The University of Queensland Business School

Student Managed Investment Fund February 2025 Update

February 2025 Fund Update

Dollar values are in AUD unless stated otherwise.

Fund Update

The SMIF recorded a return of -3.57% over the month of February 2025, outperforming the benchmark by 0.82% (ASX: XAO -4.39%). After initially rising to all-time highs, the S&P/ASX 200 sharply retraced to close the month down -3.8%, its worst month since September 2022. The Fund saw negative contributions throughout the month across all but two sectors, Information Technology and Utilities. Integral Diagnostic's negative performance (ASX: IDX -31.73%) was the largest detractor in the Fund, detracting -1.15%. This negative performance was experienced amidst an underwhelming month for the Healthcare sector compared to the rest of the market. The top performing companies in the portfolio this month were Data#3 Limited (ASX: DTL) and APA Group (ASX: APA), returning 11.06% and 8.21% respectfully. Lining the bottom in terms of returns were Integral Diagnostics (ASX: IDX -31.73%) and John Lyng Group (ASX: JLG -30.68 %).

Market Update

Global Markets

Global markets experienced heightened volatility in February as investors grappled with shifting monetary policy expectations, trade tensions, and slowing economic momentum. The S&P 500 ended the month down 1.3%, reversing mid-month gains, as concerns around stagflation and soft economic data weighed on sentiment. The U.S. imposed fresh tariffs—25% on imports from Mexico and Canada and a further 10% on Chinese goods—escalating global trade tensions. Retaliatory measures are expected, creating uncertainty around inflation and corporate earnings. Treasury yields came down, with the U.S. 10-year yield falling 35 basis points to 4.19%, as markets priced in nearly three rate cuts from the Federal Reserve in 2025, with the first anticipated in June. European equities outperformed, with the MSCI Europe index gaining 3.1%, driven by strong earnings and hopes of fiscal expansion. Moreover, Chinese markets saw a sharp rally, with the MSCI China index surging 11.8%, fuelled by government pledges to support the technology sector and increased AI-related investment. Emerging markets overall performed well, with the MSCI Emerging Markets index up 0.8%.

National

Australian equities struggled in February, with the S&P/ASX 200 dropping 3.8%, marking its worst monthly performance since September 2022. Market sentiment was weighed down by U.S. trade policy developments, a tight domestic labour market, and ongoing uncertainty over monetary policy. Cyclical sectors bore the brunt of the sell-off, with Technology (-12.3%), Financials (-4.4%), and Consumer Discretionary (-3.1%) among the worst performers, while defensive sectors such as Utilities (+3.2%) and Consumer Staples (+1.5%) provided relative stability. The Reserve Bank of Australia (RBA) cut the cash rate by 25 basis points to 4.10% but tempered expectations for further easing, citing inflation risks and a resilient job market. Inflationary pressures showed signs of easing, with the consumer price index rising 2.5% year-over-year in January, while wage growth slowed to 3.2%. Bond markets saw yields decline, with Australian 10-year yields falling 13 basis points to 4.30%. As markets assess the trajectory of inflation, growth, and monetary policy, investors remain cautious, balancing optimism for rate cuts against lingering economic risks.

Positions Update

Data#3 Limited (ASX: DTL 11.06%)

Data#3 delivered strong performance in February, returning 11.06% as its 1H FY25 results highlighted sustained earnings growth despite market challenges. The company reported a 7.4% rise in gross sales to $1.4 billion and a 10% increase in gross profit, reaching $143.6 million. Profit before tax grew 4.1% to $32.0 million, aligning with guidance, while after-tax earnings rose 4.3% to $22.4 million. Growth was driven by strength in managed and maintenance services and software solutions, underpinned by a leading market position, strong supplier relationships and long-standing customer base. However, its infrastructure solutions unit saw a 12.9% sales decline due to delayed customer decision-making and a lower-than-expected uptake in end-user compute sales. Industry recognition and certifications further reinforced Data#3's strong market position, with security emerging as its fastest-growing segment. Looking ahead, the company expects IT spending to rise 8.7% in 2025, fuelled by AI adoption and multi-cloud demand, positioning it for continued growth.

APA Group (ASX: APA 8.21%)

APA Group delivered strong performance in February, with its share price rising 8.21% following solid 1H FY25 results. Revenue increased by 7.1% to $1.36 billion, while underlying pre-tax profit grew 9.1% to just over $1 billion, supported by strong contributions from new assets and cost efficiencies. Free cash flow rose 3.6% to $552 million, allowing APA to increase its interim distribution by 2% to 27 cents per share. Despite these positive results, net profit declined significantly to $34 million from $1.05 billion a year earlier, largely due to the Pilbara Energy acquisition the previous year. APA completed key infrastructure projects, including the Port Hedland Solar and Battery project and the Kurri Kurri lateral pipeline, while its East Coast gas transmission and storage division saw an 8% earnings boost, aided by insurance proceeds. CEO Adam Watson highlighted APA's strong balance sheet and $1.8 billion growth pipeline, which it expects to fund internally over the next three years. Management reaffirmed FY25 pre-tax earnings guidance of $1.96 billion to $2 billion and a 57-cent per security distribution. With ongoing expansion projects and continued operational improvements, APA remains well-positioned for long-term growth despite recent share price volatility.

Integral Diagnostics (ASX: IDX -31.73%)

Integral Diagnostics had a difficult February, with its share price plunging 31.73% following a disappointing 1H FY25 earnings report. While revenue grew 7.8% to $249.4 million, bolstered by a $3.5 million contribution from its recent merger with Capitol Health, the company posted a statutory loss of $0.4 million. Operating EBITDA came in at $46.2 million, with Integral Diagnostics contributing $46.8 million, offset by a $0.6 million loss from Capitol Health. The market reacted negatively to higher-than-expected clinical staff cost inflation, particularly in regional areas, which weighed on profitability. Despite the weak results, CEO Dr. Ian Kadish remains optimistic, citing strong industry fundamentals and potential tailwinds from MRI deregulation and the upcoming National Lung Cancer Screening Program. The merger with Capitol Health is expected to improve margins and generate at least $10 million in annual pre-tax synergies, with most benefits materialising within the first year. While no concrete guidance was provided for the second half, management is focused on operational improvements to strengthen EBITDA margins over time

Johns Lyng Group (ASX: JLG -30.68%)

Johns Lyng Group had a difficult February, with its share price plunging 30.68% following disappointing 1H FY25 results and a downward revision of full-year guidance. Revenue declined 6.1% year-over-year to $573.1 million, primarily due to a 67.7% drop in catastrophe insurance (CAT) revenue, which fell to $38.8 million amid fewer disaster claims. Pre-tax earnings fell 15.4% to $54.2 million, while net profit dropped from $31 million to $20.8 million. Despite this, the company extended key U.S. contracts and completed acquisitions, including an 87.5% stake in Queensland-based Keystone Group. However, project delays in New South Wales and the U.S. further weighed on performance. As a result, management lowered FY25 revenue guidance by 5% to $1.167 billion and reduced pre-tax earnings expectations by 4.5% to $126.5 million. CEO Scott Didier remains optimistic, emphasiSing Johns Lyng's diversified model and expanding insurer partnerships. The company continues to position itself for long-term growth, particularly through its Disaster Management Australia business, but near-term challenges and unpredictable weather events have heightened investor concerns.

Performance Summary

Ticker	Name	Value	Weighting	Total Return	Contribution
MQG	Macquarie Group Ltd	29,859.20	5.71%	-5.90%	-0.34%
RUL	Rpmglobal Hldgs Ltd	23,916.18	4.57%	-1.44%	-0.07%
CSL	Csl Limited	23,275.69	4.45%	-7.08%	-0.32%
IDX	Integral Diagnostics	19,007.04	3.64%	-31.73%	-1.15%
BXB	Brambles Limited	16,909.20	3.23%	5.56%	0.18%
RMD	Resmed Inc	14,545.16	2.78%	-7.41%	-0.21%
PRN	Perenti Limited	14,485.80	2.77%	-8.57%	-0.24%
CAR	Car Group Limited	14,158.93	2.71%	-8.55%	-0.23%
WES	Wesfarmers Limited	13,941.20	2.67%	-1.41%	-0.04%
JHX	James Hardie Indust	13,766.76	2.63%	-7.36%	-0.19%
SUN	Suncorp Group Ltd	13,734.60	2.63%	4.39%	0.12%
QBE	Qbe Insurance Group	13,569.12	2.60%	2.82%	0.07%
PWH	Pwr Holdings Limited	13,480.64	2.58%	-6.36%	-0.16%
NST	Northern Star	13,009.60	2.49%	-0.81%	-0.02%
CWY	Cleanaway Waste Ltd	10,917.06	2.09%	-8.27%	-0.17%
QUB	Qube Holdings Ltd	10,512.70	2.01%	-4.31%	-0.09%
BHP	Bhp Group Limited	8,988.75	1.72%	-2.28%	-0.04%
INA	Ingenia Group	8,722.75	1.67%	-0.66%	-0.01%
SHL	Sonic Healthcare	8,193.85	1.57%	-3.85%	-0.06%
CLW	Chtr H Lwr	7,566.00	1.45%	-1.28%	-0.02%
JLG	Johns Lyng Group	7,068.35	1.35%	-30.68%	-0.41%
DTL	Data#3 Limited	6,444.96	1.23%	11.06%	0.14%
APA	Apa Group	6,178.92	1.18%	8.21%	0.10%
SPK	Spark New Zealand	4,831.31	0.92%	-22.05%	-0.20%
RIO	Rio Tinto Limited	4,226.40	0.81%	-3.43%	-0.03%
MHJ	Michael Hill Int	3,969.81	0.76%	-10.89%	-0.08%
ELD	Elders Limited	3,923.68	0.75%	-1.26%	-0.01%
IPH	Iph Limited	3,496.98	0.67%	-0.91%	-0.01%
IGO	Igo Limited	2,075.53	0.40%	-19.27%	-0.08%
CASH	CASH	188,004.97	35.96%	0.00%	0.00%
Total		**522,781.14**	**100.0%**		**-3.57%**

Performance Overview

	1 Month	3 Months	6 Months	1 Year	Since Inception p.a.*
SMIF	-3.57%	-3.36%	0.09%	1.69%	7.56%
All Ordinaries Accumulation Index	-4.39%	-3.39%	1.05%	5.58%	6.01%
Alpha	0.82%	0.03%	-0.96%	-3.89%	1.55%

* Return since fund inception on 19 November 2018

Sector Breakdown

	% Weight	% Return
Healthcare	12.44%	-13.95%
Materials	10.82%	-5.50%
Financials	10.93%	5.31%
Industrials	9.35%	-5.35%
Information Technology	5.81%	1.21%
Communication Services	3.63%	-11.99%
Consumer Discretionary	3.34%	-7.39%
Consumer Staples	3.42%	-1.38%
Real Estate	3.12%	-0.95%
Utilities	1.18%	8.21%
Energy	0.00%	0.00%
Cash	35.96%	0.00%
Total	**100%**	**-4.15%**

Contributors to Returns

Top 5 Contributors (%)	
BXB	0.18
DTL	0.14
APA	0.10
QBE	0.07
CASH	0.00

Top 5 Detractors (%)	
IDX	-1.15
JLG	-0.41
MQG	-0.34
CSL	-0.32
PRN	-0.24

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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.