

Student Managed Investment Fund November 2024 Update



November 2024 Fund Update

Dollar values are in AUD unless stated otherwise.

Fund Update

The SMIF recorded a return of 1.92% across November 2024, underperforming the benchmark by 1.37% (ASX: XAO 3.29%). November saw strong growth for global markets driven primarily by the U.S, indices like the S&P 500 gaining 5.7% to new heights. Locally, the All-Ords index broke its own records too, reaching 8,699.99 on the 28th. The fund saw positive contributions throughout the month across all but two sectors, Healthcare and Consumer Discretionary. Integral Diagnostic's negative performance (ASX: IDX -6.71%) was the largest detractor in the fund. This negative performance was experienced amidst an underwhelming month for the Healthcare sector compared to the rest of the market, and downward pressure from IDX's pending merger with Capitol Health. The top performing companies in the portfolio this month were QBE Insurance Group (ASX: QBE) and James Hardie (ASX: JHX), returning 16.21% and 15.04% respectfully. Lining the bottom in terms of returns were Elders (ASX: ELD -8.58%) and IGO (ASX: IGO -7.62%).

Market Update

Global

Markets across the Globe in November geared up in anticipation of the U.S Presidential Election. Following the Republican Party's swift win earlier this month, U.S equities rallied. The Financial, Industrial, and Energy sectors saw the most benefit. The combination of Trump's deregulation stance and appointment of 'pro-growth' officials, coupled with 'better-than-expected' Q3 earnings reports, were behind this surge. Across the pond, the European markets experienced some volatility in response to the impact of Trump's trade policies. Further to this, political disruptions like the collapse of the German Coalition compounded on the instability. Despite the implication of potential trade wars and inflationary pressures, the pan-European benchmark - Stoxx 600 - finished the month up 0.96%. China's large stimulus package, expectations of loosening monetary policy, and talks of future fiscal injections buoyed its equities market against the growing trade tensions. Japan's equity market finished 0.6% lower in anticipation of a December interest rate hike.

National

Driven by strong performances across technology, consumer discretionary, and financials, the ASX 200 gained 3.4% in November. Solid earnings performance reports and a rise in the Consumer Sentiment Index to 94.6 points - despite the RBA maintaining the cash rate at 4.35% - saw Technology stocks surge 10.4%. The month of November - in line with the holiday season - has historically seen high consumer spending in retail, entertainment, and travel. This year was no exception, indicated by consumer discretionary shares gaining 6.7%. The RBA's hawkish policy stance continues to support the financial sector but remains a headwind for rate-sensitive sectors like property and utilities. The outlook for the Australian equity market looks to be positive in the coming months as inflation indicators continue in the right direction and consumer sentiment rises. However, the broader implications of the Trump presidency and its economic policies remain critical to watch.

Positions Update

QBE Insurance Group Ltd (ASX: QBE 16.21%)

QBE Insurance Group experienced especially strong performance with its share price reaching a 14-year high, trading above \$20. The November surge was fuelled by several factors including the release of key financials, operational efficiencies, and market sentiment. QBE's reveal of a 2% year-on-year growth in gross written premiums (GWP) for the nine months to September 30th - caused by a 5.9% increase in renewal premium rate – was a strong driver for performance. Hurricane season in the North American segment gave rise to increased catastrophe claims. QBE was successful in managing these claims effectively, keeping costs in line with expectations. The company also produced strong investment results in their fixed income and equity portfolios across November. Investor optimism was further bolstered by Analysts, including Macquarie, raising the stock's price target to \$21.30. This revaluation of QBE reflected confidence in its resilience and performance. The outlook on QBE remains positive for the rest of the year with the expectation of calming catastrophe claims.

James Hardie Industries (ASX: JHX 15.04%)

Despite some difficult market conditions for the building materials industry, James Hardie Industries saw an impressive jump in performance throughout November, with shares gaining 15.04% to reach \$56.21. 'Better-than-expected' second-quarter earnings played a significant role for JHX's surge, the company's adjusted net income of \$157 million surpassed analyst expectations by over \$11 million. Strong performance for the company's APAC segment, along with higher average net sales prices due to a price hike, helped offset weaker sales in North America, its largest market. The North American sales decline was largely influenced by the reduction of homeowner activity, most likely a response to the mortgage rate uncertainty. However, the impact of the reduced sales was partially mitigated by strategic price increases. James Hardie also reaffirmed its adjusted net income guidance for FY2025, setting ambitious long-term goals for its North American division. Moving forward, the company's focus on operational efficiency, along with its ability to navigate market challenges, positions it for continued growth. It is still crucial to note that uncertainty in the North American repair and remodel market could pose risks, especially due to fears of a resurgence in inflationary pressures.

Elders Ltd (ASX: ELD -8.58%)

Elders Ltd experienced a troubled month in terms of stock performance. The company's share price dropped almost 9%, reflecting poor financials and news of an agreement for the acquisition of Delta Ag. The company's 55% drop in FY 2024 profit after tax and a 6% decline in sales revenue to \$3.13 billion casted a shadow on its financial health. Further, news of a costly acquisition of Delta Ag at a valuation of \$475 Million, dragged down the share price. November also gave way to an announcement made by Elders' CEO. In this release, growth initiatives under an eight-point plan to expand Elder's network and enter new business areas were highlighted. Despite the disappointing performance, Elders expects improved summer crop conditions and livestock market stability will support a recovery in the coming months. Additionally, the Delta Ag acquisition, if finalised, is anticipated to generate \$12 million in annual EBITDA synergies over three years, positioning Elders for sustainable long-term growth. Nevertheless, it is still important to recognise that ongoing interest rate pressures on regional property demand remains a key challenge.

IGO Ltd (ASX: IGO -7.62%)

During the month of November, IGO Ltd.'s share price declined to \$4.85. IGO has experienced an incredibly volatile year, culminated by an overall downward trend. The 86% drop in lithium carbonate prices from \$US78,200 per tonne in 2022 to \$US10,500 this year, combined with nickel prices decreasing ~25% since May has knocked down IGO throughout the year. Easing of EV production and an excess of lithium battery supply is no doubt a large contributor to IGO's challenges. Despite this, Morningstar analysts consider IGO now to be "materially undervalued," seeing its fair value at \$7 per share, 44% above current levels. The company, as of the last financial report, exhibited signs of health with \$468 million in cash and total dividends amounting to \$280M. After further contracting almost 8% in November, IGO's outlook is now beginning to improve. Benefits from its stake in the Greenbushes mine, one of the world's lowest-cost lithium producers, and a recovery in lithium prices will bolster the company's valuation. IGO is well-positioned to capitalise on the improving market conditions as supply cuts and demand growth are expected to drive lithium recovery by 2025. IGO stated in its AGM conducted early this month that they are optimistic for the future, with new strategies being implemented. There is good potential in sustainable growth, disciplined capital allocation, and the leveraging of IGO's strengths in energy transition.

Performance Summary

Ticker	Name	Value	Weighting	Total Return	Contribution
MQG	Macquarie Group Ltd	28,707.24	5.60%	1.12%	0.06%
RUL	Rpmglobal Hldgs Ltd	25,729.32	5.02%	4.70%	0.24%
CSL	Csl Limited	23,816.85	4.65%	-1.65%	-0.08%
IDX	Integral Diagnostics	19,067.96	3.72%	-6.71%	-0.25%
BXB	Brambles Limited	15,679.44	3.06%	3.65%	0.11%
PWH	Pwr Holdings Limited	14,996.80	2.92%	-5.16%	-0.15%
RMD	Resmed Inc	13,365.04	2.61%	4.22%	0.11%
NST	Northern Star	13,332.96	2.60%	-1.24%	-0.03%
CAR	Car Group Limited	13,185.22	2.57%	9.85%	0.25%
JHX	James Hardie Indust	12,312.72	2.40%	15.04%	0.36%
WES	Wesfarmers Limited	12,244.96	2.39%	6.76%	0.16%
PRN	Perenti Limited	12,157.73	2.37%	5.53%	0.13%
SUN	Suncorp Group Ltd	11,827.20	2.31%	9.93%	0.23%
QBE	Qbe Insurance Group	11,152.08	2.18%	16.21%	0.35%
CWY	Cleanaway Waste Ltd	10,720.71	2.09%	5.49%	0.11%
BHP	Bhp Group Limited	9,594.00	1.87%	-4.85%	-0.09%
QUB	Qube Holdings Ltd	9,355.80	1.82%	6.99%	0.13%
SHL	Sonic Healthcare	7,728.91	1.51%	6.09%	0.09%
CLW	Chtr H Lwr	7,566.00	1.48%	3.59%	0.05%
INA	Ingenia Group	7,311.94	1.43%	4.77%	0.07%
JLG	Johns Lyng Group	7,257.85	1.42%	9.14%	0.13%
DTL	Data#3 Limited	6,787.58	1.32%	6.28%	0.08%
APA	Apa Group	6,314.82	1.23%	3.59%	0.04%
SPK	Spark New Zealand	4,868.05	0.95%	0.00%	0.00%
MHJ	Michael Hill Int	4,716.60	0.92%	-4.17%	-0.04%
ELD	Elders Limited	4,674.44	0.91%	-8.68%	-0.08%
RIO	Rio Tinto Limited	4,295.16	0.84%	-0.90%	-0.01%
IPH	Iph Limited	3,748.26	0.73%	-5.96%	-0.04%
IGO	Igo Limited	2,210.25	0.43%	-7.62%	-0.03%
CASH	CASH	188,004.97	36.67%	0.00%	0.00%
Total		512,730.86	100%		1.92%

Performance Overview

	1 Month	3 Months	6 Months	1 Year	Since Inception p.a.*
SMIF	1.92%	3.54%	5.35%	12.01%	9.24%
All Ordinaries Accumulation Index	3.29%	4.60%	9.14%	20.00%	6.88%
Alpha	-1.37%	-1.06%	-3.79%	-7.99%	2.36%

* Return since fund inception on 19 November 2018

Sector Breakdown

Sectors	% Weight	% Return
Healthcare	12.48%	-1.00%
Materials	10.51%	3.13%
Financials	10.08%	6.39%
Industrials	9.12%	4.82%
IT	6.34%	5.03%
Consumer Discretionary	3.84%	-4.93%
Communication Services	3.52%	7.19%
Consumer Staples	3.30%	2.50%
Real Estate	2.90%	4.17%
Utilities	1.23%	3.59%
Energy	0.00%	0.00%
Cash	36.67%	0.00%
Total	100%	1.92%

Contributors to Returns

Top 5 Contributors (%)	
JHX	0.36
QBE	0.35
CAR	0.25
RUL	0.24
SUN	0.23

Top 5 Detractors (%)

IDX	-0.25
PWH	-0.15
BHP	-0.09
ELD	-0.08
CSL	-0.08

Portfolio Management Team

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

Portfolio Analysts

<i>Name</i>	<i>Current Enrolment and Contact</i>
Ben Rankin	Bachelor of Advanced Finance & Economics b.rankin@student.uq.edu.au
Erin McNab	Bachelor of Advanced Finance & Economics e.mcnaab@student.uq.edu.au
Josh Gray	Bachelor of Advanced Finance & Economics j.gray@student.uq.edu.au
Madison Dixon	Bachelor of Advanced Finance & Economics m.dixon@student.uq.edu.au
Matthew Hang	Bachelor of Advanced Finance & Economics m.hang@student.uq.edu.au
Ningcheng Wang	Bachelor of Advanced Finance & Economics n.wang@student.uq.edu.au
Siddesh Karekal	Bachelor of Advanced Finance & Economics s.karekal@student.uq.edu.au
Toby Heytman	Bachelor of Advanced Finance & Economics t.heyman@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.