

# Student Managed Investment Fund March 2024 Update



## March 2024 Fund Update

*Dollar values are in AUD unless stated otherwise.*

### Fund Update

The SMIF fund achieved a positive return of 1.73% in March 2024, underperforming the benchmark All Ordinaries Accumulation Index, which delivered a return of 2.44%. This resulted in a negative alpha of 0.71%. The fund's underperformance can be attributed primarily to weak performance in the Information Technology (-0.75%), Consumer Discretionary (-5.10%) and Communication Services (-5.04%) sectors. Notable detractors included PWR Holdings Limited (-6.16%), Spark New Zealand (-4.33%), and IGO Limited, reflecting sector-wide challenges and company-specific headwinds.

Conversely, the fund benefitted from strong contributions in the Materials (23.84%), Industrials (20.68%), and Financials (17.32%) sectors, driven by favourable macroeconomic conditions and robust earnings growth. Northern Star Resources Limited (13.33%), Resmed Inc. (13.09%), and Brambles Limited (8.93%) emerged as the top contributors, supported by positive earnings updates and improved market sentiment. These holdings added significant value to the overall portfolio performance, contributing 0.26%, 0.25%, and 0.23% to returns, respectively.

Despite underperformance in the month, the fund's long-term returns since inception remain strong, with an annualised return of 10.10%, outperforming the benchmark's 6.47% over the same period. The fund's balanced sector allocation and strategic adjustments position it well to navigate upcoming market volatility.

### Market Update

March saw a steady rise in global markets, with the ASX 200 delivering a 2.44% return, trailing the S&P 500 (3.2%) and FTSE 100 (2.7%). The Australian market was bolstered by strong performances in Materials and Industrials, as commodity prices remained elevated amid global supply constraints.

Interest rates remained a key focal point as the Reserve Bank of Australia (RBA) left the cash rate unchanged at 4.35%, signalling expectations of a rate cut in Q1 2025 if inflation aligns with projections. Inflation continued to cool, with forecasts predicting it will hit the target range by mid-2025. Additionally, Australia's GDP growth forecast for 2024 stood at 1.7%, reflecting a stable economic outlook despite global uncertainties.

The earnings season for March revealed mixed results, with 28% of companies beating earnings expectations, 25% missing, and the remainder in line. Key drivers of underperformance were in the Information Technology and Consumer Discretionary sectors, whereas Healthcare, Financials, and Materials exhibited strong growth.

## Position Updates

### Top 5 Contributors

#### Northern Star (ASX: NST, 13.33%)

Northern Star's impressive performance this month was driven by a continued rally in gold prices, reaching record highs due to market uncertainties and increased demand for safe-haven assets. In addition to a favourable macroeconomic environment, the company's improved production efficiencies and expanded mining operations contributed to its stock surge. Northern Star added 0.26% to the portfolio, making it the top performer.

#### Resmed Inc (ASX: RMD, 13.09%)

Resmed benefited from strong sales growth in its respiratory care products, particularly in the US and European markets. The company's focus on expanding its product line, alongside a positive earnings report and increased market penetration for its cloud-connected CPAP devices, led to investor confidence. In addition, a positive outlook on regulatory approvals for upcoming product launches helped bolster the stock. Resmed contributed 0.25% to the portfolio's overall returns.

#### Brambles Limited (ASX: BXB, 8.93%)

Brambles Limited saw significant share price appreciation due to positive results from its cost-efficiency programs and strong demand for its supply chain logistics solutions, particularly in the US and Europe. The announcement of a share buyback program, alongside improvements in free cash flow, further boosted investor sentiment. Brambles' contribution to the portfolio was 0.23%, underlining its strength as a leading logistics company.

#### Perenti Limited (ASX: PRN, 10.83%)

Perenti's stock benefited from several new contract wins, especially in its core mining services business across Africa and Australia. Additionally, the company raised its earnings guidance for FY24, driven by stronger-than-expected demand for its mining solutions. Positive investor sentiment regarding the company's expansion strategy and robust fundamentals led to a strong performance, contributing 0.20% to the portfolio.

#### QBE Insurance Group (ASX: QBE, 7.75%)

QBE's share price was lifted by strong premium growth and improved underwriting results across its major segments. The company's focus on improving operational efficiency, coupled with favourable market conditions in the insurance industry, helped drive its strong performance. Additionally, QBE benefited from a stable interest rate environment, enhancing its investment income. The stock added 0.17% to the overall portfolio.

### Top 5 Detractors

#### Pwr Holdings Limited (ASX: PWH, -6.16%)

PWH faced headwinds this month due to disappointing profit margins and higher-than-expected costs despite reporting revenue growth. Concerns about the sustainability of margins, driven by inflationary pressures in raw materials and labour costs, dampened investor sentiment. Moreover, guidance for the next quarter fell short of market expectations, which resulted in a 6.16% drop in share price, detracting 0.25% from the portfolio's overall performance.

### Spark New Zealand (ASX: SPK, -4.33%)

Spark experienced a share price decline due to heightened competition in the New Zealand telecommunications market and concerns about slowing revenue growth. Although Spark maintained a solid market position, investor sentiment weakened following the release of a softer-than-expected earnings report. Ongoing capital expenditures for network upgrades also weighed on the stock, leading to a 4.33% decline, reducing the portfolio return by 0.07%.

### Igo Limited (ASX: IGO, -8.98%)

IGO suffered from volatility in the commodity markets, particularly in nickel and lithium, two of its key resource segments. Production challenges and lower-than-expected yields from its mining operations exacerbated concerns about future earnings. In addition, a decline in global lithium prices hit the stock hard, leading to an 8.98% decrease, detracting 0.06% from the portfolio's performance.

### Rpm Global (ASX: RUL, -1.34%)

Rpm Global's shares struggled as the broader technology sector faced headwinds, and despite the company's strong growth in its software division, its services segment lagged. Concerns about future profitability amid rising competition in the tech space weighed on investor confidence. As a result, the stock dropped by 1.34%, detracting 0.05% from the overall portfolio.

### Car Group Limited (ASX: CAR, -0.71%)

Car Group saw a modest decline in share price as growth in online automotive advertising plateaued. With weaker-than-expected consumer demand in the automotive sector, particularly in used car sales, the company's earnings projections softened. Additionally, concerns about rising interest rates affecting consumer spending on large-ticket items such as cars contributed to the stock's -0.71% decline, impacting the portfolio by 0.02%.

## Performance Summary

Ticker	Name	Value	Weighting	Total Return	Contribution
MQG	Macquarie Group Ltd	24,156.44	4.78%	2.51%	0.12%
PWH	Pwr Holdings Limited	20,369.28	4.03%	-6.16%	-0.25%
RUL	Rpmglobal Hldgs Ltd	19,340.16	3.83%	-1.34%	-0.05%
JHX	James Hardie Indust	15,309.00	3.03%	1.42%	0.04%
BXB	Brambles Limited	12,869.78	2.55%	8.93%	0.23%
CAR	Car Group Limited	12,829.24	2.54%	-0.71%	-0.02%
WES	Wesfarmers Limited	12,128.48	2.40%	2.64%	0.06%
JLG	Johns Lyng Group	11,919.55	2.36%	2.98%	0.07%
QBE	Qbe Insurance Group	11,203.92	2.22%	7.75%	0.17%
CWY	Cleanaway Waste Ltd	10,524.36	2.08%	2.41%	0.05%
SUN	Suncorp Group Ltd	10,098.00	2.00%	7.06%	0.14%
BHP	Bhp Group Limited	9,884.25	1.96%	4.34%	0.08%
NST	Northern Star	9,700.80	1.92%	13.33%	0.26%
RMD	Resmed Inc	9,650.92	1.91%	13.09%	0.25%
CSL	Csl Limited	9,445.92	1.87%	1.22%	0.02%
PRN	Perenti Limited	9,415.77	1.86%	10.83%	0.20%
SPK	Spark New Zealand	8,670.64	1.72%	-4.33%	-0.07%
SHL	Sonic Healthcare	8,566.95	1.70%	-0.03%	0.00%
QUB	Qube Holdings Ltd	8,173.75	1.62%	6.68%	0.11%
DTL	Data#3 Limited	7,787.66	1.54%	0.59%	0.01%
INA	Ingenia Group	7,342.28	1.45%	8.06%	0.12%
CLW	Chtr H Lwr	7,236.20	1.43%	4.16%	0.06%
APA	Apa Group	7,112.10	1.41%	7.13%	0.10%
MHJ	Michael Hill Int	5,581.31	1.11%	1.06%	0.01%
ELD	Elders Limited	4,986.80	0.99%	3.08%	0.03%
RIO	Rio Tinto Limited	4,456.08	0.88%	2.90%	0.03%
IPH	Iph Limited	4,418.34	0.87%	-0.32%	0.00%
IGO	Igo Limited	3,342.74	0.66%	-8.98%	-0.06%
IDX	Integral Diagnostics	3,124.94	0.62%	1.81%	0.01%
WDS	Woodside Energy	1,214.40	0.24%	4.78%	0.01%
CASH	CASH	214,114.61	42.40%	0.00%	0.00%
<b>Total</b>		<b>504,974.67</b>	<b>100.00%</b>		<b>1.73%</b>

## Performance Overview

	1 Month	3 Months	6 Months	1 Year	Since Inception p.a.*
SMIF	1.73%	4.75%	8.29%	5.59%	10.10%
All Ordinaries Accumulation Index	2.44%	4.14%	12.47%	11.47%	6.47%
Alpha	-0.71%	0.61%	-4.18%	-5.88%	3.63%

\* Return since fund inception on 19 November 2018.

## Sector Breakdown

Sectors	% Weight	% Return
Materials	10.32%	5.35%
Industrials	9.49%	4.78%
Financials	9.00%	4.81%
Healthcare	6.10%	4.65%
IT	5.37%	-0.78%
Consumer Discretionary	5.14%	-4.61%
Communication Services	4.26%	-2.17%
Consumer Staples	3.39%	2.77%
Real Estate	2.89%	6.12%
Utilities	1.41%	7.13%
Energy	0.24%	4.78%
Cash	42.40%	0.00%
<b>Total</b>	<b>100%</b>	<b>1.73%</b>

## Contributors to Returns

Top 5 Contributors (%)	
NST	0.26
RMD	0.25
BXB	0.23
PRN	0.20
QBE	0.17

Top 5 Detractors (%)	
PWH	-0.25
SPK	-0.07
IGO	-0.06
RUL	-0.05
CAR	-0.02

## Portfolio Management Team

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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.