

# Student Managed Investment Fund June 2024 Update



## June 2024 Fund Update

*Dollar values are in AUD unless stated otherwise.*

### Fund Update

The SMIF fund achieved a positive return of 0.50% in June 2024, underperforming the benchmark All Ordinaries Accumulation Index, which delivered a return of 0.54%. The funds' underperformance can be primarily attributed to weak performance in the Materials (-4.50%) and Real Estate (-2.68%) sectors, reflecting declines in key commodity prices and the risk of an interest rate hike. Notable detractors included Northern Star Resources (-9.41%), IGO Limited (-19.31%), and Rio Tinto (-7.72%), which contributed -0.09%, -0.18% and -0.07% respectively.

Conversely, the fund benefited from strong contributions in Financials (5.31%) and Healthcare (1.79%), driven by resilient earnings growth and sector-specific tailwinds. Top contributors included Macquarie Group (7.20%), Suncorp Group (9.43%), and Sonic Healthcare (8.10%), which added 0.36%, 0.22%, and 0.12% to the fund's overall performance respectively. Meanwhile, Consumer Staples (0.05%) and Consumer Discretionary (-0.17%) remained relatively flat, highlighting subdued consumer spending as persistent inflation and high interest rates weigh on consumption.

Despite underperforming in June, the fund's long-term performance remains robust, delivering an annualized return of 8.66%, compared to the benchmark's 5.85% over the same period. Its balanced sector allocation and strategic approach continue to support its resilience in navigating market volatility.

### Market Update

In June, the Australian economy continued to navigate persistent inflationary pressures and subdued growth. Quarterly GDP rose by a modest 0.2%, bringing annual growth to 1.0%. Consumer spending remained weak, with household consumption declining by 0.2%, reflecting ongoing financial strain from high interest rates and elevated living costs. Despite these challenges, the RBA kept the cash rate steady at 4.35%, emphasizing inflation control while balancing the need to support growth. The market has priced in a 50% chance of a rate hike following a higher-than-expected inflation reading (4% year-on-year vs 3.8% expected).

Globally, the S&P 500 outperformed the ASX200 at 3.5% and 1%, driven by strong performance in US mega-tech stocks, highlighting the more robust US market conditions relative to Australia. Namely, Chinese growth concerns weighed on commodity prices, significantly impacting Australian resource companies. Despite this, the ASX200 remains slightly expensive, with a P/E of 16.6x compared to the long-term average of 15.0x.

## Positions Update

### Macquarie Group Ltd (ASX: MQG 7.20%)

Macquarie Group Ltd (ASX: MQG) returned 7.20% in June, driven by strong performance in its asset management and commodities trading divisions. The company benefited from continued volatility in global energy markets, which supported earnings from its commodities and global markets (CGM) division. Additionally, Macquarie Asset Management (MAM) saw further capital inflows, particularly in infrastructure and renewables, reinforcing its position as a key player in the transition to sustainable energy. Mid-month, the firm announced an expansion of its European renewable energy portfolio, aligning with its long-term strategy of capitalizing on decarbonization trends. Meanwhile, its banking division remained resilient despite tighter monetary conditions, with loan growth stabilizing and credit quality holding firm. The stock contributed 0.36% to the portfolio in June.

### Suncorp Group Ltd (ASX: SUN 9.43%)

Suncorp Group Ltd (ASX: SUN) returned 9.43% in June, largely fuelled by further milestones in ANZ's acquisition of Suncorp's banking division. Mid-month, the Finance Sector Union affirmed they were unopposed to the acquisition, based on the Australian Competition Tribunal's finding that the deal would not significantly harm competition. Namely, the deal is expected to add only about 2.5% market share in home loans to ANZ, thus having a minimal impact on the banking sector. As the final hurdle in the \$4.9b deal, Treasurer Jim Chalmers approved the transaction at the end of the month. Suncorp chief executive Steve Johnston believes the acquisition will allow Suncorp to focus solely on meeting the needs of insurance customers with "increasingly complex challenges such as climate change and affordability". This has reduced investor concerns regarding Suncorp's poor and delayed handling of claims during the 2022 floods, which has led to ASIC pressuring insurers to improve claims processing. Johnston also committed to returning the majority of the transaction's proceeds to shareholders. This positive outlook for Suncorp Group means the stock contributed 0.20% to the portfolio in June.

### Integral Diagnostics (ASX: IDX 9.43%)

Integral Diagnostics Limited (ASX: IDX) experienced significant stock activity, primarily influenced by the announcement of an all-scrip merger with Capitol Health. This deal values Capitol Health at \$350.6m, representing a 33% premium over its prior trading price. Subsequently, the market reacted negatively, leading to a 5.3% decline in Integral Diagnostics' share price. This drop was attributed to the premium valuation of the deal and concerns about pending regulatory approval. Despite this, investor confidence quickly returned, as Integral has assured investors the merger is "highly complementary" with 155 clinics and 350 radiologists, unlocking at least \$10m in savings per year. Furthermore, Wilson Asset Management, a large stakeholder in Capitol, believes the ACCC will approve the deal due to minimal geographic overlap between the companies. This transaction means IDX contributed 0.07% to the fund in June.

### IGO Ltd (ASX: IGO -19.31%)

IGO Limited (ASX: IGO) faced headwinds in June that contributed to a return of -19.31%. The company announced a significant impairment charge of between \$275–\$295m against its exploration assets, including the Silver Knight and Mt Goode nickel projects, as part of a portfolio rationalization. This non-cash impairment

will be reflected in IGO's FY24 financial results. The announcement highlighted difficulties in generating returns from exploration activities, indicating that some projects lacked the potential for commercial success. IGO also continues to suffer from volatile commodity markets, particularly in nickel and lithium. Macquarie expects these woes to continue, as it cut its 2025 lithium price targets by 35% due shortfalls demand and an oversupply of lithium as companies including IGO are unable to adjust quickly. They expect this surplus in demand to end by 2026, with demand growth driving a rebound in prices to US\$1,750/t by 2027. Overall, these continued struggles with volatile commodity prices means IGO contributed -0.11% to the portfolio in June.

#### Northern Star (ASX: NST -9.41%)

Northern Star Resources Ltd (ASX: NST) experienced a return of -9.41% in June. This downturn was primarily attributed to a significant drop in gold prices, as a jobs report from the US reduced expectations for near-term interest rate cuts. Hence, this strengthened the U.S. dollar, making gold a less attractive asset and leading to a sell-off. Despite this, NST reduced its hedging commitments, signalling its confidence in future gold prices. As of June 30, its hedging position is 1.82m ounces at an average price of \$3,122 per ounce. NST will likely forego some profits as the current market price remains above this at approximately \$3500 per ounce. NST also continued its share buy-back program, reaching 57% of the program's capacity during the month, highlighting its commitment to increasing share-holder value. Additionally, Managing Director Stuart Tonic is continuing to explore growth opportunities including producing sulphuric acid as a gold mining byproduct. Thus, Northern Star contributed the greatest loss to the portfolio at -0.20%.

## Performance Summary

Ticker	Name	Value	Weighting	Total Return	Contribution
RUL	Rpmglobal Hldgs Ltd	23,743.50	4.75%	4.36%	0.21%
MQG	Macquarie Group Ltd	23,677.80	4.74%	7.20%	0.34%
PWH	Pwr Holdings Limited	18,210.40	3.65%	-0.63%	-0.02%
CAR	Car Group Limited	12,176.61	2.44%	1.03%	0.03%
BXB	Brambles Limited	12,160.96	2.43%	2.04%	0.05%
WES	Wesfarmers Limited	11,809.98	2.36%	0.45%	0.01%
JHX	James Hardie Indust	11,791.08	2.36%	1.09%	0.03%
QBE	Qbe Insurance Group	11,534.40	2.31%	-2.30%	-0.05%
RMD	Resmed Inc	11,366.80	2.28%	-7.32%	-0.17%
CWY	Cleanaway Waste Ltd	10,956.33	2.19%	-0.72%	-0.02%
NST	Northern Star	10,791.20	2.16%	-9.41%	-0.20%
JLG	Johns Lyng Group	10,668.85	2.14%	1.24%	0.03%
SUN	Suncorp Group Ltd	10,500.60	2.10%	9.43%	0.20%
PRN	Perenti Limited	10,398.74	2.08%	-0.50%	-0.01%
BHP	Bhp Group Limited	10,014.75	2.00%	-4.11%	-0.08%
CSL	Csl Limited	9,243.30	1.85%	5.39%	0.10%
QUB	Qube Holdings Ltd	9,028.85	1.81%	1.67%	0.03%
APA	Apa Group	7,465.44	1.49%	0.91%	0.01%
DTL	Data#3 Limited	7,380.22	1.48%	5.02%	0.07%
INA	Ingenia Group	7,327.11	1.47%	-1.04%	-0.02%
SHL	Sonic Healthcare	6,982.71	1.40%	8.10%	0.11%
SPK	Spark New Zealand	6,980.60	1.40%	0.79%	0.01%
CLW	Chtr H Lwr	6,731.80	1.35%	-4.47%	-0.06%
RIO	Rio Tinto Limited	4,642.56	0.93%	-7.72%	-0.07%
ELD	Elders Limited	4,515.52	0.90%	-0.97%	-0.01%
IPH	Iph Limited	4,327.60	0.87%	1.13%	0.01%
MHJ	Michael Hill Int	3,458.84	0.69%	2.27%	0.02%
IDX	Integral Diagnostics	3,450.16	0.69%	9.43%	0.07%
IGO	Igo Limited	2,942.79	0.59%	-19.31%	-0.11%
WDS	Woodside Energy	1,108.00	0.22%	1.84%	0.00%
CASH	CASH	214,114.61	42.87%	0.00%	0.00%
<b>Total</b>		<b>499,502.11</b>	<b>100%</b>		<b>0.50%</b>

## Performance Overview

	1 Month	3 Months	6 Months	1 Year	Since Inception p.a.*
SMIF	0.50%	-1.55%	3.14%	6.97%	8.66%
All Ordinaries Accumulation Index	0.54%	-1.72%	2.35%	8.42%	5.85%
Alpha	-0.04%	0.17%	0.79%	-1.45%	2.81%

\* Return since fund inception on 19 November 2018

## Sector Breakdown

Sectors	% Weight	% Return
Materials	10.13%	-4.50%
Industrials	9.44%	1.06%
Financials	9.15%	5.31%
IT	6.23%	4.52%
Healthcare	6.21%	1.79%
Consumer Discretionary	4.34%	-0.17%
Communication Services	3.84%	0.94%
Consumer Staples	3.27%	0.05%
Real Estate	2.81%	-2.68%
Utilities	1.49%	0.91%
Energy	0.22%	1.84%
Cash	42.87%	0.00%
<b>Total</b>	<b>100%</b>	<b>0.50%</b>

## Contributors to Returns

Top 5 Contributors (%)	
MQG	0.34
RUL	0.21
SUN	0.20
SHL	0.11
CSL	0.10

Top 5 Detractors (%)	
NST	-0.20
RMD	-0.17
IGO	-0.11
BHP	-0.08
RIO	-0.07

## Portfolio Management Team

<i>Name</i>	<i>Current Enrolment and Contact</i>
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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.