 Year	Since Inception p.a.*
SMIF	-1.50%	1.86%	9.45%	4.78%	9.20%
All Ordinaries Accumulation Index	-2.72%	0.24%	13.84%	5.73%	5.84%
Alpha	1.22%	1.62%	-4.39%	-0.95%	3.36%

* Return since fund inception on 19 November 2018

Sector Breakdown

Sectors	% Weight	% Return
Materials	10.55%	-2.56%
Industrials	9.71%	-6.24%
Financials	9.27%	-3.42%
Healthcare	6.27%	0.82%
IT	5.24%	6.21%
Consumer Discretionary	4.80%	0.13%
Communication Services	4.04%	-4.16%
Consumer Staples	3.44%	-4.44%
Real Estate	3.01%	-11.07%
Utilities	1.49%	-1.07%
Energy	0.24%	-7.44%
Cash	41.93%	0.00%
Total	**100%**	**-1.50%**

Contributors to Returns

Top 5 Contributors (%)	
RUL	0.44
RMD	0.19
IDX	0.08
IGO	0.07
NST	0.07

Top 5 Detractors (%)	
JHX	-0.37
MQG	-0.30
JLG	-0.29
BXB	-0.26
INA	-0.17

Portfolio Management Team

Name	*Current Enrolment and Contact*
Angus Killen	Bachelor of Advanced Finance & Economics a.killen@student.uq.edu.au
Edward Cullen	Bachelor of Advanced Finance & Economics e.cullen1@student.uq.edu.au
Elissa Skinner	Bachelor of Advanced Finance & Economics e.skinner@student.uq.edu.au
Farah Abdel Aziz Ahmed	Bachelor of Advanced Finance & Economics f.abdelazizahmed@student.uq.edu.au
Gabriel Lohmann	Bachelor of Advanced Finance & Economics g.lohmann@student.uq.edu.au
Hamish Trim	Bachelor of Advanced Finance & Economics h.trim@student.uq.edu.au
Harley Crozier	Bachelor of Advanced Finance & Economics h.crozier@student.uq.edu.au
Holly O'Flaherty	Bachelor of Advanced Finance & Economics h.oflaherty@student.uq.edu.au
John Joyce	Bachelor of Advanced Finance & Economics john.joyce@student.uq.edu.au
Luca Tosoni	Bachelor of Advanced Finance & Economics l.tosoni@student.uq.edu.au
Macgregor Sargent	Bachelor of Advanced Finance & Economics m.sargent@student.uq.edu.au

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.