



Australian
National
University

ANU Student Managed Fund

Annual Report 2019

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Glossary

AA – Asset Allocation

AAE – Active Australian Equities

AA-IP – Asset Allocation Investment Process

ANU – The Australian National University

BFF – Behaviour Finance Framework

BIN – Bingo Industries Limited

CBE – ANU College of Business and Economics

CIO – Chief Investment Officer

CRO – Chief Risk Officer

ESG – Environmental, Social and Governance

ETF – Exchanged-Traded Fund

IAC – Investment Advisory Committee

IP – Investment Process

ING – Inghams Group Limited

IPS – Investment Policy Statement

SMF – Student Managed Fund

SHL – Sonic Healthcare Limited

SRI – Socially Responsible Investment

R&C – Risk and Compliance

RIO – Rio Tinto Limited

RT – Relationship Team

RSFAS – Research School of Finance, Actuarial Studies and Statistics

TLS – Telstra Corporation Limited

WBC – Westpac Banking Corporation



Fund Convenor Report

This is the second Annual Report of the ANU Student Managed Fund (SMF), the purpose of which is to record the activities and financials of the Fund over the course of the year. This report presents an overview of the Fund background, the SMF program and objectives, the RSFAS SMF Equity Scholarship and notable developments during 2019. It also acknowledges those who have assisted the SMF, and outlines the controls around the SMF accounts and operations.

Fund Background

The SMF was set up during 2017 to give students an opportunity to experience the management of an actual investment fund. The Fund itself constitutes a small slice of the ANU endowment pool. It was established with an initial amount of \$590,200, comprising donations of \$295,100 that were matched by the Research School of Finance, Actuarial Studies and Statistics (RSFAS). The funds were held in a University account until Tuesday 3 April 2018, when an accumulated amount of \$614,902.15 including earnings was transferred into the SMF's administration account on the BT Panorama investment platform. The assets were subsequently invested in the Fund's reference portfolio on Tuesday 10 April 2018, marking the point at which the SMF student team became directly involved in managing the Fund. At 31 December 2019, the assets of the Fund totalled \$715,255. The rise in fund value since inception reflects the net effect of positive investment returns and an outflow made in early 2019 related to the distribution paid with respect to 2018.

The SMF Program

The SMF program is based around two linked courses spanning two semesters – *FINM3009 Student Managed Fund*, and *FINM3010 Student Managed Fund Extension*. Students are admitted after a competitive selection process. The program is designed so that the Fund is effectively managed by the students, with appropriate monitoring and controls. The SMF activities occur under the guidance of both a Course Convenor who is responsible for course management, and a Fund Convenor who is responsible for the fund operations. The primary task of the students is to research and propose investment recommendations covering asset allocation and stock selection. Recommendations are implemented by the Fund Convenor upon endorsement of an Investment Advisory Committee (IAC) of industry experts. The SMF student team is led by a Chief Investment Officer (CIO), and comprises four sub-teams: Asset Allocation (AA), Active Australian Equities (AAE), Risk and Compliance (R&C), and the Relationship team (RT). The SMF is structured as a complete investment organisation, giving the students experience with all the main aspects of fund management.

Objectives

The SMF was established with three objectives:

- (A) *Learning objectives* – The SMF provides an opportunity for students to gain practical experience in managing investments. The fact that the students take responsibility for the operation of the Fund means that learning goes well beyond just the science and art of making investment decisions. It extends to aspects such as developing skills in leadership, teamwork and communication; and appreciating the importance of governance and due process.
- (B) *Investment objective* – The SMF is an endowment fund that invests to support a scholarship in perpetuity through its distributions. As a long-term investor, it pursues an investment objective of maximising the trade-off between the expected value of funds invested, balanced against the risk of incurring a sustained reduction in the real value of those funds and hence the distributions it can support over the long run. This objective implies targeting a return at least equal to the sum of the distribution rate and the inflation rate. Coupling the current 4.5% distribution rate with expected inflation of 2%-2.5% implies investing to generate a long-term return of 6.5%-7% per annum.
- (C) *Developmental objectives* – The SMF provides a vehicle to build the quantity and quality of engagement between the University, its alumni, and industry; and to attract additional donations. The hope is that the SMF will generate a positive feedback loop for both the University and future SMF team members. We look forward to the SMF experience assisting some of the University's top students to secure rewarding and influential jobs, and then become engaged future alumni that are keen to remain connected and involved with ANU and the SMF.

RSFAS SMF Equity Scholarship

The distributions from the SMF go towards funding the *RSFAS Student Managed Fund Equity Scholarship* (<http://www.anu.edu.au/students/scholarships-fees/scholarships/rsfas-student-managed-fund-equity-scholarship>). This scholarship supports disadvantaged students in undertaking undergraduate studies at RSFAS. One scholarship of \$10,000 per annum over four years will be made available each year, the first of which was awarded in 2019, with the aim of building to four concurrent scholarships by 2022. Scholarships are awarded by a selection panel, and managed by the ANU College of Business and Economics (CBE) scholarships office.

What Makes the ANU SMF Unique?

With a number of Australian universities establishing student managed funds in recent years, it is worthwhile reflecting on the aspects that distinguish the ANU SMF. The SMF is set-up as an *asset owner* with a clear purpose. It is impressed on the students that they are managing a long-term endowment fund with the dual purpose of supporting a scholarship and facilitating external engagement. By contrast, many other student funds are set-up as an equity fund manager, with the aim of outperforming a benchmark index. Working as a multi-functional team towards a long-term purpose is quite different to aiming to beat a benchmark over the shorter term.

In addition, the SMF team is guided by five key values that have helped to create a unique culture. The values sit under the headings of *legacy*, *contribution*, *team*, *long-term* and *objectives*. Students are expected to embrace these values, and their grades are linked to them. They are evaluated on aspects such as how they have contributed to building the legacy, assisting the broader team, or working in pursuit of the Fund's long-term objectives. For instance, they are rewarded for contributions such as building a new model or process to support the operation of the Fund, undertaking solid investment analysis framed around the investment objective, or successfully training a junior team member to take over from them once they move on. As a long-term fund, investment performance during their (relatively short) tenure is only of passing interest. Experience from the five semesters over which the SMF has been operating strongly indicates that the key values provide the glue behind the SMF's culture, and give the students a sense of real purpose and direction.

Another distinctive feature of the ANU SMF is the use of overlapping cohorts. Students commence as a junior in their first semester, then move on to leadership positions in their second semester. This cohort structure ensures organisational knowledge is passed on. It is also proving to be a very powerful mechanism for developing students into responsible leaders and good communicators, as they step up and take ownership in their final semester with the Fund

Notable Developments During 2019

2019 proved to be another rewarding and challenging year for the SMF team. Below I offer a high-level overview of some of the more notable developments during the year.

- **Exceptional learning experience** – It has become increasingly clear that the SMF is providing a much deeper learning experience than initially expected. When the SMF was set up, it was envisaged that student learning would primarily relate to 'technical' investment skills. While these skills are indeed being learned, they are emerging as secondary to the development of softer skills relating to leadership, taking responsibility and working in professional teams towards a common purpose. Dr Anna von Reibnitz provides a further sense in her Course Convenor report.
- **Fund performance** – The Fund generated an outstanding return of 20.92% during 2019, well in excess of the return target of 6.16% reflecting estimated realised inflation of 1.66% plus the 4.5% distribution. A closer look reveals that this return is largely attributable to strong performance from the markets. The Fund lagged the benchmark reference portfolio in 2019 largely due to underperformance from two stocks – Inghams Group Limited (ING) and Westpac Banking Corporation (WBC) – notwithstanding solid outperformance from holdings in Bingo Industries Limited (BIN), Rio Tinto (RIO) and Telstra Corporation Limited (TLS). While further details can be found later in the report, three general points are worth making here. First, fluctuations in the equity market are the dominant influence on total fund returns due to a high equity exposure (currently about 80%) and the volatility of equities. A substantial equity market weighting is justified given the Fund's long-term objective including a real return target of 4.5%, especially with less volatile assets such as fixed income offering returns well below that required. The volatility of equity markets means that not every year will be as good as 2019: there will be periods when returns are substantially negative. Second, the success of the stock selection process of the AAE team should be judged on a portfolio basis, and then only over the long run. Any portfolio will contain winners and losers and, while the performance of the AAE portfolio during 2019 is disappointing, it is far too early to draw any conclusions. Third, buying stocks that underperform has a silver lining from a learning perspective. Through holding stocks that suffer declines like ING and WBC, the team is put in the uncomfortable position of having to address whether their investment case remains intact or if they have made a mistake. They are also being prompted to ask what they might have done differently. Real learning arises from facing difficult seas, rather than smooth sailing. The trials of being exposed to an underperforming investment also occurred in 2018 with respect to BIN, which has since rebounded.
- **Team composition** – The SMF team numbers appear to have stabilised at below 20 members, standing at 18 or 19 over the last three semesters, with a team of 17 in sight for Semester 1, 2020. This is below capacity, which we put at 24 members under the current scope of activities. In addition, while there has always been a solid female component within the team, we have been unable to achieve gender balance. In both respects, the limiting factor has been a lack of suitable applicants, noting that we do not admit students just for the sake of making up the numbers. The number of applicants appears restricted by a combination of factors, including: some students having difficulty fitting the

SMF into their degree path; entry requirement limitations related to the SMF being an RSFAS undergraduate course with finance course prerequisites and a minimum grade point average; and not all students being fully aware of the availability of the SMF. We have arranged for Master of Finance students to apply for SMF during 2020, and plan to strengthen communications through social media and engaging undergraduate students early in their degrees.

- **SMF progressing towards a mature ‘operational’ phase** – The SMF has been in a developmental phase over the five semesters it has been running. During this phase, the team has been concentrating on the construction of the processes and infrastructure required to support the Fund’s operations. The AAE team was the first to build their investment process, which they have been implementing over 2018 and 2019. The AAE portfolio now contains six active stock positions, and is about half-way to the target of 10-12 positions. The AA team completed their investment process during 2019, the R&C team has now developed the main infrastructure required for Fund monitoring and reporting, and the RT has finalised the SMF’s social media platforms. The SMF is now positioned to enter a fully operational phase in 2020 and beyond. This will allow students to fully engage in the art and science of investing, while continuing to improve on the processes that have been built.
- **Socially responsible investing (SRI)** – The implementation of the University’s SRI policy continues to be a focal point. The policy was initially applied in a rules-based manner through placing restrictions on active stock holdings by excluding certain industries, ensuring below-index carbon exposure, and holding above-index exposure to stocks with high Environmental, Social and Governance (ESG) scores. The SRI policy implementation was enhanced during 2019 as the SMF commenced directly addressing whether candidate companies were causing ‘social injury’ or generating ‘social benefit’ as part of the stock selection process. The team continues to debate whether there is further room to improve the SRI approach to embody the intent of the University’s policy. Further details can be found in the Course Convenor and AAE team reports.
- **Governance matters** – Ernst & Young were commissioned by the University during 2019 to undertake a review of the SMF processes and their compliance with University policy. The report was delivered in August 2019. It found the SMF to be largely complying with policy, but made some recommendations for improving the controls around investment transactions and the procedure for matching donations. These recommendations have since been implemented. In addition, the SMF IAC requested that more clarity be sought on the risk tolerance of RSFAS with regard to SMF investment losses, to the extent that it underwrites any shortfall between the SMF distributions and commitments under the SMF Equity Scholarship. The comfort of the Director of RSFAS with the level of risk was established in a meeting with the SMF Convenors on 30 September 2019, and documented in a memo. Finally, an update to the SMF Investment Policy Statement (IPS) was approved in October 2019. Revisions related to formalisation of the rebalancing procedures, breach reporting, and other minor adjustments to recognise how the processes being adopted by the Fund have evolved.

Acknowledgements

The SMF could not operate without help from both outside ANU and within. The first vote of thanks goes to the donors, who are listed towards the back of the report. In particular, Russell Clark of Horseman Capital deserves special thanks for providing the substantial initial donation that seeded the Fund and motivated the University to engage with the SMF concept. Thanks goes to the SMF IAC members who provided their time and expertise: they are also listed later in the report. With sadness we farewell Risman Cornelius who is leaving the IAC, and whose valuable insights and contributions will be greatly missed. We also welcome Paul Bruncker, a founding director and portfolio manager with Optar Capital, who joined the IAC in August 2019 and brings a wealth of experience in Australian and overseas equities as well as investment strategy. The SMF continues to function with the support of management and staff within CBE and ANU central administration. While numerous ANU personnel have provided valuable assistance, a special mention goes to the CBE Dean, Professor Steven Roberts, and the Director of RSFAS, Associate Professor Stephen Sault for their enthusiastic support.

Annual Report Approval and Fund Monitoring and Review

This Annual Report is endorsed by the SMF IAC, and approved by the Director of RSFAS. It is not subject to any formal audit, but rather is produced as a record and to assist with incorporating the SMF operations within the broader reporting framework of the University and its endowment funds. Both the Fund accounts and transactions are subject to ongoing monitoring and review by University staff from CBE as well as Finance and Business Services, with all transactions subject to formal approval processes. The University staff responsible for monitoring the SMF finances have direct access to the SMF account with BT Panorama on a read-only basis, and operate independently of the SMF.

Associate Professor Geoff Warren, Fund Convenor

Course Convenor Report

Now halfway through its third year, the SMF is embodying its key values of *legacy, contribution, team, long-term and objectives*. These are not buzzwords to the members of the SMF, but rather fundamental principles that sit at the core of every discussion, meeting and action taken. These values have combined with a culture of contestability the students have fostered to deliver some exciting and at times unexpected developments, while demonstrating the Fund's growing maturity. I will outline some of the recent key developments in this report.

Driven by a widespread belief in the importance of a sustainable future, one of the strongest themes to emerge has been the deeper focus on SRI and ESG principles. SRI will continue to be an ongoing focus in 2020. Led by analysts in the AAE team, our students are beginning to challenge the status quo of quantitative ESG targets, which have been found lacking in getting to the essence of the 'social injury' and 'social benefit' elements of the University's SRI policy. Hence they have started to search for innovative ways to identify and pursue responsible investing. The pursuit will be assisted by a new SRI analyst role to be introduced in 2020, which will take the lead in shaping these ideas into a holistic sustainability framework to guide the Fund in years to come.

Another area of development is the focus of the R&C team on behavioural biases, with the view to limiting their influence on Fund dynamics and outcomes. This initiative grew from SMF members striving to understand the full breadth of risks to successful investing. It has resulted in a deeper appreciation of the power of the human dimension in group decision making. The R&C team has already provided some suggestions to improve the Fund's protocol for voting on investment proposals, with the aim of limiting the potential for decisions becoming driven by unhelpful group dynamics.

A landmark achievement for the AA team during 2019 was the completion of their Investment Process (AA-IP) document. It has not been an easy journey, nor a speedy one: mistakes were made, lessons were learnt, and new ideas were embraced. Through this process, the AA team members have gained an invaluable understanding of not just the technical process of asset allocation, but also how determination, perseverance and teamwork can produce something truly noteworthy.

The RT has now established the SMF's social media platforms including a website, Facebook page and a LinkedIn profile. We aim to use these platforms to showcase the unique and exciting learning opportunities the Fund offers, and enhance the Fund's visibility and reach. We have no doubt that their work is sparking the interest and curiosity of students who will one day join the SMF and add to its legacy.

At a broader level, we have watched with pride as Fund members form deeper bonds each semester. It is perhaps unsurprising that the intensity of the SMF experience leads to some powerful friendships. What is increasingly evident is that these bonds are being carried through into the next stage of the students' lives as they graduate from ANU. They also reach across cohorts, with Fund alumni attending meetings to provide advice, choosing to spend weekends assisting the current cohort with stock analysis, and attending Fund get-togethers to meet and mentor incoming members. Through the SMF, students have found their 'tribe', and are likely to take this with them in their lives beyond the University.

Dr Anna von Reibnitz, Course Convenor

Convenors



*Dr Anna von Reibnitz,
Course Convenor*



*Associate Professor Geoff Warren,
Fund Convenor*



Chief Investment Officer (CIO) Report

This has been a momentous year for the Fund with milestone developments. The SMF team has integrated three additional stocks into the active Australian equities portfolio, readied the processes for asset allocation implementation, and published the official Fund website. All teams have moved closer to a steady-state operational level and the learning objectives of the Fund are being fulfilled at a high level. SMF team members are gaining extensive knowledge from the Convenors, the IAC and guest speakers. I speak for every member of the team in saying that this course is like no other, and has shaped the trajectories of our educational experiences in a deep way.

Each team has taken major steps in developing their processes, and delivered outputs toward achieving the Fund's investment objectives. This year, the AAE team introduced ING, Sonic Healthcare Limited (SHL) and WBC into the AAE portfolio. These have been included after careful initial analysis of their long-term performance drivers, with subsequent follow-up through prudent revaluations each semester by AAE team members. The AA team has completed the design of the AA-IP and asset class models, which sets the foundation for making and implementing asset allocation decisions over the next year. The AA-IP has been touched by many hands. Its finalisation completes the Fund's investment processes, and establishes a comprehensive asset allocation guide for future cohorts. The R&C team has made great headway in the mechanisation of the performance attribution analysis process, alongside a new focus on identifying and mitigating behavioural biases. The RT launched the SMF website and Facebook page, which improves SMF visibility and enhances our active engagement with external parties. As CIO, I am very proud of how the student team has collectively worked towards meeting the sub-team and Fund objectives with strong unity.

It is gratifying that the portfolio performance of 20.92%, is well above the Fund's target return, even though short-term underperformance was delivered by a couple of active stock positions. The long-term investment objective of the SMF allows the portfolio to weather within-expectation short-term volatility, and the Fund considers the long-term fundamentals of these companies as remaining intact. The strong annual portfolio performance is pleasing given the efforts of the team and the erudite guidance of the Convenors and the IAC.

The Fund has been steadily developing in ways that make it better able to achieve its learning, investment and developmental objectives. Operations in the sub-teams have progressed closer to what was envisioned when the Fund was conceived, and functionality has been improved through student-led ideas. The students involved throughout the year have contributed to a strong collegiate atmosphere, whilst individually working towards their sub-team objectives. The oversight and input from the Convenors has provided essential guidance to the student team on how to best contribute to the Fund's objectives, whilst improving their academic and personal skills to become more engaged learners and colleagues. The experience is shaping those students lucky enough to be involved into talented candidates for the finance industry.

Alaina Warwick, CIO

Chief Investment Officers



*Saurav Patel
CIO Semester 1, 2019*



*Alaina Warwick
CIO Semester 2, 2019*

Team Reports

Active Australian Equities (AAE) Team

The AAE team achieved much this year. Through continuous implementation of the AAE investment process, 40 candidate stock reports and eight in-depth stock analyses were completed after the initialisation (i.e. stock filtering) stage. Careful consideration and selection by the team resulted in the addition of ING and WBC during Semester 1, 2019, and SHL during Semester 2, 2019. While the AAE portfolio underperformed its benchmark S&P/ASX200 during 2019 by -1.34% due to poor performance from ING and WBC, after careful re-evaluation we believe that the fundamental value drivers of these stocks are intact and will support solid future performance. Meanwhile, we are heartened by the positive performance from Rio Tinto Limited (RIO) and TLS, as well as the rebound occurring in BIN after it fell during 2018 after initiation of the position.

As at 31 December, the AAE portfolio comprised of 48.56% in six active stock positions, with the remainder invested in the benchmark ASX200 ETF. All stocks held have been reassessed to both ensure they justify their place in the portfolio and for potential rebalancing, with the AAE team continuing to monitor its holdings on an ongoing basis. Semester 2 was particularly difficult for the team due to some unfavourable timing in relation to announcements affecting certain stocks that were being analysed at the in-depth stage, including takeover activity impacting two prospects. This resulted in only one stock (SHL) being put forward for endorsement by the IAC. However, the detailed analysis undertaken by the AAE team and the processes gone through in considering other stocks still contribute to the legacy, with the findings recorded for future cohorts. We may revisit some of the companies that were considered but not pursued if circumstances change.

One of the major themes for the AAE team was identifying any mismatches between processes and desired outcomes, and looking for ways to improve. The main area identified for enhancement was the stock filtering under which candidates for further analysis are identified. Development of the filtering process should assist in the selection of appropriate stocks at the initial stage, which will increase research efficiency and accelerate the procedure of finding the best stocks to meet the Fund's objectives. The team has obtained access to the FactSet platform in an attempt to overhaul the current AAE filtering system towards one that is more complete and better aligned with objectives.

Implementation of the University's SRI policy is another major area of discussion. A particular focus is how to best utilise ESG scores, which are sometimes unavailable and can be an unreliable indicator of the 'social injury' and 'social benefit' principles that underpin the SRI policy. We are grappling with finding the right balance between using ESG scores to constrain our portfolio versus applying the SRI policy through in-depth analysis of the company. Deep and intense discussions were held at the Fund level over this matter. The way forward on this issue will be a major and crucial topic during 2020, to be addressed with assistance from an incoming SRI-focused analyst within the AAE team.

I would like to thank AAE team members for their brilliant contributions and efforts. I am pleased to see the AAE team welcoming four junior analysts – Michael Oates, Matthew Pham, Yao Xiong and Angus Lloyd (SRI focus) in Semester 1, 2020. They will be led by the returning senior analysts Todd O'Dea and Shengchang (Albert) Zhang. I look forward to hearing how they have collectively continued the development of the AAE team and added to its legacy going forward.

Luke Farrar, Head of AAE

Active Australian Equities Team – Semester 2, 2019



L-R: Harrison McKenzie-McHarg, William Ranson-Smith, Luke Farrar, Sahibjeet Bains, Lachlan Phillips, Todd O'Dea, Jia Jun Desmond Ng, Khurshed Mehta, Shengchang (Albert) Zhang (absent)

Asset Allocation (AA) Team

The AA team comprised of five members in Semester 1, 2019, and had three members working over Semester 2, 2019. The key focus over the year was striving to complete our investment process. The AA team initially planned to finalise and present the AA-IP to the IAC in Semester 1, with the assistance of having a team of five members. While it came close, difficulties associated with the need to make structural changes to the proposed AA-IP and other unforeseen circumstances inhibited the plan. I am delighted that the team pushed its way through to overcome the challenges, and presented a finished AA-IP to the IAC during Semester 2.

The team is extremely pleased with the extensive work and progress across the year, especially the valuable learning and teamwork that occurred along the way. We built on the knowledge and resources from past cohorts of AA team members to develop a robust investment process that will become the very foundation for future asset allocation decision-making. The process is based around the formulation of 10 scenarios that reflect economic activity and inflation along with attached probabilities. The scenarios are crafted by the AA team backed by extensive research and will incorporate the opinions of all Fund members. Asset models that embed discounted cash flow techniques are used to generate asset class outcomes over a 10-year horizon. Candidate asset allocations are evaluated using a utility function that references the Fund investment objective based around a return target. I am looking forward to seeing the future results generated from the AA-IP by the incoming AA members.

A recurring topic of discussion for the AA team over Semester 2 was the rebalancing policy. The team sought advice and feedback from the IAC members to develop a rebalancing procedure as a guideline for deciding whether to rebalance back to target weights, and to what extent the weights should be adjusted. The rebalancing procedure will be triggered once the portfolio deviates by 3% from target weights, at which point a decision will be made whether or not to rebalance. Once the deviation from target weights reaches 5%, rebalancing back to either 3% or all the way back to the target weight must occur. The Investment Policy Statement (IPS) has also been updated to include a 'leeway' for weights to exceed the permitted target range of each asset class before a rebalancing must occur.

The AA team welcomes two junior analysts in Semester 1, 2020 – Nicholas Collings and Eric Gittleman – with Rocky Lagudi taking over the leadership role. I am confident that the AA team will carry the momentum forward into 2020, and look forward to them presenting the first set of target AA weights. I hope and encourage future AA team members to continue the good work of building the future team legacy, and will be watching the progress with anticipation.

Dalton Tham, Head of AA

Asset Allocation Team – Semester 2, 2019



L-R: Dalton Tham, Jiaqi (Karen) Mao, Rocky Lagudi

Risk & Compliance (R&C) Team

The focus and goal of the R&C team this year has been the finalisation its key framework documents and making the team fully operational. A further key accomplishment this year is the enhancement of our risk management process through the introduction of behavioural risk management, which we hope will increase the effectiveness of SMF team discussions and enhance the culture of contestability.

The Behaviour Finance Framework (BFF) was created to help mitigate any behavioural risk that might occur during the implementation of the Fund's decision-making processes. The BFF is currently in a developmental stage. The R&C team plans to complete it during 2020, and fully implement the system into its day-to-day operations. One advantage of this undertaking will be increased engagement between the R&C team and other sub-teams, as the process includes deep interactions and integration with other teams. While the current framework is targeted to the AAE team, R&C is looking forward to including the AA team in this growing framework in the coming semesters. The aim is to assist these teams and hence the SMF to make better decisions.

The R&C team has finalised the majority of its key documentation and processes over the course of 2019. These include providing in-depth SRI analysis for candidate stocks, and risk matrix assessments for the stocks being proposed as recommendations. The aim of our analysis is to mitigate both potential reputational and investment risks. In addition, R&C has significantly improved the efficiency and accuracy of the performance attribution model through better addressing multi-period compounding effects and transforming the current model to a 'half-automatic' one. These enhancements should be very useful for future R&C members by making the model much easier to use and work with.

The R&C team is extremely pleased to welcome two junior risk analysts in Semester 1, 2020 – Bernice Choi and Yuiting Li. Ashley White will be stepping into the role of Chief Risk Officer (CRO), while Charya Kannangara is returning as a senior analyst. I am confident that Ash and Charya will offer great leadership and support to the incoming junior members, ensuring that R&C continues to make a significant contribution to the Fund. I look forward to seeing the new energy that this team brings to further developing the R&C processes and the overall performance of the SMF.

Chaoqi (Shawn) Lin, CRO and Head of R&C

Risk and Compliance Team – Semester 2, 2019



L-R: Ashley White, Chaoqi (Shawn) Lin, Alisha Nath, Charya Kannangara (50% with RT)

Relationship Team (RT)

The RT has worked hard over 2019 to establish the external communications platforms and enhance awareness surrounding the Fund. Key milestones include the introduction of an SMF website, and the development of a social media presence via establishing a Facebook page and a LinkedIn profile. This is supported by a Social Media Policy Statement that sets out the protocol for making and approving social media posts, which was developed with the assistance of CBE Communications during Semester 1, 2019.

The website has been developed as a platform that conveys the core values of the Fund and focuses on the SMF's culture of contestability, thus enabling external parties to engage with its truly unique features. In doing so, the team chose to highlight the SMF's long-term focus and its SRI policy, as well as the Fund's distinctive discussions with various distinguished guest speakers. The website was initially drafted under an independent platform during Semester 1, but was then transferred to reside within the RSFAS website making it subject to the University's policies. Positioning our website under the RSFAS banner has many benefits. By directly linking our online presence to the University, the SMF is able to portray a professional and reputable image to outside parties in addition to encouraging greater traffic to the website from ANU students. As one of the website creators, I am pleased to see the overwhelming success of the website launch, specifically its overall enhancement of the Fund's engagement with both students and the University. The team has been working hard with the assistance of CBE Communications staff to ensure a high-quality website that is regularly reviewed and updated, and fully compliant with the RSFAS structure. The website drafting process, launch and further developments have provided an invaluable learning experience for the RT members.

The RT has also placed a large focus on extending the scope and impact of the SMF Facebook page through posting weekly content with team updates, photos, guest speaker summaries and other information of interest. Both the website and Facebook page aim to garner awareness, engagement and interest in the Fund's activities. In addition, the Fund has established a LinkedIn profile to showcase the opportunities for employment and career advancement that the SMF provides to students, in addition to its academic learning objectives.

All these online mediums collectively contribute towards attracting top-quality students to join the SMF, which has been at the forefront of RT activity to ensure that the SMF maintains and builds its legacy. Meanwhile, the RT has continued to work on ongoing tasks such as the team meeting minutes, portfolio updates, internal documents and generating external reports such as the one you are currently reading. We aim to support the smooth running of the Fund.

The RT excitedly welcomes two new junior Relationship Officers – Abhay Madan and Chenfan (Winnie) Wei. Together with the next Relationship Manager Yanfei (Victoria) Rao, I have full confidence that the team will extend the SMF's media presence, further the exposure of the Fund, and continue to promote the SMF's positive reputation both inside and outside of the University.

Sophie Lebang, Relationship Manager

Relationship Team – Semester 2, 2019



L-R: Charya Kannangara (50% with R&C), Sophie Lebang, Yanfei (Victoria) Rao

Portfolio Holdings

Figure 1 charts the asset allocation and AAE portfolio weights as at 31 December 2019, with the asset values and associated weights detailed over the page in Figure 2. The first chart compares total portfolio weights at the broad asset class level with the reference portfolio weights. The deviations are moderate, and arise from a combination of relative asset class movements and the accrual of cash as income is received, rather than as a consequence of active asset allocation decisions. The portfolio is underweight in Australian equities by 2.64% and in Australian fixed income by 1.04%. This is matched by overweights in cash (including accruals) of 2.72% and in international equities of 0.95% in total. The cash holding will be reduced by 4.5% of the total portfolio value when the distribution is made in early 2020. The second chart compares the active stock weights within the AAE portfolio with the target weights as endorsed by the IAC. (Note: The SMF does not have access to S&P/ASX200 index weights.) The deviation from target weights for the AAE portfolio largely reflects the relative price performance of the stocks held versus the benchmark S&P/ASX200 ETF since the target weight was established. Major deviations from target relate to ING (-2.27%) and WBC (-1.46%), which have underperformed since being added to the portfolio; and BIN (+3.26%), which has outperformed since the target weight was reset at 6% during an IAC meeting on 3 May 2019. The remainder of the AAE portfolio (51.44% at 31 December 2019) is invested in the S&P/ASX200 ETF.

Figure 1: Portfolio Weights at 31 December 2019

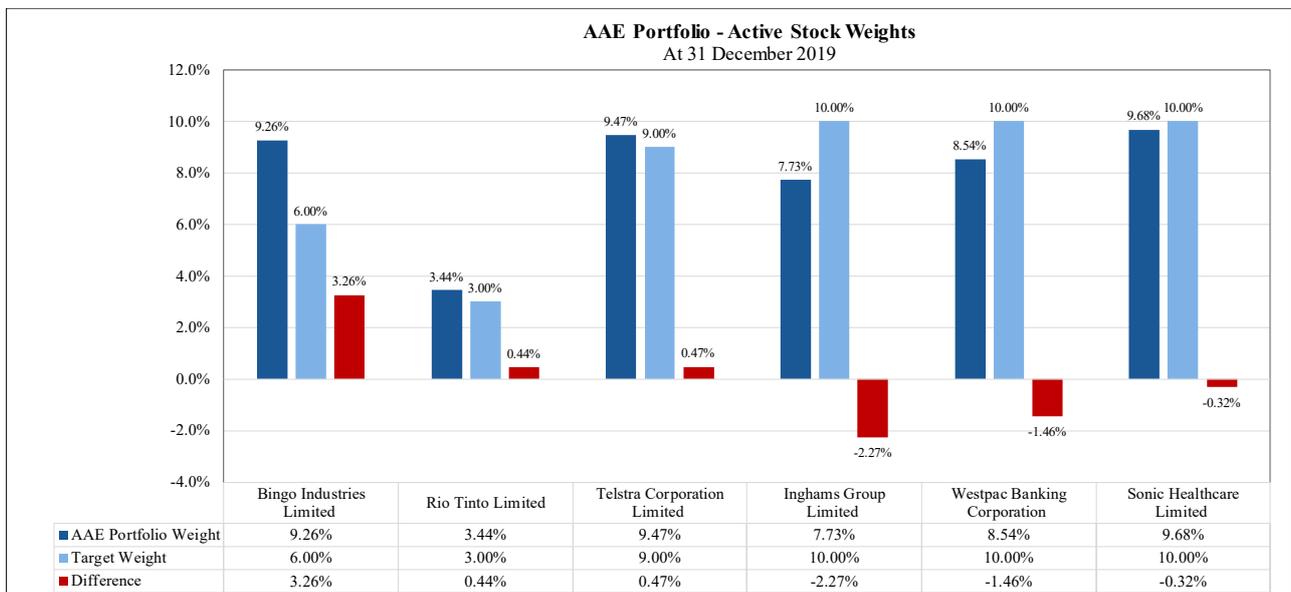
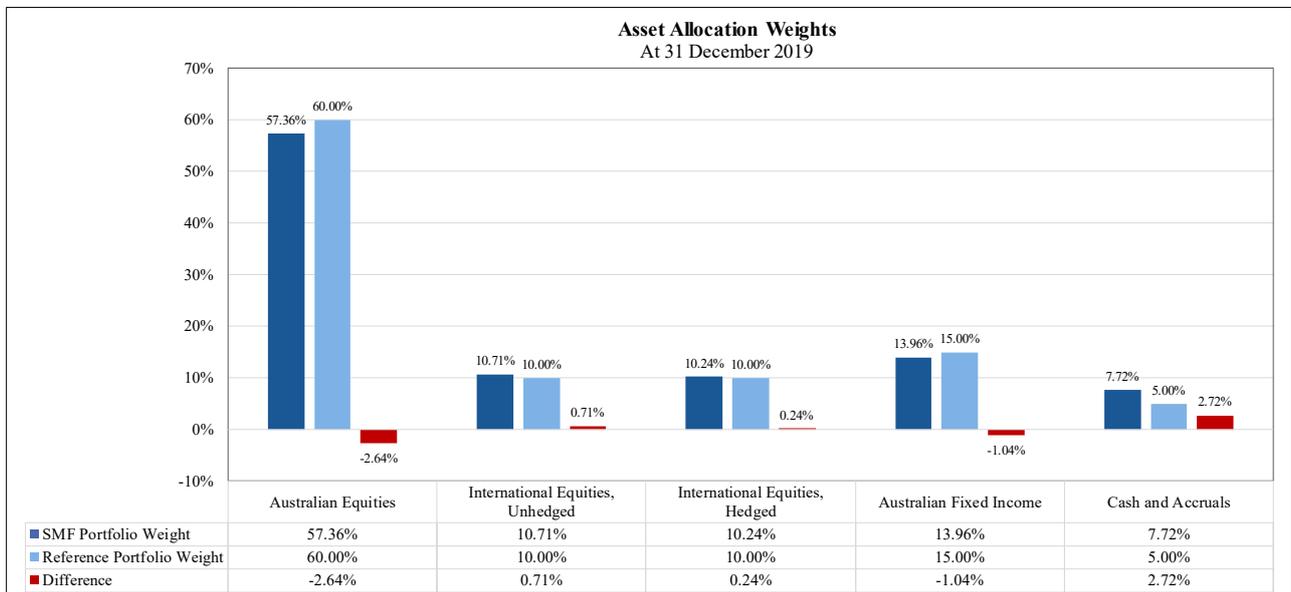


Figure 2: Portfolio Structure as at 31 December 2019

Portfolio Component	Benchmark ETF	Asset Values \$	SMF Portfolio Weight %	Reference Portfolio Weight %	Over (Under) Weight %
Australian Equities					
<i>Active Australian Equities Portfolio:</i>					
iShares Core S&P/ASX 200 ETF		174,738	24.43		
Bingo Industries Limited		32,024	4.48		
Inghams Group Limited		26,551	3.71		
Rio Tinto Limited		11,446	1.60		
Sonic Healthcare Limited		33,666	4.71		
Telstra Corporation Limited		31,987	4.47		
Westpac Banking Corporation		29,294	4.10		
Total AAE Portfolio	iShares Core S&P/ASX 200	339,706	47.49	50	-2.51
<i>Australian Equities in AA Portfolio:</i>					
iShares Core S&P/ASX 200		70,576	9.87	10	-0.13
Total Australian Equities	iShares Core S&P/ASX 200	410,282	57.36	60	-2.64
International Equities, Hedged	Vanguard International Shares Index, Hedged	73,245	10.24	10	0.24
International Equities, Unhedged	Vanguard International Shares Index	76,619	10.71	10	0.71
Total International Equities		149,864	20.95	20	0.95
Total Equities		560,146	78.31	80	-1.69
Australian Fixed Income	Vanguard Australian Government Bond Index	99,875	13.96	15	-1.04
<i>Australian Cash & Accruals:</i>					
BetaShares Australia High Interest Cash		16,690	2.33		
BT Cash Management Trust		28,775	4.02		
Accrued Interest & Dividends		0	0.00		
Accrued Franking Credits		9,770	1.37		
Total Cash & Accruals	BetaShares Australia High Interest Cash	55,235	7.72	5	2.72
Total Fixed Income & Cash		155,110	21.69	20	1.69
Total Value of SMF Assets					
Total Portfolio Value as Reported in BT Panorama		705,485			
Accrued Franking Credits		9,770			
Total Value of SMF Assets		715,255	100.0	100	
Estimated Distribution with Respect to 2019 <i>(4.5% of assets at 31 December, to be paid after year-end.)</i>		32,186			

Transactions, Income and Fees

Figure 3 details the transaction activity undertaken within the BT Panorama account during 2019. Income received and fees paid are reported separately in Figure 4. Two categories of transactions were undertaken. The first is transfers between the BT Panorama account and ANU general bank account. A transfer of \$19,762.38 was made on 14 January 2019, reflecting the net of the distribution of \$27,746.21 with respect to the 2018 calendar year and an amount of \$7,983.83 held on behalf of the SMF related to interest earned prior to the transfer of the SMF funds to the BT Panorama account. The other transactions relate to the establishment of active stock positions. The first of these occurred on 6 May 2019, and initiated a below-target active position in ING of 6%. The second occurred on 4 June 2019 with the establishment of a 10% position in WBC, coupled with an increase in the ING position to its 10% target. The later became possible due to an easing of SRI constraints related to the portfolio's aggregate ESG score due to the addition of WBC,

which has a relatively high ESG score. The third stock-related transaction occurred on 9 October 2019, when a 10% position in SHL was initialised. These trades were all funded by selling a slice of the S&P/ASX200 ETF held within the AAE portfolio.

Figure 3: Transactions During 2019

Date	Details	Amount (\$)	
		Transaction Value	CMT Change
14-Jan-19	Distribution for 2018 of \$27,746.21 less \$7,983.83 held by CBE on behalf of the SMF	-19,762.38	
06-May-19	Initialisation of the position in Inghams Group (at 6%)		
	Buy 4,146 ING @ \$4.26. Transaction fee \$19.43.	-17,679.45	
	Sell 689 iShares Core S&P/ASX 200 ETF (IOZ) @ \$25.82. Transaction fee \$19.57.	17,770.41	90.96
04-Jun-19	Initialisation of the position in Westpac (10%), and increase Inghams to target (10%)		
	Buy 1,209 WBC @ \$27.14. Transaction fee \$36.09.	-32,848.35	
	Buy 3,756 ING @ \$4.15. Transaction fee \$17.15.	-15,604.55	
	Sell 1,858 IOZ @ \$26.12. Transaction fee \$53.38.	48,477.58	24.68
09-Oct-19	Initialisation of the position in Sonic Healthcare (10%)		
	Buy 1,171 SHL @ \$28.12. Transaction fee \$36.22.	-32,961.20	
	Sell 1,224 IOZ @ \$26.96. Transaction fee \$36.30.	32,962.74	1.54

A distribution of \$32,186.49 with respect to 2019 was paid on 8 January 2020 by transferring funds from the SMF's BT Panorama account to the ANU general bank account. This amount is to be held by CBE in order to satisfy future payments under the RSFAS SMF Equity Scholarship. The Fund also received two donations that total \$400 during 2019. These donations are being retained by CBE, and will be transferred (including matching by RSFAS) to the BT Panorama account upon the receipt of franking credits from the Australian Tax Office, which is anticipated in the early months of 2020.

Figure 4 details income received and fees paid associated with each investment, along with overall totals. The Fund generated income during the year equivalent to 4.79% of the opening Fund value, while incurring fees of only 0.06%. The latter will likely rise in 2020 as BT charged the SMF zero administration fees until 31 October 2019. BT account fees are anticipated to reduce returns by between 0.20% and 0.25% per annum going forward.

Figure 4: Income Received and Fees Paid During 2019

	INCOME RECEIVED (\$)					FEES PAID (\$)	
	Dividends	Franking Credits	Interest	Total Income		Transaction Fees	BT Account Fees
				Ex. Franking	Inc. Franking		
Total SMF Portfolio							
Active Australian Equities Portfolio	15,224.16	5,457.86		15,224.16	20,682.02	218.14	
iShares Core S&P/ASX 200 ETF	3,257.90	1,076.56		3,257.90	4,334.46		
Vanguard Australian Bond ETF	1,947.00			1,947.00	1,947.00		
Vanguard International Shares Hedged ETF							
Vanguard International Shares ETF	1,855.47			1,855.47	1,855.47		
Betashares Cash ETF	289.78			289.78	289.78		
BT Cash Management Trust			116.67	116.67	116.67		
Accrued Interest at 31 Dec 2019							
Accrued Dividends at 31 Dec 2019							
Total Portfolio	22,574.31	6,534.42	116.67	22,690.98	29,225.40	218.14	144.28
<i>% of SMF Portfolio at 31 December 2018</i>	<i>3.70%</i>	<i>1.07%</i>	<i>0.02%</i>	<i>3.72%</i>	<i>4.79%</i>	<i>0.04%</i>	<i>0.02%</i>
Active Australian Equities Portfolio							
iShares Core S&P/ASX 200 ETF	10,539.25	3,450.04		10,539.25	13,989.29	109.25	
Bingo Industries Limited	419.47	179.77		419.47	599.24		
Rio Tinto Limited	1,022.77	438.33		1,022.77	1,461.10		
Telstra Corporation Limited	1,445.76	619.62		1,445.76	2,065.38		
Inghams Group Limited	829.71	355.59		829.71	1,185.30	36.58	
Westpac Banking Corporation	967.20	414.51		967.20	1,381.71	36.09	
Sonic Healthcare Limited						36.22	
Total AAE Portfolio	15,224.16	5,457.86	0.00	15,224.16	20,682.02	218.14	
<i>% of AAE Portfolio at 31 December 2018</i>	<i>5.20%</i>	<i>1.87%</i>	<i>0.00%</i>	<i>5.20%</i>	<i>7.07%</i>	<i>0.07%</i>	

Portfolio Performance

Figure 5 reports the Fund's portfolio performance during both 2018 and 2019, as well as its performance since inception, estimated by accumulating the 2018 and 2019 returns. The Fund generated a return of 20.92% during 2019 and 19.67% since inception. This exceeds the return target of 6.16% for 2019 (comprising the 4.5% distribution rate and realised inflation) by an impressive 14.76%. The Fund has exceeded the return target by 8.34% since inception. It is very pleasing to see the Fund post such impressive total returns, which stem from the strength of equity markets over 2019. The achievement of a return surplus is an important milestone for the Fund as it not only exceeds the objective of maintaining the real value of the Fund, but also enhances progress towards our philanthropic goals by providing a larger endowment to help fund the RSFAS SMF Equity Scholarship.

Figure 5: Portfolio Performance: 10 April 2018 to 31 December 2019

Year	2018	2019	Performance
<i>Period Covered</i>	<i>10 April 2018 - 31 December 2018</i>	<i>1 January 2019 - 31 December 2019</i>	<i>Since Inception</i>
PORTFOLIO VALUE			
Opening Portfolio Value in BT Panorama	\$618,225.41	\$608,598.58	
- Distribution Related to Prior Period		(\$27,746.21)	
+ Amount Held by CBE, Offset Against Distribution		\$7,983.83	
Adjusted Opening Total Portfolio Value	\$618,225.41	\$588,836.20	
Closing Portfolio Value in BT Panorama	\$608,598.58	\$705,485.10	
+ Franking Credits Accrued	\$3,235.76	\$6,534.41	
- Contributions	\$0.00	\$0.00	
Closing Total Portfolio Value	\$611,834.34	\$712,019.51	
RETURN			
SMF Portfolio Return (Based on Change in Value)	-1.03%	20.92%	19.67%
Target Return (Estimated as CPI + 4.5%)*	4.56%	6.16%	11.00%
SMF Return vs. Target	-5.59%	14.76%	8.34%
Reference Portfolio Return	0.08%	21.81%	21.90%
SMF Return vs. Reference Portfolio	-1.11%	-0.89%	-2.23%

* An increase in the CPI of 0.52% is assumed for the December quarter of 2019

The Fund has underperformed the reference portfolio by -0.89% during 2019 and by -2.23% since inception. Given that active strategic asset allocation decisions are yet to be implemented, the underperformance is largely associated with the performance of the AAE portfolio against the benchmark S&P/ASX200 ETF. The sources of the relative performance versus the reference portfolio are detailed in the performance attribution analysis section below. This analysis traces the underperformance as largely related to the lower-than-benchmark performance from ING and WBC during 2019, and BIN during 2018. With regards to the WBC position, it is worth noting that the AAE portfolio holds close to a market-weight exposure to the banking sector overall.

Performance Attribution Analysis

The R&C team conducts performance attribution analysis to better understand the drivers of performance versus the reference portfolio. The results are displayed in Figure 6, where performance relative to the reference portfolio is decomposed into contributions from asset allocation, security selection and other effects. As the deviation of asset weights from the reference portfolio weights remain moderate (see Figure 1 and Figure 2) and do not represent active decisions, we do not report an attribution analysis for asset allocation. We will commence detailing the asset allocation contributions once active AA decisions are made, which may occur in 2020 following the finalisation of the AA investment process. Nevertheless, deviations from reference portfolio weights have interacted with market movements and the impact of the

Fund's distribution made on 14 January 2019 to generate an asset allocation contribution of -0.09% during 2019, and -0.08% cumulative since inception.

The second section of Figure 6 displays the contributions of each stock held in the AAE portfolio relative to the benchmark S&P/ASX200 ETF. The AAE portfolio underperformed its benchmark by -1.34% in 2019, and by -3.43% cumulative since inception. During 2019, positive contributions versus the market benchmark were made by BIN (+1.78%), RIO (+0.59%) and TLS (+0.57%). Negative contributions arose from ING (-2.45%), WBC (-1.70%) and SHL (-0.21%). Since inception, BIN posted a negative contribution of -1.08%, while the largest positive contribution arose from TLS at +1.33%. Despite their negative contributions, the SMF team believes that the long-term fundamentals remain intact for BIN, ING and WBC, although the latter will be put under review from an SRI perspective when the University teaching period recommences in 2020 (see the SRI report for details). The calculations include any franking credits received, with the SMF returns and AAE contributions having benefitted from holding stocks that pay relatively high fully-franked dividends (notably RIO, TLS and WBC).

Figure 6: Performance Attribution: 10 April 2018 to 31 December 2019

Contributions to Performance vs. Reference Portfolio			
Period	2018	2019	Cumulative
<i>Opening Date</i>	<i>10 April 2018</i>	<i>1 January 2019</i>	<i>10 April 2018</i>
<i>Closing Date</i>	<i>31 December 2018</i>	<i>31 December 2019</i>	<i>31 December 2019</i>
SMF Portfolio vs. Reference Portfolio			
Asset Allocation	0.01%	-0.09%	-0.08%
Security Selection - AAE Portfolio	-1.02%	-0.69%	-1.70%
Security Selection - Cash Portfolio	-0.02%	-0.03%	-0.05%
Contribution from Positions Held	-1.03%	-0.81%	-1.83%
Interaction, Aggregation & Trading Effects	-0.08%	-0.08%	-0.16%
Total Relative Performance	-1.11%	-0.89%	-1.99%
AAE Portfolio vs. S&P/ASX200 ETF			
iShares Core S&P/ASX 200 ETF	0.00%	0.11%	0.11%
Bingo Industries Limited	-2.81%	1.78%	-1.08%
Rio Tinto Limited	-0.05%	0.59%	0.54%
Telstra Corporation Limited	0.76%	0.57%	1.33%
Inghams Group Limited	0.00%	-2.45%	-2.45%
Westpac Banking Corporation	0.00%	-1.70%	-1.70%
Sonic Healthcare Limited	0.00%	-0.21%	-0.21%
Time Aggregation Effect	-0.02%	-0.03%	0.02%
Total Relative Performance	-2.12%	-1.34%	-3.43%
<i>AAE Weight in Total Portfolio</i>	<i>50.16%</i>	<i>48.07%</i>	
Cash Portfolio vs. Betashares Cash ETF			
Betashares Cash ETF	0.00%	0.00%	0.00%
BT Cash Management Trust	-0.25%	-0.38%	-0.63%
Accruals	-0.07%	-0.09%	-0.16%
Time Aggregation Effect	0.00%	0.00%	0.00%
Total Relative Performance	-0.32%	-0.47%	-0.79%
<i>Adjusted* Opening Cash Weight</i>	<i>4.81%</i>	<i>4.40%</i>	

* Estimate for 2019 is adjusted for distribution made in early 2019

The third section of Figure 6 reveals contributions from the various components of the cash portfolio relative to the benchmark cash ETF. This analysis reveals a negative contribution from the cash portfolio that largely arises as a result of holding liquidity within the BT Cash Management Trust, which offers a lower return than that achieved by the benchmark ETF. The treatment of accruals as part of the cash portfolio also detracts from returns to a modest degree, given that they generate zero income. Nevertheless, the negative return versus the benchmark cash ETF applies to only a small portion of the total portfolio, such that the overall contribution of the cash portfolio to total SMF portfolio performance versus the reference portfolio amounts to just -0.03% in 2019 and -0.05% cumulative since inception.

Socially Responsible Investment (SRI) Report

The SMF must comply with the University's SRI policy. The SMF's implementation of the policy is described by the five conditions listed below. These build on the criteria used within the Australian equity portfolio of the ANU Long Term Investment Pool (LTIP), which entails conditions one through three. The SMF extends the criteria through the addition of conditions four and five, which directly consider the 'social injury' and 'social benefit' elements of the University's official SRI policy.

1. Exclude companies that derive more than 20% of revenues from coal, gambling, tobacco or pornography.
2. Hold a portfolio with 25% less carbon intensity than the S&P/ASX 200.
3. Ensure that the portfolio demonstrates a 10% improvement in the overall Environmental, Social and Governance (ESG) rating relative to the benchmark.
4. Avoid investments considered likely to cause substantial social injury.
5. Take into consideration whether an investment supports socially beneficial outcomes.

Conditions four and five are continuously evaluated by the Fund regarding both current active investments and throughout the candidate stock investment analyses. Application of these two conditions has been exemplified through the Fund's decision to not pursue some prospective stocks when both the AAE and R&C teams, as well as the entire SMF team, concluded that the companies may be causing social injury while producing minimal social benefit.

Figure 7 reports on the SRI compliance as at 31 December 2019 with regard to the carbon intensity and ESG scores, which are applied to the active stock investments within the AAE portfolio. The carbon intensity scores for the six stocks held are obtained from Bloomberg. The scores are based on the annual carbon emission (in tonnes) per \$1 million of revenue earned. Carbon intensity for the ASX200 is sourced from the ANU Socially Responsible Investment Policy Report. The ESG scores are drawn from Sustainalytics, which is made available through BT Panorama. The ASX 200 ESG score used by the SMF is an equally weighted average, consistent with the investment process targeting about 10-12 broadly equally weighted positions. The market capitalisation-weighted average is shown for reference.

Figure 7: Position of the AAE Component in regards to SRI Compliance at 31 December 2019

	ASX200	BIN	ING	RIO	SHL	TLS	WBC	Total Active Stock Positions	Active Stock Positions vs. ASX200	Target Improvement	Margin
Weighting in AAE Portfolio	51.44%	9.43%	7.82%	3.37%	9.91%	9.42%	8.62%	48.56%			
Carbon Intensity	289.9	40.6	81.3	526.9	12.0	48.7	3.4	70.0	-75.9%	-25.0%	50.9%
ESG Score	59.1	69.0	48.0	68.0	62.0	72.0	82.0	67.0	13.3%	10.0%	3.3%
(ASX200 cap-weighted)	66.3								1.1%		

The active stock positions held with the AAE portfolio are in full compliance with the SRI policy with regards to the industry exclusions, the exposure to carbon and the ESG scores. The reduction in carbon intensity for the AAE portfolio is -75.9% versus the required -25%, and the improvement in ESG score of 13.3% exceeds the required 10%. In addition, the Fund is in full compliance with the carbon intensity policy with regard to all Australian equities holdings, with carbon intensity including the S&P/ASX200 ETF standing at 201.5 or -30.5% versus the required -25%. Once the AAE portfolio is fully invested in active stock positions, as against its current partial exposure to the S&P/ASX200 ETF, it is envisaged that the AAE portfolio will be totally compliant with all five conditions of the SMF SRI policy.

An issue that arose in late 2019 was AUSTRAC's announcement on 20 November 2019 that it will be seeking penalties from Westpac Banking Corporation due to alleged non-compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act*. This development raises questions over the suitability of WBC for the Fund from a social injury perspective. This matter is not straightforward, as the SRI policy is framed as forward-looking (i.e. 'likely to cause' social injury). This implies that WBC need not be disqualified if the underlying problems are being adequately addressed so that additional social injury is considered unlikely in future. The SMF's position in Westpac will be reviewed once the University teaching period recommences. The SMF IAC and ANU management were advised of the potential SRI policy breach with regard to the WBC holding soon after it came to light.



List of SMF Activities

Activities During Semester 1, 2019

SMF Student Team Make-up

- The SMF had 18 members during the semester, comprising seven seniors continuing from Semester 2, 2018 and 11 juniors joining the Fund.

SMF Meetings

- Nine weekly meetings were held throughout the semester on Mondays, 10.00am – 1.00pm, ARNDT TR1.
- The SMF celebrated its achievements and welcomed new members at an end-of-semester get-together on 3 June 2019.

SMF Investment Advisory Committee (IAC) Meetings and Subsequent Transactions

- Two IAC meetings occurred during the semester.
- The first IAC meeting was held on 3 May 2019. The AAE team proposed the addition of ING at a 10% target weight within the AAE portfolio funded via a reduction of the iShares Core S&P/ASX200 ETF, and a reduced target weight in BIN from 10% to 6%. The IAC endorsed both proposals. The related transactions were completed on 6 May 2019, with the ING position implemented at a 6% weight due to SRI constraints.
- The second IAC meeting was held on 4 June 2019. The AAE team proposed the addition of WBC a 10% target weight within the AAE portfolio, funded via a reduction of the iShares Core S&P/ASX200 ETF. The IAC endorsed the proposal. The subsequent transaction was completed on 5 June 2019. The inclusion of WBC in the portfolio permitted the ING holding to be increased to its target weight of 10%, with the associated transaction also completed on 5 June 2019.

Guest Speakers

- Dr Don Hamson, Plato Investment Management, Monday 29 April 2019
- John Hempton, Bronte Capital, Monday 13 May 2019

Reports Finalised

- Reports on ING, BIN (an update) and WBC were created in support of the investment recommendations.

Other Notable Items

- Significant progress was made across the SMF to ensure documents and processes have appropriate user guides and manuals to ensure the legacy of the Fund.
- The first RSFAS Student Managed Fund Equity Scholarship was awarded to Maliha Hoque.

Activities During Semester 2, 2019

SMF Student Team Make-up

- The SMF had 19 members during the semester, comprising 11 seniors continuing from Semester 1, 2019 and eight juniors joining the Fund.

SMF Meetings

- Eleven weekly meetings were held throughout the semester on Mondays, 11.00am - 2.00pm, Marie Reay Teaching Centre, Room 5.03.
- The SMF celebrated its achievements and welcomed new members at an end-of-semester get-together on 25 October 2019.

SMF Investment Advisory Committee (IAC) Meetings and Subsequent Transactions

- Two IAC meetings occurred during the semester.
- The first IAC meeting was held on 23 September 2019, with the aim of giving feedback to the AA team on their proposed AA Investment Process. Discussion focused on whether to address the shorter-term tactical outlook in setting asset allocation strategy, as well as the rebalancing procedure. Most of the IAC members agreed the Fund should primarily focus on the long-term objective, and advised against taking tactical AA positions. The IAC members requested that the rebalancing procedure be formalised within the IPS, and asked for confirmation from the Director of RSFAS around risk tolerance.
- The second IAC meeting was held on 8 October 2019. Two matters were covered. First, a revised IPS was presented, and was endorsed subject to some minor adjustments. Second, the AAE team proposed the addition of Sonic Healthcare Limited (SHL) at a 10% target weight within the AAE portfolio, funded via a reduction of the iShares Core S&P/ASX200 ETF. The IAC endorsed the proposal. The subsequent transaction was completed on 8 October 2019.

Visitors and Guest Speakers

- Professor Grady Venville, Acting Deputy Vice-Chancellor (Academic) and Dr Bronwen Whiting, CBE Associate Dean, Education, ANU, Monday 19 August 2019.
- James Bailey, Executive Director, and Jarrad Collins, Director of Dixon Advisory, Monday 16 September 2019.
- André Morony, IAC member, Monday 23 September 2019.
- David Bell, ex-CIO of Mine Super, 9 October 2019.

Major Reports Finalised that Relate to Decisions and Processes

- The inaugural Asset Allocation Investment Process (AA-IP) was finalised.
- The revised SMF Investment Policy Statement (IPS) was approved on 22 October 2019. Major changes related to rebalancing procedures and policy breach reporting. Other minor changes were made to better align the IPS with current practices.
- A report on SHL was created in support of the investment recommendation.
- A review of the SMF processes and its compliance with policy was commissioned by the University, and undertaken by Ernst & Young. The report found that the SMF is largely compliant with policy. Recommendations to improve the controls around investment transactions and procedures for matching donations were made and implemented.
- In a response to an IAC request, a discussion was held between the Convenors and the Director of RSFAS on the risk tolerance of RSFAS with regard to the SMF, particularly as it relates to the commitment to underwrite any shortfall in meeting commitments under the SMF Equity Scholarship. The Director of RSFAS expressed comfort with the level of risk being adopted. This discussion was documented in a memo dated 1 October 2019.

Other Notable Items

- The SMF website and Facebook pages were officially launched and are now being frequently updated. A LinkedIn profile was also established.
- Significant progress was made across the SMF to ensure documents and processes have appropriate user guides and manuals, with a collective effort to consolidate the documents on SharePoint.



SMF Donors

Over \$200,000

Russell Clark (seed donor)

\$10,000-\$50,000

Family of Andre Morony

Associate Professor Geoff Warren

\$1,000 or less

Kerry-Ann Hugo

Jennifer Rowland

Undeclared donor

- All donations were kindly matched by RSFAS.
- Donations to date total \$295,500, bringing the total contribution to \$591,000 including RSFAS matching.

Investment Advisory Committee Members During 2019

External Members

Heath Behncke

Holon Global Investments

Paul Brunker

Optar Capital (appointed August, 2019)

Mary Fallon

ANU Investment Office

Andre Morony

Independent

Debbie Saunders

Whitehelm Capital (on maternity leave during 2019)

Alternate External Members

Risman Cornelius

Whitehelm Capital (alternate for Debbie Saunders)

Internal Members

Associate Professor

Geoff Warren (Chair)

Fund Convenor

Dr Anna von Reibnitz

Course Convenor

The SMF Chief Investment Officer and Chief Risk Officer both sit on the IAC as non-voting members.



SMF Team Membership

Members for Semester 1, 2019

Chief Investment Officer

Saurav Patel

Risk and Compliance Team

Azmina Hossain	Risk Officer
Chaoqi (Shawn) Lin	Analyst
Alisha Nath	Analyst (50%)

Asset Allocation Team

Jak Carty	Team Leader
Hongyi Xu	Research Manager
Dalton Tham	Analyst
Jiaqi (Karen) Mao	Analyst
Alaina Warwick	Analyst

Active Australian Equities Team

Chuxuan (Jessie) Jiang	Team Leader
Chengxuan (Charles) Zhang	Portfolio Manager
Aiyun (Stephanie) Li	Senior Analyst
Sahibjeet Bains	Analyst
Luke Farrar	Analyst
Harrison McKenzie-McHarg	Analyst
Khurshed Mehta	Analyst
Lachlan Phillips	Analyst

Relationship Team

Alisha Nath	Relationship Officer (50%)
Sophie Lebang	Relationship Officer

Convenors

Dr Anna von Reibnitz	Course Convenor
Associate Professor Geoff Warren	Fund Convenor

SMF Team – Semester 1, 2019



L-R: Dr Anna von Reibnitz, Associate Professor Geoff Warren, Harrison McKenzie-McHarg, Sophie Lebang, Hongyi Xu, Luke Farrar, Lachlan Phillips, Saurav Patel, Khurshed Mehta, Alaina Warwick, Jak Carty, Aiyun (Stephanie) Li, Sahibjeet Bains, Alisha Nath, Chengxuan (Charles) Zhang, Chuxuan (Jessie) Jiang, Azmina Hossain, Dalton Tham, Jiaqi (Karen) Mao, Chaoqi (Shawn) Lin



Members for Semester 2, 2019

Chief Investment Officer (CIO)

Alaina Warwick

Risk and Compliance (R&C) Team

Chaoqi (Shawn) Lin	Chief Risk Officer
Alisha Nath	Senior Analyst
Ashley White	Analyst
Charya Kannangara	Analyst (50%)

Asset Allocation (AA) Team

Dalton Tham	Team Leader
Jiaqi (Karen) Mao	Senior Analyst
Rocky Lagudi	Analyst

Active Australian Equities (AAE) Team

Luke Farrar	Team Leader
Sahibjeet Bains	Senior Analyst
Harrison McKenzie-McHarg	Senior Analyst
Khurshed Mehta	Senior Analyst
Lachlan Phillips	Senior Analyst
Jia Jun Desmond Ng	Analyst
Todd O'Dea	Analyst
William Ranson-Smith	Analyst
Shengchang (Albert) Zhang	Analyst

Relationship Team (RT)

Sophie Lebang	Relationship Manager
Yanfei (Victoria) Rao	Relationship Officer
Charya Kannangara	Relationship Officer (50%)

Convenors

Dr Anna von Reibnitz	Course Convenor
Associate Professor Geoff Warren	Fund Convenor

SMF Team – Semester 2, 2019



L-R: Khurshed Mehta, Charya Kannangara, Jiaqi (Karen) Mao, Jia Jun Desmond Ng, Yanfei (Victoria) Rao, Alaina Warwick, Alisha Nath, Lachlan Phillips, Todd O'Dea, Sophie Lebang, Sahibjeet Bains, Luke Farrar, Dr Anna von Reibnitz, Harrison McKenzie-McHarg, Associate Professor Geoff Warren, Rocky Lagudi, Ashley White, Dalton Tham, William Ranson-Smith, Chaoqi (Shawn) Lin, Shengchang (Albert) Zhang (absent)



SMF Honour Role

Semester 2, 2017

Haoyan (Howie) Chen
Mia Dekovic
Wenlin Lin
Elena Pleass

2017-2018

Vipul Nijhawan
Ben Rada-Martin
Olaide Yinka-Kehinde
Manling (Sarah) Zhu

2018

Ruolin (Alex) Mai
Isabella Mortimore
Victor Munagala
Harrison Papworth
Rory Roche (Semester 2 only)
Wayne Wang
Lanyu Zhang
Zhan Zhang
Zhongxi Zheng

2018-2019

Jak Carty
Azmina Hossain
Chuxuan (Jessie) Jiang
Aiyun (Stephanie) Li
Saurav Patel
Hongyi Xu
Chengxuan (Charles) Zhang

2019

Sahibjeet Bains
Luke Farrar
Sophie Lebang
Chaoqi (Shawn) Lin
Harrison McKenzie-McHarg
Khurshed Mehta
Alisha Nath
Jia Jun Desmond Ng (Semester 2 only)
Jiaqi (Karen) Mao
Lachlan Phillips
Dalton Tham
Alaina Warwick

Team Composition by Semester

Team / Position	Chief Investment Officer	Asset Allocation	Active Australian Equities	Risk and Compliance	Relationship	TOTAL
Semester 2, 2017	0.5	2	3.5	2	-	8
Semester 1, 2018	1	3	4	3	1	12
Semester 2, 2018	1	4	8	3.5	1.5	18
Semester 1, 2019	1	5	8	2.5	1.5	18
Semester 2, 2019	1	3	9	3.5	2.5	19
Semester 1, 2020 (e)	1	3	6	4	3	17

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