



Student Managed Investment Fund January 2020 Update



January 2020 Fund Update

Fund Review

The portfolio returned 5.44% for the month ended 31st January 2020, compared with the benchmark All Ordinaries Accumulation Index return of 4.69%. Top performers for the month included Woolworths (ASX: WOW), ResMed (ASX: RMD), James Hardie (ASX: JHX) and Northern Star Resources (ASX:NST), delivering returns of 15.71%, 14.38%, 14.10% and 11.40% respectively. The worst performers for the month were Sydney Airport (ASX: SYD), Origin Energy (ASX: ORG) and Rio Tinto (ASX: RIO) falling 3.12%, 2.96% and 1.62% respectively.

Northern Star was again another monthly standout, returning 11.4% in January. This was a result of investors looking for safe havens in the wake of the Coronavirus outbreak, alongside a positive quarterly gold resource production update from the company. The company's mines in Jundee and Kalgoorlie both exceeded guidance, with a further 56% production increase from the Alaskan Pogo gold mine. We look forward to seeing NST's progress with its KCGM SuperPit acquisition in the upcoming quarter.

Sydney Airport fell 3.12% in January, a reaction from investors concerned about implications from the Coronavirus outbreak. Negative sentiment arose after news of travel bans to China from airlines such as Qantas and Virgin, alongside advice from the Department of Foreign Affairs and Trade (DFAT) upgrading travel advice to mainland China as "Do Not Travel". Given tourism and trade from China accounts for a portion of Sydney airport traffic, the short-term impacts of this ban are likely to have a minor effect on monthly traffic numbers. The fund's positions in Rio Tinto (-1.62%) and Origin Energy (-2.96%) have also come under pressure, as commodity prices have weakened in the wake of uncertain demand from China. As always, we will continue to ensure we are invested appropriately in the market and will monitor any further updates relating to the virus outbreak and the broader market.

The majority of the funds top performers in January have yet to release their half yearly results, and we expect significant operational updates to our positions when releasing February's monthly update.

Stock Spotlight

Resmed (ASX: RMD)

Resmed develops and manufactures mask and medical device products for the treatment of sleep apnea and sleep-related problems globally. The fund established a position within the company in October of 2019 and has since performed strongly, returning 30.61%. The portfolio managers see this return stemming from 3 main areas; consistent earnings, adaptive pivots through digital health and strong tailwinds from a largely underdiagnosed sleep apnea market.

Firstly, Resmed continues to deliver strong results, revenue and net operating profit increased by 14% and 26% respectively. Organic growth through recent quarters increased by 15% which now represents 10 consecutive quarters of growth. Within the US and Latin American markets, revenue excluding software-as-a-service (SAAS) grew by 14%. Europe, Asia and other markets saw growth of 8%. These results were largely driven by the introduction of new mask products and accessories to complement existing device offerings.

Moreover, Resmed has continued to focus on its digital health service offerings with both Matrix Care and Brightree reporting growth of 32%. Mick Farrell CEO noted that innovation through this segment will see more efficient use of resources in and out of hospitals and a reduction of costs for patients in a sector which Resmed sees as an opportunity to capitalize on.

Finally, Resmed continues to benefit off a largely underdiagnosed sleep apnea market which has acted as a strong tailwind for the company. The positive price momentum over the last year highlights a business model that continues to impress investors and illustrates the adaptive nature of Resmed moving forward.

Market Update

Australian Equities markets had a strong January, with the Australian All Ordinaries Index returning 4.69%. Equities gained considerably at the start of the month with increased investor expectations for persistently low interest rates and potential quantitative easing measures espoused by the Reserve Bank, with these factors maintaining high asset prices.

The markets softened in the later half of the month as the domestic impact of the catastrophic bushfire season continued and the outbreak of the deadly coronavirus produced soundwaves across the world. The outbreak of the Coronavirus is particularly interesting for equity markets and will have some impact into the fund's investments, particularly resources and infrastructure stocks, due to the Australian economy's dependence on China.

Over the coming month the fund managers will assess the likely impacts of the coronavirus, however, it is important to note that during the competition last year, the managers pitched a portfolio containing investments that we believed showed the greatest promise and security, and since then have invested in businesses that have earned consistently high returns with significant financial strength and security.

We do not plan on running a highly defensive portfolio with all cash holdings during this uncertainty. Market uncertainty always exists with varying degrees, however, the costs of not being invested into high quality businesses, over the long run, far outweighs the downside risk espoused by various macroeconomic and geopolitical factors.

Monetary Policy Update

The RBA released their first statement of monetary policy on the 6th of February and left the interest rate unchanged at 0.75%, reiterating their belief that the domestic housing market and global economy are on track to recover through 2020.

The main domestic concern is consumer spending with a weak start to the year. However, this is expected to improve as interest rate cuts continue to take effect. While the housing market is in recovery, significant increases in metropolitan

house prices risk creating issues in the future. The reserve bank and the fund are increasingly concerned about the short-run effect of the Coronavirus outbreak on the commercial economy.

The RBA notes that it is difficult to extrapolate from previous disease outbreaks, however, they are usually associated with a significant negative short-run impact on demand. This has the potential to destabilize markets, even as the US-China trade war begins to stabilize with preliminary agreements. Additionally, the full impact of Brexit is still unknown as much of the substantive content of the post-exit deal, is yet to be negotiated.

Portfolio Management Team

<i>Student</i>	<i>Current Enrolment</i>
Xavier Clark	Bachelor of Commerce & Economics
Elyse Dwyer	Bachelor of Advanced Finance & Economics (BAFE)
Zach Hayward	Bachelor of Advanced Finance & Economics (BAFE)
Patrick Jaffe	Bachelor of Advanced Finance & Economics (BAFE)
Callum McFaul	Bachelor of Advanced Finance & Economics (BAFE)
Jordi Montaner	Bachelor of Advanced Finance & Economics (BAFE)

Quantitative Data:

Holdings:

Ticker/ Company Name	Portfolio Weight	Position 31 st December	Return*
FAIR Betashares Australian Sustainability Leaders ETF	16.5%	\$ 41,462	23.1%
MQG Macquarie Group Limited	6.9%	\$ 17,278	18.7%
RMD ResMed Inc.	5.6%	\$ 14,128	30.6%
CNU Chorus Limited	7.8%	\$ 19,668	14.6%
APA APA Group	4.1%	\$ 10,265	2%
SCP Shopping Centres Australasia Property Group	4.1%	\$ 10,332	8.4%
MICH Magellan Infrastructure Fund	3.9%	\$ 9,875	5.2%
RIO Rio Tinto Group	3.6%	\$ 8,988	9.8%
SHL Sonic Healthcare Limited	3.6%	\$ 9,089	48.2%
QUB Qube Holdings Limited	3.5%	\$ 8,652	36.1%
WOW Woolworths Group Limited	3.4%	\$ 8,535	11.8%
BHP BHP Group	3.1%	\$ 7,880	35.0%
WBC Westpac Banking Corporation	2.8%	\$ 7,034	-2.0%
CSL CSL Limited	2.7%	\$ 6,865	70.0%
APX Appen Limited	2.6%	\$ 6,414	78.5%
TGR Tassal Group Limited	2.5%	\$ 6,142	6.7%
JHX James Hardie Industries plc	2.6%	\$ 6,614	28.3%
NST Northern Star Resources Limited	2.7%	\$ 6,779	52.3%
SYD Sydney Airport Limited	3.6%	\$ 8,969	-0.7%
NCK Nick Scali Limited	2.2%	\$ 5,554	38.2%
BAP Bapcor Limited	1.8%	\$ 4,475	-10.9%
ORG Origin Energy Limited	2.8%	\$ 6,954	0.4%
RWC Reliance Worldwide Corporation Limited	1.7%	\$ 4,293	-4.1%
BRG Breville Group Limited	2.8%	\$ 7,057	5.6%
Cash and Dividends Receivable	3.0%	\$ 7,537	
	TOTAL	\$ 250,770	

*Total return since purchase

Performance:

	1 month	3 months	6 months	12 months	Inception (Nov 2018)
SMIF	5.4%	8.8%	5.3%	24.5%	25.4%
All Ordinaries Accumulation Index	4.7%	5.9%	5.3%	24.9%	28.5%

Key Portfolio Metrics:

Metric	
P/E	22.9
P/B	3.2
ROE	13.2

Market Capitalisation Breakdown:

	Number of Stocks	% Weight
S&P/ASX1-100	15	52.8%
S&P/ASX101-200	6	21.6%
S&P/ASX201-300	1	2.2%
S&P/ASX301-500	0	0.0%
ex-All Ordinaries	1	3.9%

Sector Breakdown:

	% Weight
Materials	12.1%
Healthcare	12.0%
Financials	9.7%
Industrials	8.7%
Communication Services	7.8%
Consumer Discretionary	6.8%
Consumer Staples	5.9%
Real Estate	4.1%
Utilities	4.1%
Energy	2.8%
Information Technology	2.6%

Note: METRICS ABOVE ARE EXCLUSIVE OF FAIR ETF

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.