The University of Queensland Business School

The University of Queensland Australia

CREATE CHANGE

Student Managed Investment Fund March 2025 Update

March 2025 Fund Update

Dollar values are in AUD unless stated otherwise.

Fund Update

In March, SMIF saw a negative monthly return of 1.90%, still outperforming the ASX All-Ordinaries Index benchmark (-4.17%) with an alpha of 2.27%. The market's overall poor performance can be largely attributed to Trump's tariff program, which continues to create trade tensions, economic uncertainty and a movement away from equity markets.

The portfolio's worst performers included James Hardie (-23.97%), John Lyng Group (-16.08%), Car Group (-13.86%) and Macquarie Group (-13.22%). Conversely, the fund's top performers included Integral Diagnostics (+9.19%), Northern Star (+8.22%), Apa Group (+7.05%), and Perenti Group (+6.64%). Only utilities and IT saw a positive return of 7.05% and 2.49% respectively. This aligns with market sentiment as investors move towards more defensive sectors during economic uncertainty. Consequently, Communication Services (-11.30%) and Consumer Discretionary (-9.87%) were the worst performing sectors.

Market Update

Global Markets

For the second consecutive month, share markets were down in response to Trump's tariffs, which have prompted growing fears of a global recession. In the US, the S&P 500 finished the month 10% below the highs from mid-February. Despite this, the middle of the month saw growth, brought about by optimism that Trump's "Liberation Day" tariffs – to be announced in April – would be not as extensive as feared. However, this confidence faded after Trump announced an unexpected tariff on automobiles later in the month. Energy was the only positive sector on the S&P 500, driven by resilient oil prices, with tech, consumer discretionary and communication services performing the worst. Declines in other markets were also largely driven by Trump's tariff program, with the Euro Stoxx 600 down 2.3%, the London FTSE down 2.6% and Japan's Nikkei 225 down 4.1%. Despite this, emerging markets performed relatively well, with the MSCI EM index rising 1.7%. This was led by strong performances in Latin America and EMEA, due to strong FX performance, commodity prices and lower exposure to US trade frictions.

National

Australian Equities performed slightly better than the global average in March, with the ASX 200 down 3.4%. Price movements were similar to the US market, with technology (-9.74%) and consumer discretionary (-6.43%) performing the worst, as investors rotated towards more defensive areas like utilities (+0.01%) and government bonds. Australian 10-year government bond yields rose 7.8 basis points to 4.38%, while two-year bond yields decreased by 5.7 basis points to 3.68%. Movements were minimal as investors assessed the RBA's rate cut and slightly lower than expected CPI data from February. While the RBA did not meet this month, they are expected to keep the cash rate steady at 4.1% after April's decision. The government also handed down the federal budget, with the main features being energy bill relief for households and small businesses and lowering the marginal tax rate from 16% to 14%. In commodities, oil prices rose by 3.32% in March. This was despite an early month drop in prices due to anticipation of higher supply from OPEC countries, combined with lower global demand stemming from weaker economic growth. However, Trump's threats of additional tariffs on Russian, Iranian, and Venezuelan oil, drove prices higher.

Positions Update

Top 5 Contributors

Integral Diagnostics (ASX: IDX, 9.19%)

After a recent sharp sell-off of shares in late February, speculation has begun of a possible private equity takeover. Alongside revenue tailwinds from MRI deregulation and expectations of EBITDA margin expansion due to cost synergies from the CAJ merger, sentiment is positive for IDX. Continued upside from increased bulk billing eligibility is also expected.

Northern Star (ASX: NST, 8.22%)

The Federal Court of Australia approved Northern Star's proposed acquisition of De Grey Mining. Northern Star will acquire 100% of rival ASX gold miner De Gray's shares with a target price of $2.08 per share. Conviction is high, with the scheme of arrangement being unanimously recommended by De Grey's board of directors. Reports state that Northern Star's exploration, mine development, and expertise will assist them in unlocking long-term value potential and generate superior returns to shareholders.

RPM Global Holdings Ltd (ASX: RUL, 4.40%)

With 1H25 results released, RPM Global flaunts high growth with a 21.2% increase in EBITDA. Their transition from perpetual licences to subscriptions is improving recurring revenues and operating leverage. Furthermore, major miners such as Rio Tinto and Mineral Resources have used RPM's new products this year. Finally, RPM is beginning its share buyback program, which supports EPS and ROE metrics.

Perenti Limited (ASX: PRN, 6.64%)

Broader market volatility influenced by global economic factors including trade tensions and tariff uncertainties continue to depress Perenti's share price. Despite a strong operational performance, with record revenue and positive free cash flow reported for the first half of FY25, the company faced external pressures that impacted investor sentiment. This downturn aligns with a general market trend where mining services stocks, such as Perenti, have been affected by macroeconomic factors like fluctuating commodity prices and geopolitical tensions.

QBE Insurance Group (ASX: QBE, 4.90%)

QBE's share price rose in March, supported by sector resilience following Cyclone Alfred. Unlike competitors such as Suncorp, QBE had less direct exposure to increased claims due to damages, highlighting the benefits of diversified global earnings base. Analysts have further highlighted their strong capital management and potential for further buybacks, reinforcing investor confidence.

Top 5 Detractors

Macquarie Group Ltd (ASX: MQG, -13.22%)

Macquarie Group's share price was down 13.22% in March, reflecting softer investor sentiment. The decline was driven in part by expectations of weaker performance in its Commodities and Global Markets division (CGM), which had been a key earnings driver in prior years. A dip in dividend payouts compared to historical levels also reduced its appeal to yield-focused investors. Broader market volatility and macroeconomic uncertainty added further pressure.

James Hardie Industrials (ASX: JHX, -23.97%)

Share prices have plummeted for James Hardie after announcing a US$8.8 billion takeover of AZEK Company. Investors were concerned regarding the 37% premium paid to AZEK, alongside the dilution from the scrip component of the deal. Despite management highlighting the long-term growth potential, the market seems to question whether the promised US$350 million in synergies would offset the near-term risks.

Car Group Limited (ASX: CAR, -13.86%)

Investors continue to question whether CAR's strong global growth and earnings can justify high valuation multiples. Weakness in auto markets and declining user-car listings further weigh in on sentiment, contributing to the decline. Furthermore, CAR's shares went ex-dividend on the 14th, which saw a sell off a further decrease in value.

PWR Holdings Limited (ASX: PWH, -10.46%)

Although PWR has a strong track record of earnings growth, in March it paid out more free cash-flow than it generated last year – raising questions about its ability to maintain dividends. Alongside this, the stock was approaching its ex-dividend date, and some of the price drop reflects the typical adjustment when dividends are paid out. Finally, market caution regarding the auto components sector may have amplified selling pressure.

ResMed Inc (ASX: RMD, -5.82%)

ResMed launched its global "Say Goodbye to Your Sleep Monster" campaign to raise awareness of poor sleep and consumer engagement. Despite this proactive approach to boosting brand presence, broader market factors and sentiment may have outweighed the positive outlook. Although the drop seems modest, it had a substantial impact on the SMIF portfolio given the significant holdings in ResMed.

Performance Summary

Ticker	Name	Value	Weighting	Total Return	Contribution
RUL	Rpmglobal Hldgs Ltd	24,606.90	5.04%	4.40%	0.21%
MQG	Macquarie Group Ltd	24,383.36	5.00%	-13.22%	-0.74%
CSL	Csl Limited	20,690.24	4.24%	-3.54%	-0.15%
BXB	Brambles Limited	17,105.62	3.51%	-2.53%	-0.09%
QBE	Qbe Insurance Group	14,191.20	2.91%	4.90%	0.14%
IDX	Integral Diagnostics	13,950.68	2.86%	9.19%	0.24%
PRN	Perenti Limited	13,813.25	2.83%	6.64%	0.18%
NST	Northern Star	13,776.64	2.82%	8.22%	0.21%
WES	Wesfarmers Limited	13,105.82	2.69%	-2.90%	-0.08%
RMD	Resmed Inc	12,655.52	2.59%	-5.82%	-0.16%
PWH	Pwr Holdings Limited	11,255.84	2.31%	-10.46%	-0.26%
CAR	Car Group Limited	10,990.01	2.25%	-13.86%	-0.36%
SUN	Suncorp Group Ltd	10,807.26	2.22%	-4.38%	-0.10%
CWY	Cleanaway Waste Ltd	10,210.20	2.09%	3.53%	0.07%
QUB	Qube Holdings Ltd	9,883.95	2.03%	-0.29%	-0.01%
JHX	James Hardie Indust	9,696.96	1.99%	-23.97%	-0.61%
BHP	Bhp Group Limited	8,595.00	1.76%	0.74%	0.01%
INA	Ingenia Group	8,222.14	1.69%	-4.24%	-0.07%
SHL	Sonic Healthcare	7,393.12	1.52%	-4.55%	-0.07%
CLW	Chtr H Lwr	7,158.60	1.47%	-2.53%	-0.04%
APA	Apa Group	7,157.40	1.47%	7.05%	0.09%
DTL	Data#3 Limited	6,713.50	1.38%	-3.79%	-0.05%
RIO	Rio Tinto Limited	4,157.64	0.85%	6.55%	0.05%
JLG	Johns Lyng Group	4,055.30	0.83%	-16.08%	-0.16%
ELD	Elders Limited	3,677.08	0.75%	-5.09%	-0.04%
SPK	Spark New Zealand	3,435.19	0.70%	-2.49%	-0.02%
MHJ	Michael Hill Int	3,262.32	0.67%	-7.78%	-0.06%
CASH	CASH	188,004.97	38.54 %	0.00%	0.00%
Total		**487,791.79**	**100.0%**		**-1.90%**

Performance Overview

	1 Month	3 Months	6 Months	1 Year	Since Inception p.a.*
SMIF	-1.90%	-2.76%	-3.88%	-1.72%	6.84%
All Ordinaries Accumulation Index	-4.17%	-4.36%	-5.68%	-1.23%	5.23%
Alpha	2.27%	1.60%	1.80%	-0.49%	1.61%

* Return since fund inception on 19 November 2018

Sector Breakdown

	% Weight	% Return
Utilities	1.47%	7.05%
IT	6.42%	2.49%
Energy	0.00%	0.00%
Healthcare	11.21%	-1.28%
Materials	10.60%	-1.48%
Industrials	9.11%	-2.32%
Consumer Staples	3.44%	-3.39%
Real Estate	3.15%	-3.45%
Financials	10.12%	-6.61%
Consumer Discretionary	2.98%	-9.87%
Communication Services	2.96%	-11.30%

Contributors to Returns

Top 5 Contributors (%)	
IDX	0.24%
NST	0.21%
RUL	0.21%
PRN	0.18%
QBE	0.14%

Top 5 Detractors (%)	
MQG	-0.74%
JHX	-0.61%
CAR	-0.36%
PWH	-0.26%
RMD	-0.16%

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.