

Student Managed Investment Fund September 2024 Update



September 2024 Fund Update

Dollar values are in AUD unless stated otherwise.

Fund Update

The SMIF fund delivered a positive return of 2.16% in September 2024, underperforming the All Ordinaries Accumulation Index, which posted a return of 2.67%. This resulted in a negative alpha of 0.51%, reflecting a month of mixed performance across sectors.

Despite the relative underperformance, the portfolio benefitted from strong contributions in Materials (8.39%), Information Technology (9.95%), Financials (5.83%) and industrials (3.44%). Key drivers of positive returns included RPM Global Limited (16.62%), Integral Diagnostics (14.23%), and BHP Group Limited (16.62%), which collectively contributed 1.47% to portfolio returns. Whilst Materials and Information Technology benefitted from rising commodity prices and technological innovation, respectively, Healthcare stocks like CSL Limited struggled due to operational challenges. Similarly, Consumer Staples stocks were impacted by higher costs and subdued consumer spending.

On the downside, the Telecommunication Services (-3.29%), Consumer Staples (-2.89%), Consumer Discretionary (-2.07%), Real Estate (0.50%) and Healthcare (0.77%) sectors lagged significantly. Notable detractors included Spark New Zealand (-10.78%), Michael Hill International (-10.71%) and CSL Limited (-6.09%), which combined to reduce portfolio returns by 0.47%.

While short-term performance fell short of the benchmark, the fund's long-term annualised return since inception remains strong at 9.25%, significantly outperforming the benchmark's 6.74%. The portfolio's balanced sector allocation and strategic adjustments continue to support its resilience against market volatility.

Market Update

Global markets demonstrated resilience in September, buoyed by renewed optimism in the Materials and Technology sectors. The ASX 200 achieved a return of 2.67%, outperforming many international indices. Australian equities benefitted from rising commodity prices, particularly for iron ore and lithium, amid global supply constraints. The Reserve Bank of Australia (RBA) kept its cash rate steady at 4.35%, citing cooling inflation, which fell to 2.8%. Domestic GDP growth rose 0.3% for the quarter, reflecting economic resilience despite global uncertainties. However, sectors like Consumer Staples and Consumer Discretionary faced headwinds, impacted by higher input costs and cautious household spending.

Record-high commodity prices and ongoing strength in mining exports supported the materials sector. Particularly, iron ore, lithium and copper experienced high prices, fuelled by global supply constraints and robust demand from industrial powerhouses such as China.

The Information Technology sector also saw significant gains, driven by increased investment in automation and digital transformation initiatives. Where growth was driven by business across sectors accelerating the adoption of advanced technologies such as artificial intelligence (AI). Additionally, Companies invested heavily in automation technologies to counteract rising labour costs and improve productivity, particularly in logistics, manufacturing, and resource extraction. Strong earnings reports from tech leaders such as WiseTech Global (ASX: WTC) and Xero (ASX: XRO) bolstered investor confidence, driving the sector's performance.

Conversely, Telecommunication Services and Healthcare struggled due to rising competition and operational cost pressures. The market saturation from heightened competition among major players like Telstra (ASX: TLS) and Optus exerted downward pricing pressure, affecting profit margins. Additionally, the rollout of 5G networks required significant investment, straining financial resources amid flat revenue growth. The Healthcare sector saw adjustments to government healthcare subsidies impacting companies reliant on Medicare funding, high research and development expenditures and increased competition from international players in areas like respiratory care and diagnostics.

Position Updates

Top 5 Contributors

RPM Global Holdings Limited (ASX: RUL, 12.78%)

RPM Global, a provider of mining software and consulting services, delivered an outstanding performance this month, driven by strong demand for its mining software and consulting services. Increased investment in automation and digital optimisation within the mining sector boosted the company's revenue, while a positive outlook for recurring revenue streams supported investor confidence. This position contributed to 0.64% of overall portfolio returns.

Integral Diagnostics (ASX: IDX, 14.23%)

Integral Diagnostics, a healthcare services provider specialising in diagnostic imaging, benefitted from favourable regulatory changes to Australia's Diagnostic Imaging Medicare Benefits Schedule. These changes, effective from 1 November 2024, expanded subsidised services, potentially enhancing the company's market position and operational efficiency. This stock added 0.50% to portfolio returns, highlighting the potential of its advanced healthcare solutions.

Macquarie Group (ASX: MQG, 7.75%)

Macquarie Group achieved strong results in asset management and commodities trading divisions. Renewable energy investments and favourable market conditions for infrastructure projects further bolstered its performance. Notable initiatives include Macquarie's asset management agreed to acquire a substantial minority stake in DESKI, a leading renewable energy company in the U.S. This investment aims to support DESRI's extensive development pipeline of over 25 gigawatts of renewable energy projects. Additionally, in July Macquarie took full ownership of Britain's main gas transmission network, National Gas, by purchasing the remaining 20% stake from National Grid. Other UK sustainable infrastructure initiatives include EV charging, offshore wind developments and solar power and battery storage. The stock contributed 0.43% to the portfolio, showcasing the benefits of its diversified revenue streams.

BHP Group Limited (ASX: BHP, 16.62%)

BHP benefitted from surging iron ore and copper prices, which were driven by supply constraints and robust demand from China. The company's operational improvements at its Pilbara mines and a positive production outlook contributed to renewed investor optimism. This position added 0.33% to portfolio returns.

Brambles Limited (ASX: BXB, 6.21%)

Brambles', a supply-chain logistics company specialising in reusable pallets, share price rose due to strong demand for its reusable pallets and cost-saving logistics initiatives. Expansion in key markets and efficiency improvements reinforced its competitive advantage, contributing 0.20% to the portfolio.

Top 5 Detractors

CSL Limited (ASX: CSL, -6.09%)

CSL, a global biotechnology company, experienced challenges in plasma collection and rising operational costs, which weighed on profit margins. Additionally, Slower-than-expected growth in its influenza vaccine division, CSL Seqirus, compounded investor concerns, detracting 0.28% from portfolio returns.

Spark New Zealand (ASX: SPK, -10.78%)

Spark New Zealand, a leading telecommunications provider, encountered intensified competition in the domestic market and higher capital expenditures for network upgrades impacted Spark's earnings. The company revenue decreased by 14.03% compared to the previous financial year. These challenges led to a 0.11% reduction in portfolio returns.

Michael Hill International (ASX: MHJ, -10.71%)

Michael Hill, a jewellery retailer, was negatively affected by weaker consumer sentiment in the jewellery market and rising costs of production. Additionally, they faced the pressure of discretionary spending due to the cost-of-living crisis. This stock detracted 0.08% from portfolio performance.

Elders Limited (ASX: ELD, -8.15%)

Elders, an agribusiness company, experienced underperformance due to declining agricultural commodity prices and operational inefficiencies in its rural services divisions. This position detracted 0.07% from overall returns.

ResMed Inc, (ASX: RMD, -2.10%)

ResMed, a medical device company specialising in respiratory care products, faced slower demand in North America, reflecting market softness and competitive pressures. This position reduced portfolio returns by 0.05%.

Performance Summary

| Ticker | Name | Value | Weighting | Total Return | Contribution |
|--------------|----------------------|-------------------|-------------|--------------|--------------|
| MQG | Macquarie Group Ltd | 23,246.28 | 5.58% | 7.75% | 0.41% |
| RUL | RpmGlobal Hldgs Ltd | 21,325.98 | 5.02% | 12.78% | -0.31% |
| CSL | CSL Ltd | 9,133.08 | 4.61% | -6.09% | 0.58% |
| IDX | Integral Diagnostics | 3,591.56 | 3.51% | 14.23% | 0.44% |
| BXB | Brambles Ltd | 12,485.48 | 3.15% | 6.21% | 0.19% |
| PWH | Pwr Holdings Ltd | 19,347.52 | 2.89% | 0.45% | 0.01% |
| JHX | James Hardie Indust | 13,660.92 | 2.80% | 4.27% | 0.12% |
| CAR | Car Group Ltd | 11,806.67 | 2.53% | 0.18% | -0.02% |
| WES | Wesfarmers Ltd | 12,155.78 | 2.48% | -0.88% | 0.00% |
| RMD | Resmed Inc | 11,891.70 | 2.45% | -2.10% | -0.05% |
| NST | Northern Star | 11,234.88 | 2.33% | 6.29% | 0.05% |
| SUN | Suncorp Group Ltd | 10,969.20 | 2.31% | 2.38% | 0.14% |
| CWY | Cleanaway Waste Ltd | 10,602.90 | 2.24% | 3.35% | 0.07% |
| PRN | Perenti Limited | 9,881.39 | 2.19% | 5.31% | 0.11% |
| QBE | Qbe Insurance Group | 11,489.04 | 2.08% | 4.75% | 0.10% |
| BHP | BHP Group Ltd | 9,681.75 | 2.00% | 16.62% | 0.08% |
| QUB | QUBE Holdings Ltd | 8,374.95 | 1.93% | 4.24% | 0.30% |
| SHL | Sonic Healthcare | 7,682.99 | 1.51% | 0.65% | 0.01% |
| CLW | Chtr H Lwr | 6,576.60 | 1.50% | 4.43% | -0.05% |
| INA | Ingenia Group | 7,069.22 | 1.48% | -3.27% | 0.07% |
| JLG | Johns Lyng Group | 10,649.90 | 1.37% | -0.53% | 0.01% |
| APA | APA Group | 7,537.92 | 1.36% | 2.24% | -0.01% |
| DTL | Data#3 Ltd | 7,083.90 | 1.36% | 0.83% | 0.03% |
| SPK | Spark New Zealand | 7,954.21 | 1.00% | -10.78% | -0.13% |
| RIO | Rio Tinto Ltd | 4,697.64 | 0.90% | 15.76% | -0.08% |
| ELD | Elders Ltd | 4,652.52 | 0.90% | -8.15% | -0.09% |
| IPH | IPH Limited | 4,390.42 | 0.82% | -1.62% | -0.01% |
| MHJ | Michael Hill Int | 5,188.26 | 0.76% | -10.71% | 0.12% |
| IGO | Igo Ltd | 3,330.11 | 0.48% | 12.28% | 0.06% |
| CASH | CASH | 214,114.61 | 36.44% | 0.00% | 0.00% |
| Total | | 515,954.80 | 100% | | 2.16% |

Performance Overview

| | 1 Month | 3 Months | 6 Months | 1 Year | Since Inception p.a* |
|--------------------------------------|---------|----------|----------|--------|----------------------|
| SMIF | 2.16% | 3.53% | 2.00% | 10.00% | 9.25% |
| All Ordinaries Accumulation Index | 2.67% | 6.55% | 4.72% | 17.72% | 6.74% |
| Alpha | -0.51% | -3.02% | -2.72% | -7.72% | 2.51% |

* Return since fund inception on 19 November 2018.

Sector Breakdown

| Sector | % Weight | % Return |
|------------------------|-------------|--------------|
| Healthcare | 12.25% | 0.77% |
| Materials | 10.16% | 8.39% |
| Financials | 9.58% | 5.83% |
| Industrials | 9.45% | 3.44% |
| IT | 5.93% | 9.95% |
| Consumer Discretionary | 3.83% | -2.07% |
| Communication Services | 3.81% | -3.29% |
| Consumer Staples | 3.59% | -2.89% |
| Real Estate | 3.04% | 0.50% |
| Utilities | 1.35% | 2.24% |
| Energy | 0.00% | 0.00% |
| Cash | 37.02% | 0.00% |
| Total | 100% | 2.16% |

Contributors to Returns

| Top 5 Contributors (%) | |
|------------------------|------|
| RUL | 0.58 |
| IDX | 0.44 |
| MQG | 0.41 |
| BHP | 0.30 |
| BXB | 0.19 |

| Top 5 Detractors (%) | |
|----------------------|-------|
| CSL | -0.31 |
| SPK | -0.13 |
| MHJ | -0.09 |
| ELD | -0.08 |
| RMD | -0.05 |

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.