

UQ Business School Student Managed Investment Fund (SMIF) Research Challenge 2024

Challenge overview

In 2018, the University received external donations of \$200,000. The donations were allocated to the UQ Business School Student Managed Investment Fund. This money was initially invested on two dates in November and December 2018. In 2023, SMIF has further received donation of \$155,730 from a generous UQ alumni.

Since semester 2, 2019, student teams have managed the fund for periods following the SMIF portfolio challenges.

Sep 2019 to Apr 2020: Team Hadrian
May 2020 to Sep 2020: Team Zion Capital
Oct 2020 to Apr 2021: Team Plutus
May 2021 to Apr 2022: Team BC Capital
May 2022 to April 2023: Team Summit Capital
May 2023 to April 2024: Team Sunshine Capital

The current value of the portfolio is approximately \$320,305 (January 2024), with the additional donation of \$155,730 to be invested.

We are happy to announce 2024 Challenge. For the challenge, students form their own teams and will be required to produce a comprehensive equity research report on an Australian listed company, along with a detailed valuation model. The target company can be one of the SMIF portfolio holdings at the end of January 2024 (provided in Page 8).

The members of the winning team and the runner up team will be appointed as SMIF equity research analysts for one-year period before handing over to the next team in May 2025. During that period, each SMIF equity research analyst will be responsible for covering one to two industries, and make recommendations regarding existing portfolio holdings and new additions. There will be a rotating Chief Investment Officer (CIO) among all SMIF analysts. Jointly, the team will be responsible for the SMIF portfolio allocation, subject to the Investment Committee approval. At the end of the tenure, to recognise the excellent equity research over the year, the Investment Committee will vote for a star analyst.

The semi-final of the challenge is judged by UQ Business School academic staff and/or other suitable individuals followed. The final will be judged by a panel of industry professionals, along with UQ Business School academic staff.

Key dates

Tuesday 12th March (10am) - Information session (location and zoom link to be announced)
Friday 22nd March (5pm) - Team registration deadline (on Blackboard)
Friday 26st April (5pm) - Report submission (on Blackboard)
Friday 3rd May – Semi-final line-up published
(Around) 13th to 17th May (in person) - Semi-final presentation
(Around) 13th to 17th May (in person) - Final

Benefits of participation

There are a wide range of potential benefits for students who participate in this challenge including:

- Development of skills related to teamwork, task planning and organisation, report preparation, and giving effective presentations;

- Experiential learning – putting into practice concepts and theory from areas such as valuation, portfolio management, risk management and corporate finance;
- Enhancing employability and employment opportunities – employers are increasingly looking to employ students with demonstrated experience and skills developed in extra-curricular activities. This activity will provide some students with direct access to potential employers. **A number of past students have reported that involvement in SMIF has significantly assisted them with obtaining employment, in the investment management industry, before or after graduation;**
- Experience managing real money – the winning team will have direct management of a portfolio of a real portfolio for a year. This may also include meetings with listed company executives, investment analysts and portfolio managers.

Who is eligible for the challenge?

The challenge will be open to all UQ students. However, each team of 4 or 5 students¹ will need to have at least two students who are currently enrolled in a UQ Business School program (e.g. Bachelor of Commerce, Bachelor of Advanced Finance and Economics, Master of Commerce - but not limited to these). Further, each team must have 4-5 students who will still be enrolled in their current UQ program in June 2025.

If you want to be involved in the challenge, please join the SMIF Blackboard via the following link:

https://learn.uq.edu.au/webapps/login/?new_loc=/webapps/blackboard/execute/enrollCourse?course_id=143084_1%26context=COURSE

If you have any issues, please send an email to smif@business.uq.edu.au (Dr Ronghong Huang/Dr Khoa Hoang).

You must be registered by Friday 22nd March, 5pm. Send an email to smif@business.uq.edu.au with subject line “2024 SMIF Challenge Team Registration”. You should include names, contact information, and enrolled program for all team members.

Duties of SMIF Equity Research Analyst

Please note that the members of the winning team and the runner up team will be appointed as equity research analysts for one-year period and must be available to perform duties associated with the role during that period. These duties include:

- Closely monitoring the latest developments of portfolio holding companies;
- Create and maintain valuation models for portfolio holding companies;
- Conduct research within the covered industry to identify potential buys/sells;
- Attending and actively participating in monthly team meetings to formulate portfolio changes and present to Investment Committee;
- Facilitating workshops with industry guests for the SMIF community;
- Promoting the SMIF and assisting with next year’s research challenge;
- Preparing monthly fund updates and presenting a report to the SMIF Advisory Board at the completion of their term. The report will detail the performance of the portfolio during the tenure.

It is expected that the SMIF equity research analysts spend around 5 to 10 hours each week on the duties listed above. However, the amount of time can vary largely across different weeks. For example, much more time is needed during reporting seasons. Given the substantial commitment, you need to make sure enough time is set aside

What is the task?

The core task of each team is to conduct in-depth equity research on one of SMIF’s current holdings, and produce a high quality equity research report, together with rigorous valuation model.

¹ While the preferred number of students in a team is 4 or 5, the Challenge will accept teams of 6 students. Anecdotal experience in the Challenge task is that team effectiveness is improved when teams have fewer than 6 members.

The equity research task is in line with SMIF Investment Philosophy, which believes market is generally efficient, but also understands the importance of equity research in identifying mispricing and maintaining market efficiency. For more detailed description regarding SMIF Investment Philosophy and Investment Strategy, refer to SMIF Investment Policies at the end of this document.

Report submission requirements

By 5pm 26th April 2024, submit your report as a PDF to smif@business.uq.edu.au with subject line “2024 SMIF Challenge Submission”, together with the supporting valuation models. Your report should adhere to the following requirements.

- The first page should include team name and contact details (email address, phone number); for each team member – family name; first name; student number; enrolled UQ program (e.g. Bachelor of Commerce); expected graduation semester (e.g. Semester 2, 2025);
- The main body of the report should be no more than 10 pages (A4-sized paper). Additional 10-page appendix is allowed;
- Contain only publicly available information;
- Be the original work of the team;
- Be prepared from the perspective of an independent equity research analyst;
- The format of the equity report is not fixed. However, at a minimum, the equity report should include the following sections:
 - Business description
 - Industry analysis
 - Investment thesis
 - Financial analysis
 - Valuation
 - Investment risks
 - Environmental, social and governance

The best report will provide insights into the business that is beyond the information contained in the annual reports. If possible, students are strongly encouraged to conduct some field research to understand the business. This can take various forms, such as evaluation of the product/service, customer interview, store visit etc. The evaluation of the submitted report will be based on the thoroughness and completeness of the analysis.

Note:

- (a) failure to comply strictly with these requirements will mean that your team cannot proceed to the semi-final of the challenge;
- (b) data (e.g. share price) should be as at close of business on 31st March 2024;
- (c) financial data should be expressed in \$m;
- (d) the written content of the report should be the original work of the team and should not be taken verbatim from any other source. Turnitin will be used to check for originality.

What is the semester schedule?

Please note that all dates are subject to change. Any date changes will be posted on the SMIF Blackboard and emailed to registered students.

1. Team registration

Deadline: Friday 22nd March 2024

You must be registered as part of a team by this date/time.

2. Report submission

Deadline for submission: Friday 26th April 2024, 5pm

It is important to note that company reporting season finishes at the end of February and a great deal of information via the ASX is likely to be released to the market during this time.

Any team who wishes to participate in the challenge must submit by the deadline the required 10-page report (another 10-page appendix is allowed). The supporting valuation model should also be submitted. Reports will be evaluated by UQ Business School academic staff and a select number of teams will be invited to participate in the semi-final. All teams will be advised of their success or otherwise by 3rd May.

Judging criteria: Team reports will be assessed on a number of criteria including:

- Adherence to specified Report requirements;
- Strength of qualitative and quantitative analysis;
- Quality of report presentation and writing;
- Quality of valuation model.

It is not anticipated that formal feedback will be provided to unsuccessful teams.

3. Semi-final presentations

The semi-final is expected to be held on or around the 13th to 17th May 2024 where a select number of teams will present a 20 minute presentation including Q&A. Judges will comprise UQ Business School academic staff and/or other suitable individuals. 4 teams will then be selected for the final.

Deadline for submission of proposed presentation: 10th May 2024

Presentation requirements and judging criteria will be communicated directly to the teams selected for the semi-finals.

4. Final presentations

The Final will be held on or around the 13th to 17th May 2024 where 4 selected teams will make a 30 minute presentation including Q&A. Students will be making essentially the same presentation as in the semi-finals but will have more time to answer questions. Judges are expected to comprise a panel including industry professionals and UQ Business School academic staff.

Presentation requirements and judging criteria will be the same as for the semi-finals.

Useful resources

The **Bloomberg lab** is located on level 1 of the Colin Clark building. You can use the Bloomberg terminals here to gather a great deal of data and information about potential investments for the portfolio (including carbon emissions). You can access this lab during weekday University hours and will need to setup an account.

Capital IQ also provides a wealth of financial data about listed companies which you can access from any device. Please sign up for a login using your @student.uq.edu.au email address at: <https://www.capitaliq.com/ciqdotnet/login.aspx>

Click on 'New User' to register.

DatAnalysis Premium provides access to Australian and New Zealand listed company information. You can access this through the UQ library:

<http://datanalysis.morningstar.com.au.ezproxy.library.uq.edu.au/>

SMIF Blackboard: Material submitted by prior finalist teams are available on Blackboard. However, please be aware that the format of the SMIF challenge has changed this year. There are also workshop materials from industry practitioners and previous student portfolio managers available.

Media Outlets

Livewire Markets: Commentary from Australian Fund Managers on current macroeconomic events and ASX stocks

The Business (iView): 15 minute weekday wrap-ups on current events in Australian business climate

Morningstar: Australian and Global Market Data updates.

If you have any questions...

You can contact any of the following UQ Business School academic staff:

Dr Khoa Hoang/ Dr Ronghong Huang at smif@business.uq.edu.au

UQ Business School

Student Managed Investment Fund (SMIF) Investment Policy

The Fund has a fixed investment philosophy and strategy as set out below:

SMIF Investment Philosophy

The Fund's investment philosophy draws on several decades of academic theory and research that asserts and generally finds that the market is, over the long-term, efficient and asset prices closely reflect underlying value. While there is ongoing debate as to whether academic evidence of higher (or lower) than expected portfolio returns are the product of risk premia or behavioural factors, it is well established that investment professionals, are on average at least, unable to outperform the market.

However, we also understand that investment professionals are an important mechanism for maintaining market efficiency, as they search for and seek to take advantage of perceived mispricing. Accordingly, the portfolio managers of SMIF are not discouraged from pursuit of mispricing but are encouraged to make use of a range of valuation tools including discounted cash flow (DCF) analysis to quantify the opportunity.

We expect that the long-term returns of the Fund will be driven by broader equity market returns and we wish to minimise exposure to non-systematic risk by holding a diversified portfolio. This is consistent with the UQ Investment Policy.

SMIF Investment Strategy

The SMIF investment philosophy is implemented by requiring the portfolio of ASX listed equities to be diversified prudently across the eleven GICS sectors. A range of portfolio constraints are also specified to ensure proper diversification and no material exposure to non-systematic risk factors.

SMIF has a preference for investments that have a track record of profitability, positive operating cash flow, and low industry-adjusted balance sheet gearing. Investee companies should be ones whose revenue and profits are expected to grow over the medium to long term without the need for substantial additional shareholder capital. Investee companies have a track record of fairly and respectfully dealing with stakeholders including shareholders and customers. We value the strength of the management team.

SMIF has developed an ESG policy to ensure it meets its responsibilities as responsible investors.

UQ Investment Policy

The SMIF philosophy and strategy has been formulated to be consistent with a range of constraints which flow from the UQ Investment Policy: <https://ppl.app.uq.edu.au/content/investment-policy>

Key aspects of this Policy that are relevant to investments made by SMIF are:

- *"All investments must be within the Senate-approved Risk Appetite Statement and meet UQ's ethical standards and values"* (2.2.3). UQ values are articulated at: <https://www.uq.edu.au/about/mission-statement>
- Long-term investment pool objectives (2.6)
 - *"To create a growing source of funds that can be used to support the objectives of UQ;*
 - *To provide long-term capital growth as well as a stable annual income stream in perpetuity;*
 - *To preserve the long-term purchasing power of the endowments;*
 - *To provide reasonable returns that are consistent with donor expectations; and*
 - *To minimise market risk by investing in a well-diversified portfolio across a number of industry sectors."*
- Prohibited investments (2.9)
 - *"A derivative unless to hedge a prescribed risk under UQ's foreign exchange or debt policies; and*
 - *An investment that does not align with UQ's values and strategic direction unless otherwise approved by the Senate."*

SMIF Portfolio Holdings 31 January 2024

Code	Name	Value (AUD)	Weighting	Contribution	Total Return %
MQG	Macquarie Group Ltd	23,615.80	7.30%	0.27%	3.71%
PWH	Pwr Holdings Limited	17,221.60	5.33%	0.38%	7.07%
RUL	Rpmglobal Hldgs Ltd	15,541.20	4.81%	0.14%	2.86%
JHX	James Hardie Indust	14,668.92	4.54%	0.14%	3.04%
JLG	Johns Lyng Group	12,904.95	3.99%	0.45%	11.27%
BXB	Brambles Limited	12,502.56	3.87%	0.30%	7.65%
CAR	Car Group Limited	11,520.49	3.56%	0.21%	6.01%
BHP	Bhp Group Limited	10,635.75	3.29%	-0.20%	-6.23%
WES	Wesfarmers Limited	10,586.94	3.27%	0.06%	1.98%
RMD	Resmed Inc	10,570.40	3.27%	0.48%	14.78%
QBE	Qbe Insurance Group	10,270.80	3.18%	0.22%	7.02%
CWY	Cleanaway Waste Ltd	10,210.20	3.16%	-0.11%	-3.35%
CSL	Csl Limited	9,956.10	3.08%	0.16%	5.25%
NST	Northern Star	9,888.80	3.06%	-0.11%	-3.66%
SUN	Suncorp Group Ltd	9,365.40	2.90%	0.07%	2.45%
SHL	Sonic Healthcare	9,189.74	2.84%	-0.01%	-0.19%
SPK	Spark New Zealand	9,074.78	2.81%	0.08%	2.70%
DTL	Data#3 Limited	9,056.28	2.80%	0.44%	15.88%
PRN	Perenti Limited	8,432.81	2.61%	-0.56%	-21.63%
QUB	Qube Holdings Ltd	8,249.20	2.55%	0.03%	1.23%
APA	Apa Group	7,691.94	2.38%	-0.01%	-0.59%
CLW	Chtr H Lwr	7,275.00	2.25%	-0.01%	-0.27%
INA	Ingenia Group	6,796.16	2.10%	0.01%	0.67%
MHJ	Michael Hill Int	6,563.94	2.03%	-0.16%	-7.73%

ELD	Elders Limited	4,921.04	1.52%	0.29%	19.26%
RIO	Rio Tinto Limited	4,785.12	1.48%	-0.03%	-2.02%
IPH	Iph Limited	4,781.30	1.48%	0.10%	6.86%
IGO	Igo Limited	3,182.76	0.98%	-0.16%	-16.46%
IDX	Integral Diagnostics	2,785.58	0.86%	0.03%	3.41%
WDS	Woodside Energy	1,296.40	0.40%	0.02%	4.35%
CASH	CASH	39,762.89	12.30%		0.00%
		323,304.85			2.02%