

# Student Managed Investment Fund October 2024 Update



## October 2024 Fund Update

*Dollar values are in AUD unless stated otherwise.*

### Fund Update

In October 2024, SMIF saw a negative monthly return of -0.54%. While returns were low, SMIF's portfolio outperformed the ASX All-Ordinaries Index benchmark, which experienced a -1.36% loss over October. The market's poor performance can be predominantly attributed to investors' uncertainty about the upcoming U.S. presidential election, geopolitical tensions, and persistent inflation reducing chances of the RBA making early interest rate cuts.

The portfolio's negative performance over October was largely driven by James Hardie Industries, Iph Limited, Igo Limited, Apa Group, Rio Tinto Limited, BHP Limited, and Cleanaway Waste Limited. These shares had respective negative returns of -14.92%, -11.68%, -10.41%, -10.18%, -7.60%, -7.22%, and -7.14%. However, strong performances by Michael Hill International, Perenti Limited, and Northern Star, were seen over October, with respective returns of 20.00%, 11.57%, and 11.02%. No sectors had particularly strong performances across the month, with only Healthcare and Financials generating small positive returns of 2.65% and 0.42% respectively. The Utilities sector performed the worst, with a -10.18% return. This was because the one Utilities share in the SMIF portfolio, Apa Group, performed poorly.

### Market Update

In October 2024, global markets saw a decline, with the ASX 200 recording a -1.36% return. Comparatively, the S&P 500 recorded a return of -0.99%, and the FTSE 100 performing the worst, recording a -1.54% return.

The global economy faced uncertainty from the upcoming U.S. presidential election, rising geopolitical tensions, particularly in the Middle East, and the possibility of interest rates cuts by central banks. Major economies including the U.S. and Europe struggled as central banks maintained high interest rates to combat inflation. The upcoming U.S. presidential election added further uncertainty, as markets closely monitored potential changes in policies and foreign relations strategies. This election caused Treasury yields to surge by 70 basis points since mid-September. With the conflict between Israel and Hezbollah escalating, concerns are being raised about global oil supply, however, actual impacts were limited as this market is well-supplied with a large buffer. Further geopolitical changes include the sell-off in the Japanese Yen after Japan's ruling coalition lost its parliamentary majority. These developments contributed to heightened market volatility and investor caution during the month.

In Australia, interest rates remained a key factor. Inflation eased slightly, falling to 2.8% y/y in October. This meant that interest rates re-entered the RBA's target range for the first time since 2021. However, investors have moved predictions of the date of the first interest rate cut out to 2025, as core inflation remains high. However, with the federal election approaching in May 2025, there is speculation that the federal government will announce cost-of-living relief measures, which could influence the RBA's monetary policy decisions.

Interest-sensitive sectors continued to struggle in October, as inflation meant high borrowing costs and cautious consumer sentiment. Eight of the ASX200 sectors provided negative returns. Utilities was the worst performer, followed by consumer staples, materials, and energy. These sectors had respective returns of -10.18%, -4.65%, -3.33%, and -3.03%. Consumer Discretionary performed best with a 4.61% rise.

## Positions Update

### Top 5 Contributors

#### Northern Star (ASX: NST 11.02%)

Northern Star's shares impressive performance this month is a consequence of its strategic acquisition plans, and solid operational outcomes. In early October, Northern Star announced their plans to acquire De Grey Mining Limited in an all-scrip deal valued at approximately \$5 billion. This acquisition was well received by the market, as it positions Northern Star to become one of the top five global gold producers, with an anticipated annual output of 2.5 million ounces by 2028-2029. With this development, alongside solid production results from the September quarter, investor confidence was bolstered. In October this share was the largest contributor to the portfolio, contributing 0.29%.

#### Perenti Limited (ASX: PRN 11.57%)

In October, Perenti Limited's share price also increased significantly, by 11.57%. Perenti's stock benefited from its subsidiary, Barminto securing a \$157 million contract with IGO Ltd, and commencing a three-year \$450 million extension with AngloGold Ashanti. Importantly, Perenti Limited reinstated a 12-month on-market share buyback program. The company plans to buyback up to 93,400,000 shares, representing 9.9% of its share capital. The renewal of this program highlights the Board's commitment to returning value to shareholders and confidence in the company's financial stability. This positively impacted investor sentiment and was therefore a factor in the share price rise. Perenti Limited's stock contributed 0.27% to the portfolio in October.

#### Integral Diagnostics (ASX: IDX 5.39%)

Integral Diagnostics reported a solid financial performance in the fiscal year ending June 2024. Revenue increased by 6.6% to \$469.7 million, and operating EBITDA rose by 7.4% to \$91.5 million. This growth was due to Medicare indexation, fee increases, and service mix optimisation – adjusting the proportion of different services provided to increase revenue. Progress towards Integral Diagnostics' proposed merger with Capitol Health Limited also continued, however, the Australian Competition and Consumer Commission, has not yet announced its findings leading to postponement of Capitol's scheme meeting until December. This merger will aim to create one of the largest diagnostic imaging companies across Australia and New Zealand. Consequently, it will enhance scale, and likely boost financial performance. Continuing progress towards this merger likely continued to increase investor sentiment. This share contributed 0.20% to the portfolio.

#### Michael Hill Int (ASX: MHJ 20.00%)

Michael Hill's share price saw an impressive increase in October 2024. This comes as a consequence of cost-cutting measures earlier in the year – where inventory was cleared at discounts, to start selling more higher margin products. This strategy proved to improve productivity, and margins. Michael Hill have also been further working on elevating the company into a luxury brand. These strategies have allowed them to recover from their difficult year of underperformance, and improve investor sentiment. In October, this share added 0.18% to the portfolio, making it the fourth greatest contributor.

#### Resmed Inc (ASX: RMD 5.58%)

Resmed Inc announced strong financial results for the quarter ended in September, with an 11% increase in year-on-year revenue, reaching \$1.22 billion. This was largely due to increasing demand for its sleep apnoea devices and masks. Resmed Inc also announced their 2030 strategy, which is to aim to enhance growth, profitability, and shareholder returns, which positively influenced investor sentiment, leading to their strong returns. Over the month, the share contributed 0.15% to the portfolio.

## Top 5 Detractors

### James Hardie Indust (ASX: JHX -14.92%)

After poor performance in the quarter ending in September, James Hardie Industries' share price dropped greatly. The reports detailed a 12% decline in adjusted net profit to \$157 million and a 4% decrease in sales to \$960.8 million. The company has projected an adjusted net income between AUD 630 – 700 million, which is less than the \$707.5 million recorded for the 2024 fiscal year. These poor results were attributed to challenges including elevated interest rates affecting housing demand in the U.S. and increased operating expenses. This share contributed -0.36% to the overall portfolio.

### Cleanaway Waste Ltd (ASX: CWY -7.14%)

In October, Cleanaway Waste Management Limited's share price dropped. This downturn occurred despite the company's reaffirmation of its fiscal year 2025 EBIT guidance, projected earnings between \$395 – \$425 million. The market's reaction may reflect that investors anticipated stronger performance, or uncertainties with the company's proposed merger with Citywide Waste. This share contributed -0.14% to the overall portfolio.

### BHP Group Limited (ASX: BHP -7.22%)

Iron ore – BHP's primary source of revenue – experienced significant price decreases. This was a consequence of low global steel demand, and in particular, low demand from China due to their insufficient stimulus policy. These declining prices have strongly, negatively impacted investors' sentiments on BHP's future performance, as iron ore prices are important for BHP's performance. Copper sales is BHP's second greatest revenue earner. However, copper prices also dropped similarly in October, further affecting investor sentiment. This share contributed -0.14% to the SMIF portfolio in October.

### APA Group (ASX: APA -10.18%)

APA Group's share recorded a negative return of -10.18%. During October, UniSuper, who was APA's largest shareholder, owning almost a 10% stake, sold approximately \$500 million worth of APA shares. These shares were sold at a discount of 2.7% - 5.4% below the last traded price. This caused a large decrease in share price. APA also addressed its plans to continue their controversial Beetaloo Basin fracking projects despite shareholders' strong concerns on the projects' environmental impact. Declining crude oil prices also negatively impacted energy stocks, including APA Groups. This share contributed -0.13% to the portfolio during October.

### Brambles Limited (ASX: BXB -3.52%)

Sales revenue for the quarter ending in September increased by 3%, due predominantly to price increases enacted in the previous year. This sales growth seemed soft compared to the 4% to 6% FY25 sales guidance. Additionally, Brambles' volumes remained flat as 1% business growth was offset by a decline in their like-for-like volumes of a similar magnitude. The flat volume was partially a consequence of lower U.S. produce volumes, alongside a return to seasonal patterns, and ongoing inventory optimisation by customers which led to increased returns of products. Additionally, with inflation increasing input costs, Brambles' ability to achieve stronger growth volume was limited. Consequently, its share price dropped over the month. This share contributed -0.11% to the portfolio.

## Performance Summary

Ticker	Name	Value	Weighting	Total Return	Contribution
MQG	Macquarie Group Ltd	28,813.88	5.58%	-0.37%	-0.02%
RUL	Rpmglobal Hldgs Ltd	25,902.00	5.02%	-0.67%	-0.03%
CSL	Csl Limited	23,761.24	4.61%	0.23%	0.01%
IDX	Integral Diagnostics	18,093.24	3.51%	5.39%	0.19%
BXB	Brambles Limited	16,251.62	3.15%	-3.52%	-0.11%
PWH	Pwr Holdings Limited	14,914.40	2.89%	0.55%	0.02%
JHX	James Hardie Indust	14,472.36	2.80%	-14.92%	-0.42%
CAR	Car Group Limited	13,073.54	2.53%	0.85%	0.02%
WES	Wesfarmers Limited	12,818.26	2.48%	-4.47%	-0.11%
RMD	Resmed Inc	12,659.14	2.45%	5.58%	0.14%
NST	Northern Star	12,009.44	2.33%	11.02%	0.26%
SUN	Suncorp Group Ltd	11,939.40	2.31%	-0.94%	-0.02%
CWY	Cleanaway Waste Ltd	11,545.38	2.24%	-7.14%	-0.16%
PRN	Perenti Limited	11,278.23	2.19%	11.57%	0.25%
QBE	Qbe Insurance Group	10,717.92	2.08%	4.05%	0.08%
BHP	Bhp Group Limited	10,341.00	2.00%	-7.22%	-0.14%
QUB	Qube Holdings Ltd	9,934.25	1.93%	-5.82%	-0.11%
SHL	Sonic Healthcare	7,815.01	1.51%	-1.10%	-0.02%
CLW	Chtr H Lwr	7,760.00	1.50%	-2.50%	-0.04%
INA	Ingenia Group	7,630.51	1.48%	-4.17%	-0.06%
JLG	Johns Lyng Group	7,068.35	1.37%	2.68%	0.04%
APA	Apa Group	7,030.56	1.36%	-10.18%	-0.14%
DTL	Data#3 Limited	7,019.08	1.36%	-3.30%	-0.04%
SPK	Spark New Zealand	5,180.34	1.00%	-6.03%	-0.06%
RIO	Rio Tinto Limited	4,648.68	0.90%	-7.60%	-0.07%
ELD	Elders Limited	4,630.60	0.90%	0.95%	0.01%
IPH	Iph Limited	4,243.84	0.82%	-11.68%	-0.10%
MHJ	Michael Hill Int	3,930.50	0.76%	20.00%	0.15%
IGO	Igo Limited	2,467.06	0.48%	-10.41%	-0.05%
CASH	CASH	188,004.97	36.44%	0.00%	0.00%
<b>Total</b>		<b>515,954.80</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%	0.44%	2.95%	12.29%	8.82%
All Ordinaries Accumulation Index	-1.36%	1.22%	6.18%	20.94%	6.40%
Alpha	-1.90%	-0.78%	-3.23%	-8.65%	2.42%

\* Return since fund inception on 19 November 2018

## Sector Breakdown

Sectors	% Weight	% Return
Healthcare	12.08%	2.65%
Materials	10.70%	-1.61%
Financials	9.98%	0.42%
Industrials	9.51%	-4.65%
IT	6.38%	-1.23%
Consumer Discretionary	3.65%	4.61%
Communication Services	3.54%	-1.10%
Consumer Staples	3.38%	-3.03%
Real Estate	2.98%	-3.33%
Utilities	1.36%	-10.18%
Energy	0.00%	0.00%
Cash	36.44%	0.00%
<b>Total</b>	<b>100%</b>	<b>-0.54%</b>

## Contributors to Returns

Top 5 Contributors	
NST	0.26
PRN	0.25
IDX	0.19
MHJ	0.15
RMD	0.14
Top 5 Detractors	
QUB	-0.11
APA	-0.14
BHP	-0.14
CWY	-0.16
JHX	-0.42

## 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.