

# Student Managed Investment Fund May 2024 Update



## May 2024 Fund Update

*Dollar values are in AUD unless stated otherwise.*

### Fund Update

In May 2024, the SMIF monthly return was -0.54%, with -0.68% from capital losses and 0.14% from dividend distributions from Macquarie Group Ltd, Elders Ltd and Resmed Inc. This underperformed the ASX All-Ordinaries Index benchmark, which was up 0.49% in this period.

The main detractors from the portfolio were Michael Hill International Ltd, James Hardie Industries, Spark New Zealand, IGO Ltd and Sonic Healthcare with negative returns of -33.33%, -13.69%, -12.24%, -11.63% and -9.11% respectively. This was accompanied by other poor performers with 17 of the 30 holdings having negative returns across the month. Similar to April, the top performing sector was Information Technology, experiencing an increase of 9.55% due to RPMGlobal Holdings and Data#3 Limited having positive performances of 11.34% and 4.18% respectively. Consumer discretionary was the lowest performing sector, containing Michael Hill International and PWR Holdings Limited. This could be attributed to weaker-than-expected earnings outlooks and margin compression.

### Market Update

In May 2024, the global market was in the green, with the ASX200 delivering a 0.49% return, compared to 4.9% and 2.25% for the S&P500 and FTSE100 respectively. This positive performance in Australia was attributable to stabilising commodity prices and greater positive investor sentiment globally.

Interest rates were also still in the limelight, with broader market sentiment pointing to a “higher for longer” stance by global central banks. In the May print for CPI, monthly CPI rose from 3.5% to 3.6%, dampening expectations of rate cuts due to the 3.4% expected by the market. May also saw the release of Australia’s fiscal policy initiatives, revealed through the 2024 Budget, with an expansionary stance being taken. This was highlighted by the \$22.7bn Future Made in Australia package aimed at helping Australia transition to a net zero economy.

Although growth in Australia’s major trading partners is expected to remain subdued, the IMF outlook for global growth has improved in recent months, indicating more balanced risks for Australian trade. The key risks in the RBA’s cash rate decision are that inflation could take longer to return to target than anticipated, and that demand may be softer than expected which could weaken the current tight labour market.

## Positions Update

### Top 5 Contributors

#### RPMGlobal Holdings Ltd (ASX:RPM 11.34%)

Continuing its strong performance from the previous month of 11.76%, RPMGlobal grew due to the continuation of its buyback program and a notification of expansion for an additional 5% of company shares on issue. This effect that increases the ownership of existing shareholders has given the company positive momentum, as the share price continues to rise. This contributed to 0.48% of portfolio returns.

#### Macquarie Group Ltd (ASX:MQG 4.26%)

Macquarie Group Limited experienced capital gains of 1.86%, a marginal increase due to a credit rating upgrade from Fitch from “A” to “A+”, as well as performance for FY24 that was slightly ahead of expectations, with net profit of \$3,522 million, compared to consensus of \$3,512 million. Dividends were also paid, contributing to 2.41% returns and 0.20% of the broader portfolio returns.

#### Qube Holdings Ltd (ASX:QUB 7.81%)

Qube saw significant price appreciation in the first week of May due to its investor day presentation, outlining increased underlying earnings growth expected for FY24. This was increased from its previous guidance range of 5-10% to 10-15%, highlighting the strong performance of the logistics solutions company and contributing to 0.13% of portfolio returns.

#### Perenti Limited (ASX:PRN 5.24%)

The mining services group grew this month, riding off the coattails of the previous months contract wins and increased earnings guidance for FY24. This was aided with the continuation of their share buyback program, boosting positive investor sentiment. This contributed 0.10% to the portfolio for May.

#### Car Group Limited (ASX:CAR 3.13%)

Following a modest decline the previous month due to weaker-than-expected consumer demand in the automotive sector, investor sentiment has returned due to being increasingly confident in the earnings momentum locally and globally of the auto listing business. This contributed 0.07% to the portfolio's total return.

## Top 5 Detractors

### James Hardie Industries plc (ASX:JHX -13.69%)

James Hardie Industries declined by 13.69% following the release of its full-year results. This was mainly attributed to earnings guidance in FY 2025 falling short of consensus expectations. The building materials company noted that outlook for the housing market “continues to remain uncertain”, leading to a pullback by investors. Portfolio returns were thus impacted by -0.37%.

### Michael Hill International Ltd (ASX:MHJ -33.33%)

Shares in Michael Hill International Ltd declined significantly in May due to the release of a trading update from the jewellery retailer leading a 20% drop on release. It was noted that the expected positive sales momentum for the second half did not materialise, with sales margins remaining under more pressure than management had anticipated. This cut investor expectations, with several broker downgrades, thus causing downward pressure on the share price and detracting 0.34% from portfolio returns.

### Pwr Holdings Limited (ASX:PWH -5.88%)

The decrease in Pwr Holdings by 5.88% can be attributed to the continuation of poor investor sentiment caused by headwinds of lower profit margins caused by higher-than-expected costs in April. Inflationary pressures continue to be a burden on the cooling solutions company, causing a -0.23% return for the portfolio.

### Spark New Zealand Ltd (ASX:SPK -12.24%)

The telecommunications company shares sunk in May due to earnings guidance downgrades. Management attributed this to the challenging trading conditions, including reduced demand in IT service management, professional services and delays to planned digital transformation projects. Guidance now forecasts FY2024 EBIDA to be NZ\$1,170m to NZ\$1,210m from NZ\$1,210m to NZ\$1,260m previously. This caused portfolio returns to decrease by -0.19%.

### Sonic Healthcare (ASX:SHL -9.11%)

Sonic Healthcare shares declined following a downgrade of guidance for FY2024. With the pathology company being affected by inflationary pressures and currency exchange headwinds, EBITDA for the financial year is expected to be approximately \$1.6 billion, from the \$1.7 to \$1.8 billion of its previous guidance range. This detracted from portfolio performance by -0.14%.

## Performance Summary

Ticker	Name	Value	Weighting	Total Return	Contribution
MQG	Macquarie Group Ltd	23,246.28	4.62%	4.26%	0.20%
RUL	Rpmglobal Hldgs Ltd	21,325.98	4.24%	11.34%	0.48%
PWH	Pwr Holdings Limited	19,347.52	3.85%	-5.88%	-0.23%
JHX	James Hardie Indust	13,660.92	2.72%	-13.69%	-0.37%
BXB	Brambles Limited	12,485.48	2.48%	-2.60%	-0.06%
WES	Wesfarmers Limited	12,155.78	2.42%	-2.84%	-0.07%
RMD	Resmed Inc	11,891.70	2.36%	-4.19%	-0.10%
CAR	Car Group Limited	11,806.67	2.35%	3.13%	0.07%
QBE	Qbe Insurance Group	11,489.04	2.28%	0.39%	0.01%
NST	Northern Star	11,234.88	2.23%	-3.95%	-0.09%
SUN	Suncorp Group Ltd	10,969.20	2.18%	-4.27%	-0.09%
JLG	Johns Lyng Group	10,649.90	2.12%	0.18%	0.00%
CWY	Cleanaway Waste Ltd	10,602.90	2.11%	3.33%	0.07%
PRN	Perenti Limited	9,881.39	1.96%	5.24%	0.10%
BHP	Bhp Group Limited	9,681.75	1.93%	3.44%	0.07%
CSL	Csl Limited	9,133.08	1.82%	1.21%	0.02%
QUB	Qube Holdings Ltd	8,374.95	1.67%	7.81%	0.13%
SPK	Spark New Zealand	7,954.21	1.58%	-12.24%	-0.19%
SHL	Sonic Healthcare	7,682.99	1.53%	-9.11%	-0.14%
APA	Apa Group	7,537.92	1.50%	-0.96%	-0.01%
DTL	Data#3 Limited	7,083.90	1.41%	4.18%	0.06%
INA	Ingenia Group	7,069.22	1.41%	3.65%	0.05%
CLW	Chtr H Lwr	6,576.60	1.31%	2.36%	0.03%
MHJ	Michael Hill Int	5,188.26	1.03%	-33.33%	-0.34%
RIO	Rio Tinto Limited	4,697.64	0.93%	-1.17%	-0.01%
ELD	Elders Limited	4,652.52	0.93%	-0.37%	0.00%
IPH	Iph Limited	4,390.42	0.87%	-1.43%	-0.01%
IDX	Integral Diagnostics	3,591.56	0.71%	-3.94%	-0.03%
IGO	Igo Limited	3,330.11	0.66%	-11.63%	-0.08%
WDS	Woodside Energy	1,129.20	0.22%	-1.88%	0.00%
CASH	CASH	214,114.61	42.57%	0.00%	0.00%
<b>Total</b>		<b>502,936.58</b>	<b>100%</b>		<b>-0.54%</b>

## Performance Overview

	1 Month	3 Months	6 Months	1 Year	Since Inception p.a.*
SMIF	-0.54%	-0.32%	6.11%	6.08%	8.72%
All Ordinaries Accumulation Index	0.49%	0.14%	9.22%	9.59%	5.84%
Alpha	-1.03%	-0.46%	-3.11%	-3.51%	2.88%

\* Return since fund inception on 19 November 2018

## Sector Breakdown

Sectors	% Weight	% Return
Materials	10.44%	-3.63%
Industrials	9.25%	1.37%
Financials	9.09%	1.24%
Healthcare	6.42%	-3.81%
IT	5.65%	9.55%
Consumer Discretionary	4.88%	-11.68%
Communication Services	3.93%	-3.05%
Consumer Staples	3.34%	-2.16%
Real Estate	2.71%	3.03%
Utilities	1.50%	-0.96%
Energy	0.22%	-1.88%
Cash	42.57%	0.00%
<b>Total</b>	<b>100%</b>	<b>-0.54%</b>

## Contributors to Returns

Top 5 Contributors (%)	
RUL	0.48
MQG	0.20
QUB	0.13
PRN	0.10
CAR	0.07

Top 5 Detractors (%)	
JHX	-0.37
MHJ	-0.34
PWH	-0.23
SPK	-0.19
SHL	-0.14

## 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.