



Australian
National
University

ANU Student Managed Fund

Annual Report 2018



SMF Team for Semester 2, 2018





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About the SMF and this Inaugural Annual Report

The annual report records the activities and financials of the ANU Student Managed Fund (SMF). The SMF gives students an opportunity to experience the management of an actual investment fund, which constitutes a small slice of the ANU endowment pool. The Fund 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 the 3rd April 2018, when an accumulated amount of \$614,902.15 including earnings were transferred into the SMF administration account on the BT Panorama investment platform. The assets were subsequently invested in the Fund's reference portfolio on 10th April 2018. This report focuses on investment performance after the establishment of the BT account.

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 Relationship teams. The SMF is hence effectively structured as a complete investment organisation, giving the students experience with all the main aspects involved in 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 fund a scholarship in perpetuity through making 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 2.5% implies investing to generate a long-term return of about 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 ANU'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.

Equity Scholarship

The distributions from the SMF will be used towards funding the *RSFAS Student Managed Fund Equity Scholarship* (<http://www.anu.edu.au/students/scholarships-fees/scholarships/rsfas-student-managed-fund-equity-scholarship>). The scholarship will support economically or socially disadvantaged students in undertaking undergraduate studies at RSFAS. One scholarship may be awarded each year to the value of \$10,000 per annum over four years. The first scholarship is available in 2019, with the scheme potentially building to four concurrent scholarships by 2022. Scholarships are awarded by an RSFAS selection panel, and managed by the College of Business and Economics (CBE) Scholarships Office.

What Makes the ANU SMF Unique

A handful of Australian universities have established student managed funds in recent years, and more are sure to follow. A number of aspects distinguish the ANU SMF. The SMF is set-up as an *asset owner* with a clear purpose and multiple divisions. It is impressed on the students that they are managing long-term endowment funds 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 engenders a unique culture that is quite different to aiming to beat a benchmark over the shorter term.

A set of five key values have been established to guide the SMF team. 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 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.

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.

Highlights of 2018

2018 proved to be both rewarding and challenging for the SMF members. The AAE team commenced implementing its investment process by adding three active stock positions within the AAE component of the portfolio. The other teams continued to develop their processes over the course of 2018, which will carry into 2019. Landmarks include the AA team getting closer to finalising their investment process; the R&C team building a performance reporting and attribution measurement system, as well as progressing their risk management protocols; and the Relationship team establishing the foundations for the SMF's external communications including a social media platform. Another highlight is that all teams worked together to define the process for implementing the University's Socially Responsible Investing (SRI) policy.

Perhaps the most outstanding feature is how the SMF is proving to be a medium for student personal development that few other university courses offer. While the students are learning technical skills as expected, it is becoming increasingly evident that the deepest learning relates to the softer skills. The SMF experience develops the students as leaders, motivates them to take responsibility, and helps them become more effective work colleagues within a team environment. Anna von Reibnitz will say more about this in her Course Convenor report.

In terms of investment performance, 2018 turned out to be challenging year. The overall portfolio generated a return of -0.81% since the funds were transferred to the BT account on 3rd April 2018. This falls short of the return required to maintain the fund value in real terms, although it is far too early to be concerned after only nine months. Returns were inhibited by the steep correction in equity markets towards the end of the year, noting that the Fund is set at 80% exposure to equities in line with its long-term reference (i.e. policy) portfolio. The three active stock positions subtracted about 1% from total portfolio returns. This was largely due to a sharp decline in Bingo Industries after its purchase in early October, which was only partially offset by a moderately positive contribution from Telstra. While the Bingo performance is obviously disappointing (at least from the perspective that the purchase could have been better timed!), it will have one benefit: learning can be the greatest when something goes awry. The students now face the task of deciding whether they may have made a mistake in analysing the underlying cash flow fundamentals of the company; and if they find the reason for the initial purchase to remain valid, then consider whether it may be appropriate to add to the position.

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. The SMF was initially established, and continues to function, with the support of management and staff within CBE and ANU central administration. The names are too numerous to mention them all: you know who you are! A call-out goes to the CBE Dean, Steven Roberts, and the Interim Director of RSFAS, Stephen Sault. The enthusiastic support from these leaders was integral in bringing the SMF to fruition. Prior to the SMF taking its current form, there existed an SMF student association running paper portfolios and providing a forum to learn about investing. This group should be acknowledged as the genesis of an SMF at ANU. It was a member of this group who initially engaged Russell Clark at an alumni event, and perked his interest in making the donation that got it all started. Finally, we would like to thank BT for not charging administration fees to access its Panorama platform, which we find excellent for our purpose.

Associate Professor Geoff Warren, Fund Convenor

Course Convenor Report

It is with great pride that we have overseen the way in which the students are developing the SMF's operations and culture, while growing as individuals. The SMF presents a sharp learning curve and an intense experience, which inspires students to develop insight, independence and maturity beyond their years. There is no doubt that the 2018 team members have risen to the challenge. The past year has seen a transformation at both the individual and team levels, which sets a great foundation for the future.

As SMF operations have expanded, so too have the number of students. From an initial eight students in Semester 2 of 2017, we moved to 12 in Semester 1 of 2018, and then 18 in Semester 2. We anticipate a team of 19 for Semester 1 of 2019. While capacity is up to 24 students, we consider it far more important to only accept applicants who will make a strong contribution as part of the team than to maximise enrolment numbers.

We have been delighted with how the students have embraced the five key values of the Fund – *legacy, contribution, team, objectives* and *long-term* – and have formed a culture around them. This is clearly evident in the way they have not only built their models and processes, but also created user guides and documentation for the team members who come after them. It is also apparent in how seriously the senior members take the task of mentoring the junior members, which they are doing with great care, respect and diligence. The sense of purpose and the call to take responsibility makes the ANU SMF experience something much, much more than just learning how to invest. As mentioned in opening report, we think aspects like this are a key point of differentiation of our student fund from those of other universities.

The achievements of the Fund would not have been possible without the generosity of professionals both within the University and outside of it. Two groups in particular have made substantial contributions to student learning and development. One of the most valuable sources is engagement with members of the Investment Advisory Committee (IAC), who have challenged the students' thinking and provided unique insights into the workings of the industry. The students have also benefited from meetings with top industry practitioners, who have taken the time to share their experiences and provide advice. The meetings and people are acknowledged in the account of SMF activities.

We could talk for hours about the transformative experience the donations and other contributions have provided to our students, not only by facilitating an experience that is the epitome of authentic learning, but also through internships and graduate opportunities stemming directly from being part of the SMF. However, it is better captured by the words of one of our SMF members: "*Without doubt, the Student Managed Fund takes top spot as my most formative, enjoyable and enriching university experience. [It] has been one of immense personal growth, and has seen the unlocking of opportunity which wouldn't have been possible before my time in the SMF*". One voice, but it describes a sentiment that is shared throughout the Fund.

Dr Anna von Reibnitz, Course Convenor

Convenors



Anna von Reibnitz, Course Convenor



Geoff Warren, Fund Convenor

Chief Investment Officer (CIO) Report

During 2018, the SMF progressed significantly from a start-up phase to a more mature operational stage where the team is implementing the procedures which were created from the outset of the year. The SMF commenced the year with 12 students in Semester 1, 2018 with four carry-overs and eight new members; and expanded to 18 students in Semester 2, 2018 with eight carry-overs and 10 new members. The contribution of these members has been the driving force behind the Fund's significant progress. The logistics and organisation of the SMF have been strengthened, involving the improvement of internal team communication and management. Our members have also been taking responsibility and initiative in advancing the Fund's progress towards its learning, developmental and investment objectives.

As CIO, I built on the contribution of my predecessor, Olaide Yinka-Kehinde, by further improving the decision protocols in order to enhance the team's efficiencies; while ensuring that the Fund's direction aligned with our objectives. At the sub-team level, the AAE team implemented its Investment Process (IP), which led to three investments being endorsed and implemented within the Fund's portfolio. The AA team, faced with a learning hurdle not typically addressed in conventional courses, has made important progress towards the completion of their own IP. They made great efforts in tackling practical modelling issues. The R&C team developed a performance attribution model, established a risk management mitigation framework, and furthered the Fund's progress relating to Socially Responsible Investing (SRI) policy. Indeed, implementation of the ANU's SRI policy was a major focus during Semester 2, 2018. The Relationship team was formally established in Semester 2, 2018; and has contributed by taking responsibility for internal team communication, administration tasks and assisting with reporting. The team also published a Social Media Policy Statement (SMPS), which will underpin the Fund's future external communication, and help establish relationships with students, alumni, and industry professionals.

We have laid a strong foundation during 2018, from which future cohorts can further the progress. Beyond this year, we expect additional investment recommendations from the AAE team, as well as the AA team once they finalise their IP. R&C will continue to modify the compliance process; and the Relationship team will look to establish our social media platforms (website and Facebook) as well as engaging with external parties on a regular basis.

This is my last semester with the Fund, and I have thoroughly enjoyed my time and learned more than I could have imagined. I look forward to hearing about future cohorts continuing the progress towards our objectives.

Ruolin (Alex) Mai, CIO

Chief Investment Officers



*Olaide Yinka-Kehinde
CIO Semester 1, 2018*



*Alex Mai
CIO Semester 2, 2018*

Team Reports

Active Australian Equities (AAE) Team

The AAE team has been delighted by the substantial growth and development achieved throughout 2018. During the year, the team progressed towards implementing the AAE Investment Process (IP) that was established last year under the leadership of Elena Pleass. Over the last two semesters, this has resulted in a number of iterations of our Initialisation screen (stock filter), and the preparation of approximately 30 candidate stock reports and seven completed or ongoing in-depth research reports. This has culminated in three successful investment recommendations for Telstra Corporation (TLS), Rio Tinto (RIO), and Bingo Industries (BIN). The recommendations were endorsed by the IAC after some adjustments to our initial target weights, and subsequently implemented within our portfolio. The stocks continue to be reassessed on an ongoing basis, as part of our monitoring and review process. As a result of these outcomes, about 20% of the AAE portfolio is now in active positions – a result which we are exceptionally pleased with, noting that we aim to invest carefully with a long-term view.

As this was the inaugural application of the AAE IP, the team has also worked to construct a number of tools and models to support our process. As well as establishing the Initialisation screen, we have also upgraded our valuation model and created various supporting documents. These documents are highly relevant for the ongoing operations of the team, and were created with a view to leaving a legacy for future cohorts.

A central theme this year has been review and reflection. During our first year of undertaking active investment decisions, we have encountered many challenges and identified areas for improvement. Indeed, one of the great successes in the past year has been to build upon the legacy of previous cohorts and improve our processes and dynamics in various areas. Along with improving our models and stock filters, we have refined our SRI implementation by integrating the consideration of SRI credentials directly into our stock analysis. The team has also taken measures to improve the handover to future cohorts and mitigate personnel risk. This was reflected in the success of our “buddy system”, where a senior analyst would directly work with a junior analyst to facilitate the transfer of knowledge and skills.

Looking ahead to 2019, the reflection will continue, including examining whether there is anything to learn from the Bingo purchase in light of the stock’s subsequent underperformance. AAE also welcomes five junior analysts who will be joining the team next semester. I look forward to seeing another year of strong progress from the AAE team in contributing to the great success and legacy of the Fund.

Zhan Zhang, Head of AAE

Active Australian Equities Team – Semester 2, 2018



L-R: Jiaqi (Leon) Liu , Ruixin (Chasel) Chi, Isabella Mortimore, Zhan Zhang, Zhan Zhan, Wayne Wang, Aiyun (Stephanie) Li, Chuxuan (Jessie) Jiang. Absent: Chengxuan (Charles) Zhang

Asset Allocation (AA) Team

The AA team commenced with three members in Semester 1, 2018, and expanded to four members for Semester 2, 2018. Our key focus has been the drive towards completing the AA Investment Process (IP). The team now has a clear direction and an end in sight. While the AA team was hoping to complete the AA IP and present it to the IAC during the second semester, a few unforeseen challenges and directional changes inhibited this from being achieved. The team will aim to present our IP to the IAC in the first half of 2019.

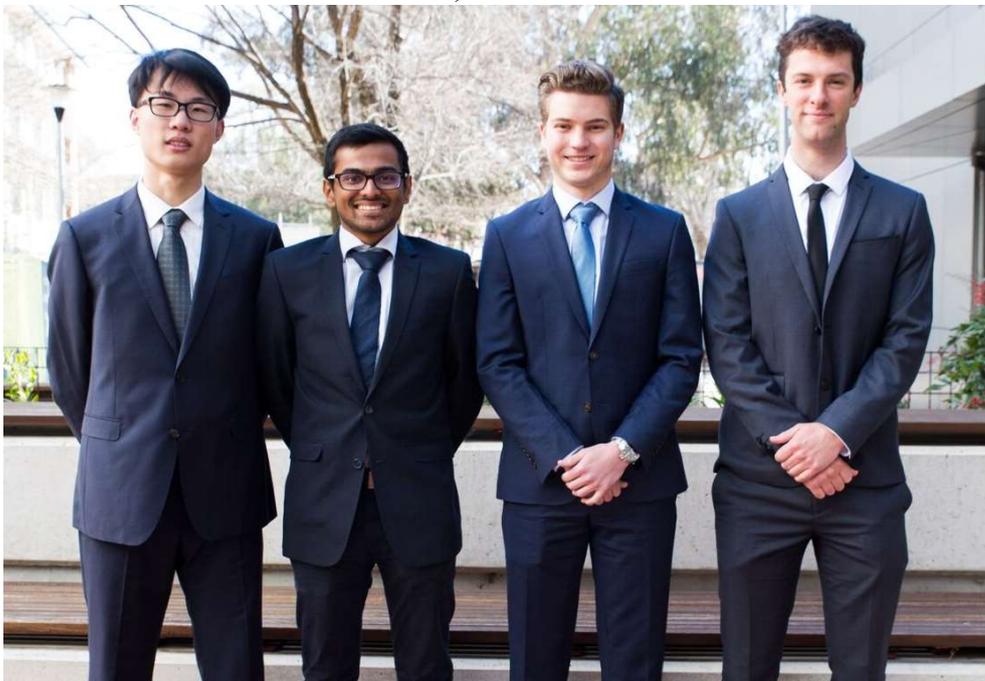
Development this year has been extensive. The team is working on a scenario analysis approach and optimising through a utility function. Preliminary testing looks promising. The utility function is set up, and the asset models completed. We have set out our approach to the ‘Qualitative Adjustment’ and the ‘Review and Monitor’ stages; and much of the surrounding documentation has been completed. The main work to be finalised is validating the efficacy of key drivers for our scenarios. The latter will combine two approaches: a quantitative Markov chain analysis that draws on historical data, and a more qualitative approach under which the AA team builds a range of scenarios based on its own research.

A topic of discussion for the AA team this semester was SRI. The team investigated options to align the exchange-traded funds (ETFs) used to implement the AA component of the portfolio with the ANU’s SRI policy. This included surveying available ASX-listed ETFs, and a meeting with BetaShares representatives to assess new products (their international and Australian equity ETF offerings, ETHI and FAIR). Unfortunately, no suitable product was found that could retain broad asset class exposure while promoting the Fund’s SRI targets. Monitoring will continue, with a view to switching if a suitable product becomes available.

The AA team welcomes three junior analysts next semester, with Jak Carty taking over as Head of AA. We have confidence that the team will be able to carry the momentum into 2019, complete the IP, and present it to the IAC. We look forward to seeing this come to fruition, thus laying down the foundation for the future legacy of the AA team.

Harrison Papworth & Victor Munagala, Joint Heads of AA

Asset Allocation Team – Semester 2, 2018



L-R: Hongyi (Leon) Xu, Victor Managala, Harrison Papworth, Jak Carty

Risk & Compliance (R&C) Team

The academic year of 2018 has been fruitful for the R&C team as we work towards wrapping up our keystone documents in the areas of risk management, compliance monitoring and performance evaluation. Our team has put in remarkable effort in forming these documents, and progressing towards making the R&C team fully operational.

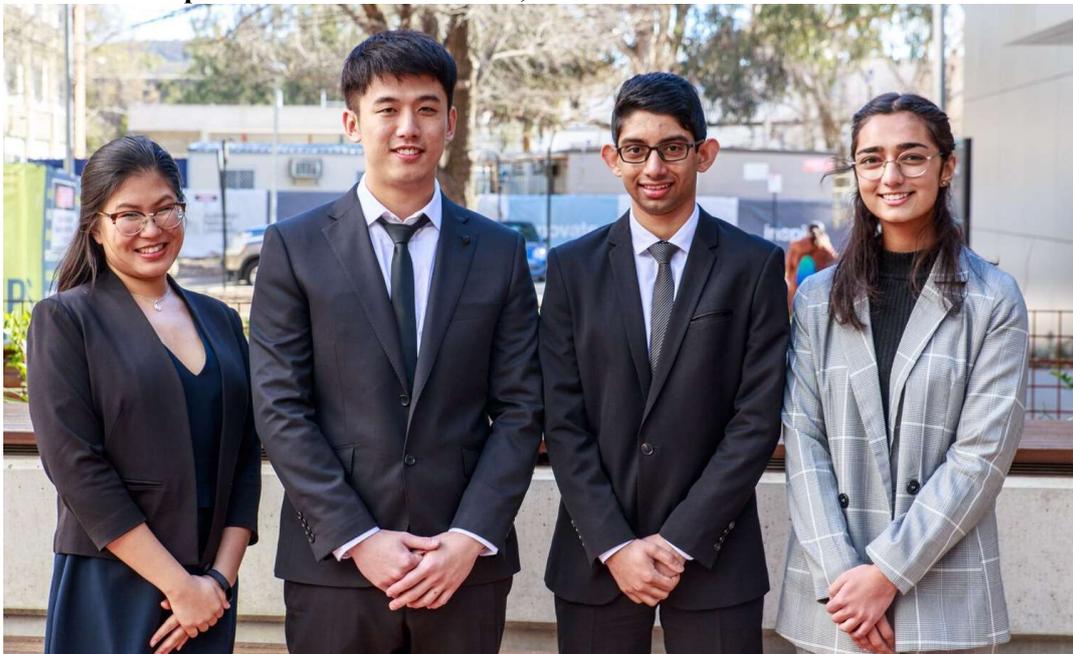
We completed an R&C Overview Document in Semester 1, 2018. This document outlines the duties and procedures for which our team is responsible during the day-to-day management of the SMF. From a risk monitoring perspective, we developed a Risk Management Process that outlines how the team will identify and manage risks efficiently, defining material risks as those that could impair the SMF from meeting its learning, developmental or investment objectives. In taking account of risks, we strive to achieve a balance between risk and return in a way that is aligned to the SMF's objectives. In regard to the monitoring of compliance matters, we developed an SRI Compliance Process in Semester 2, 2018. Further details are found in the Socially Responsible Investment Report.

One of the key accomplishments this year is in the performance evaluation area. With due effort, our team has built a comprehensive performance measurement and attribution model which allows us to evaluate and report on the Fund's investment performance. This model incorporates the value of imputation credits into the performance measurement, and reviews and attributes portfolio returns to two key sources: the asset allocation decisions of the AA team and the stock selection decisions of the AAE team.

The above accomplishments have not come easily. We have spent time learning and then applying risk management and performance evaluation techniques through the year, given not much is taught in conventional courses. Also, it goes without saying that these accomplishments would not have been possible without the hard work and rigour of the R&C members. I hope and urge future team members to continue this spirit and lead the SMF to greater heights in the years to come.

Zhongxi Zheng, *CRO and Head of R&C*

Risk and Compliance Team – Semester 2, 2018



L-R: Lanyu Zhang, Zhongxi Zheng, Saurav Patel, Azmina Hossain

Relationship Team

The Relationship role was first introduced in Semester 1, 2018 as a component of the R&C team, and became a separate group during Semester 2, 2018. Its establishment as a separate team reflects the value and importance the Fund places upon internal and external communication, as well as administrative support. The Relationship team has faced the significant challenge of how best to engage with external parties, and build strong relationships with students, alumni and industry professionals. In response, we have sought the advice of several professionals who have helped us build the foundations from which we hope to create meaningful and resourceful relationships.

The team has received advice from former CBE Communications and Outreach Manager, Andrew Pearson, who assisted us in understanding how different platforms can be used to reach our targeted audiences. The team was also aided greatly by the CBE Manager of Public Relations, Events and Communications, Tanya Ali, who provided advice relating to social media policies and procedures. Furthermore, the team participated in media training from the ANU Strategic Communications and Public Affairs (SCAPA), with Aaron Walker providing valuable knowledge relating to the practical use of digital, written and verbal media.

As a result of this advice and the efforts of Relationship team members, the SMF now possesses a Social Media Policy Statement (SMPS), which will underpin the external engagement of the Fund moving forward. The Fund also has a draft Facebook page and website, which will increase the awareness, engagement and transparency of the Fund when they go live in Semester 1, 2019. On an ongoing basis, the Relationship team has worked diligently to create external reports, as well as internal documents to ensure the smooth-running of the Fund.

The foundation the team has built during this year will continue the legacy of the SMF and allow future cohorts to productively engage with external parties. The Relationship team welcomes two new members as Relationship Officers in Semester 1, 2019. The input of these new members will be invaluable in furthering the progress of the team.

Rory Roche & Saurav Patel, Relationship Officers

Relationship Team – Semester 2, 2018



Saurav Patel



Rory Roche

Portfolio Holdings

Figure 1 reports the SMF portfolio structure at 31st December 2018, including comparison with the reference portfolio weights. In the absence of any active asset allocation positions, the portfolio is invested towards the reference weights. These can be viewed in the table, and broadly comprise 80% in equities and 20% in cash and fixed income. The modest deviations from target weights reflect market movements plus the accumulation of cash as income received is invested into the BT Cash Management Trust (CMT). The latter will be used to fund a distribution of 4.5% to be made after 31st December 2018, which will itself impact on the portfolio weights. The SMF Investment Policy Statement (IPS) requires that the portfolio be rebalanced upon a deviation of more than 5% from target weights.

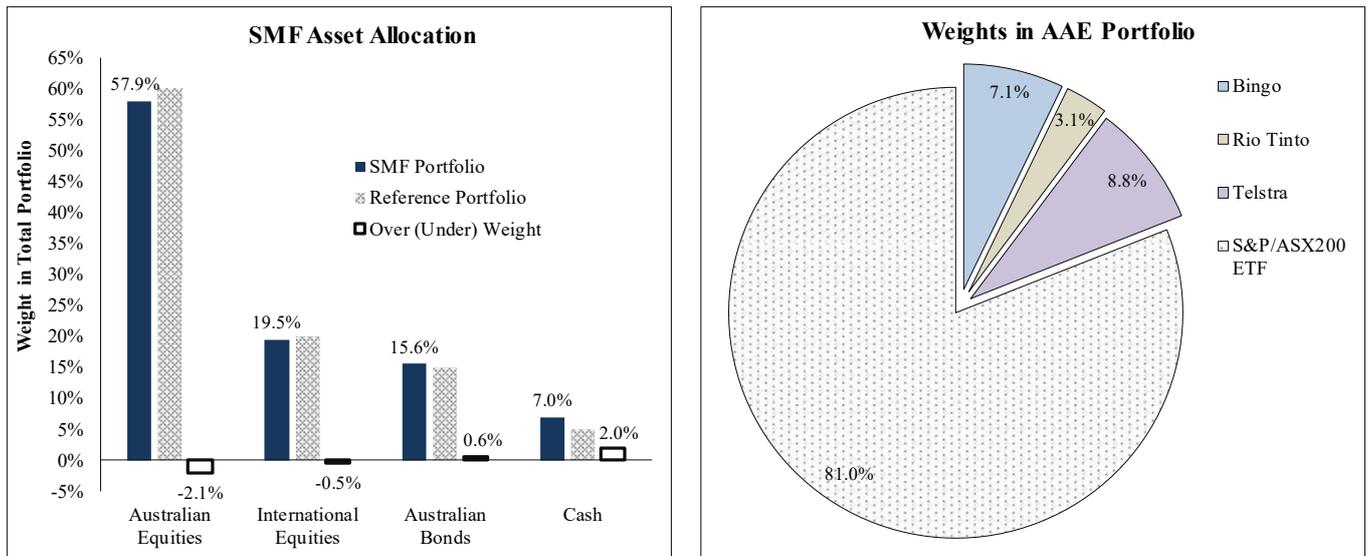
The SMF portfolio is divided into Active Australian Equities (AAE) and Asset Allocation (AA) components. The AAE component is managed by the AAE team, with the intent of eventually holding positions in around 10 stocks (a number that balances manageability and diversification.) At the end of 2018, there were three active stock positions in place: Bingo Industries, Rio Tinto and Telstra Corporation. The AA team is responsible for managing the overall asset weights, which can be done by varying holdings contained within in the AA portfolio component. Figure 2 (see over) plots the broad asset weights on the left, and weights of the AAE investments as a percentage of the AAE portfolio on the right.

The total value of the assets held in the BT Panorama account at 31st December 2018 was \$608,598.58. The SMF has accrued franking credits of \$1,299.87 on behalf of the University, which takes the total value of SMF assets to \$609,898.45. The University has agreed to transfer franking amounts to the SMF once received from the Australian Tax Office. As a zero tax-payer, ANU is able to claim the full value of franking as a tax credit.

Figure 1: SMF Portfolio at 31 December 2018

Portfolio Component	Benchmark ETF	Reference Portfolio %	Asset Values at 31/12/2018 \$	Portfolio Weights %	Over (Under) Weight %
Active Australian Equities Portfolio Holdings					
iShares Core S&P/ASX 200			237,155.78	39.0%	
Bingo Industries			20,916.98	3.4%	
Rio Tinto			8,945.58	1.5%	
Telstra Corporation			25,752.60	4.2%	
Total AAE Portfolio	iShares Core S&P/ASX 200	50%	292,770.94	48.1%	-1.9%
Asset Allocation Portfolio Holdings					
Australian Equities	iShares Core S&P/ASX 200 ETF	10%	59,900.29	9.8%	-0.2%
Total Australian Equities	iShares Core S&P/ASX 200	60%	352,671.23	57.9%	-2.1%
International Equities, Unhedged	Vanguard International Shares Index	10%	60,959.00	10.0%	0.0%
International Equities, Hedged	Vanguard International Shares Index, Hedged	10%	57,631.58	9.5%	-0.5%
Total International Equities		20%	118,590.58	19.5%	-0.5%
Total Equities		80%	471,261.81	77.4%	-2.6%
Australian Fixed Income	Vanguard Australian Government Bond Index	15%	94,763.58	15.6%	0.6%
Australian Cash					
BetaShares Australia High Interest Cash			16,699.95	2.7%	2.7%
BT Cash Management Trust			25,873.24	4.3%	4.3%
Accrued Interest & Dividends			0.00	0.0%	0.0%
Total Australian Cash	BetaShares Australia High Interest Cash	5%	42,573.19	7.0%	2.0%
Total Fixed Income & Cash		20%	137,336.77	22.6%	2.6%
Total Portfolio Value as Reported in BT Panorama		100%	608,598.58	100.0%	
Accrued Franking Credits			1,299.87	0.2%	
TOTAL VALUE OF SMF ASSETS			609,898.45		

Figure 2: Portfolio Weights at 31 December 2018



Transactions

Figure 3 lists the transaction actively undertaken within the BT Panorama account during 2018. This table excludes any income received or fees incurred, which are reported below in Figure 4 and Figure 6. Following the transfer of funds into the BT account on 3rd April 2018, three rounds of transactions were undertaken over the remainder of 2018. The first was the deployment of assets into the reference portfolio. This mostly occurred on 10th April 2018; although the purchase of the cash ETF was held off until 16th April to allow it to happen during a SMF team meeting so that the students could view the trading process in operation. The second round was establishment of the initial active stock positions, which included target weights of 3% in Rio Tinto and 6% in Telstra within the AAE portfolio. These were funded by selling a slice of the S&P/ASX200 ETF held within the AAE portfolio, and occurred on 25th May 2018. The third round involved the establishment of a position in Bingo Industries at a target weight of 10% of the AAE portfolio, and an increase in the target Telstra weight from 6% to 9%. These occurred on 8th October 2018, and were again funded from S&P/ASX200 ETF holdings. Discussion of the three active stock positions appears after the performance analysis.

Figure 3: Transactions During 2018

Details	Date	Amount (\$)	
		Transactions	CMT Change
Transfer from ANU into BT Panorama Account	3/4/2018		614,902.15
Investment in the Reference Portfolio			
Buy 7,713 iShares Core S&P/ASX 200 ETF (IOZ) @ \$23.94. Transaction fee \$203.11.	10/4/2018	184,852.33	
Buy 7,721 iShares Core S&P/ASX 200 ETF (IOZ) @ \$23.91. Transaction fee \$203.07.	10/4/2018	184,812.18	
Buy 974 VNGD INTL SHARES H ETF Units (VGAD) @ \$63.17. Transaction fee \$67.68.	10/4/2018	61,595.26	
Buy 940 Vngd Intl Shares ETF Units (VGS) @ \$65.52. Transaction fee \$67.75.	10/4/2018	61,656.55	
Buy 1,893 Vngd Aus Gov Bond ETF Units (VGB) @ \$48.78. Transaction fee \$101.57.	10/4/2018	92,442.11	
Buy 333 Betasharescashetf ETF Units (AAA) @ \$50.13. Transaction fee \$18.36.	16/4/2018	16,711.65	-602,070.08
Initialisation of positions in Rio Tinto (3%) and Telstra Corporation (6%)			
Buy 114 Rio Tinto Limited (RIO) @ \$84.80. Transaction fee \$12.50.	22/5/2018	9,679.70	
Buy 6,989 Telstra Corporation Limited (TLS) @ \$2.76. Transaction fee \$21.18.	22/5/2018	19,275.88	
Sell 1,160 iShares Core S&P/ASX 200 ETF (IOZ) @ \$25.02. Transaction fee \$31.93.	22/5/2018	-28,991.27	-35.69
Initialisation of position in Bingo Industries (10%), increase in Telstra weight (9%)			
Buy 11,276 Bingo Industries Limited (BIN) @ \$2.90. Transaction fee \$35.97.	8/10/2018	32,736.37	
Buy 2,047 Telstra Corporation Limited (TLS) @ \$3.25. Transaction fee \$12.50.	8/10/2018	6,655.02	
Sell 1,563 iShares Core S&P/ASX 200 ETF (IOZ) @ \$25.13. Transaction fee \$43.21.	8/10/2018	-39,234.98	156.41



Portfolio Performance

The total portfolio return is estimated by examining the change in total value of the Fund over the period of interest, and adjusting for any cash inflows and outflows. The value of imputation credits earned are accounted for in the portfolio value, and hence recognised in returns. Figure 4 presents return estimates for 2018 spanning two periods. The first period starts from 3rd April 2018, when the funds were transferred from ANU to the BT Panorama account. The key return components are reported, including dividends, interest, franking credits, transaction fees and other expenses. The total portfolio return over this period was -0.81%. The second period starts from 10th April 2018, when the assets were actively invested in the reference portfolio. Also reported for this period is the target return and the reference portfolio return. The target return reflects the sum of the estimated change in the Consumer Price Index over the period, plus an allowance for distributions at a rate of 4.5% per annum. The reference portfolio return accounts for franking credits on the S&P/ASX200 ETF, and assumes an investment in the benchmark ETFs on 10th April with no balancing. Total portfolio return for this period of -1.35% fell short of the target return by -5.86%, and the reference portfolio return by -0.90%.

Figure 4: Total Portfolio Performance and Movements in Value

Return Since Transfer of Funds to BT Panorama on 3rd April 2018	
Portfolio Value at 3 April 2018	\$614,902.15
Dividends Received	\$12,672.43
Interest Received	\$527.37
Transaction Fees	-\$818.83
Legislation Expense Recovery by BT	-\$37.91
Capital Gains (Losses)	-\$18,646.63
Reported Portfolio Valuation at 31 December 2018	\$608,598.58
+ Franking Credits Accrued	\$1,299.87
+ Distributions	\$0.00
- Contributions	\$0.00
Total Portfolio Value at 31 December 2018	\$609,898.45
Portfolio Return 3/4/2018 to 31/12/2018	-0.81%
<i>Comprising:</i>	
Capital Gains (Losses)	-3.03%
Income	2.36%
Fees Incurred	-0.01%
Return Since Investment in Reference Portfolio on 10th April 2018	
Portfolio Return 10/4/2018 to 31/12/2018	-1.35%
Target Return (Estimated CPI + 4.5%)	4.52%
SMF Return vs. Target	-5.86%
Reference Portfolio Return	-0.44%
SMF Return vs. Reference Portfolio	-0.90%

While the underperformance versus the target return is disappointing, it is to a large extent the consequence of the poor performance of equity markets over the period, given the SMF exposure to equities of about 80%. This is in line with the reference portfolio, which was set with the long-term nature of the Fund in mind. Equities provide the greatest probability of achieving the target long-term return of 7%, which is required to maintain the real value of distributions over the long run. In contrast, fixed income is highly unlikely to achieve the target, especially at current interest rate levels of about 2%-3%. However, investing in equities leaves the Fund exposed to shorter-term volatility. The AA team is currently working on an investment process to set asset allocation based on *long-term* return prospects across assets. This process will tend to indicate reduced exposure to equities when they become *relatively* unattractive on long-term risk/return basis.

Nevertheless, the underperformance versus the reference portfolio signals that some active positions taken by the Fund have subtracted from the total portfolio return. An attribution analysis is presented further below that identifies the contributions to performance versus the reference portfolio, highlighting the Bingo holding as the main culprit.

Figure 5 reports portfolio weights, asset returns and performance for three sub-periods, delineated by the dates of transactions resulting in a portfolio change. This table provides a record of performance for these sub-periods, and acts as the foundation for the attribution analysis reported in the following section. Income and transaction fees associated with each investment and portfolio component are detailed in Figure 6.

Figure 5: Portfolio Analysis by Sub-Period

	SMF Portfolio Weights					Returns over Sub-Period Ending:			Cumulative Return
	3/4/18	10/4/18	22/5/18	8/10/18	31/12/18	22/5/18	8/10/18	31/12/18	10/4/18 - 31/12/18
Total SMF Portfolio Return						3.11%	3.52%	-7.58%	-1.35%
Reference Portfolio Return						2.93%	3.10%	-6.08%	-0.44%
SMF Return vs. Reference Portfolio						0.17%	0.41%	-1.51%	-0.90%
Target Return (Estimated CPI + 4.5%)						2.38%	2.38%	1.44%	4.52%
SMF Return vs. Target						0.72%	1.14%	-9.02%	-5.86%
SMF Portfolio Components									
AAE Portfolio		50.2%	50.5%	49.2%	48.1%	3.46%	3.67%	-9.62%	-3.07%
iShares Core S&P/ASX 200 ETF		10.0%	10.1%	9.7%	9.8%	3.46%	2.74%	-6.63%	-0.76%
<i>Total Australian Equities</i>		<i>60.2%</i>	<i>60.5%</i>	<i>58.9%</i>	<i>57.9%</i>	<i>3.46%</i>	<i>3.51%</i>	<i>-9.13%</i>	<i>-2.69%</i>
Vanguard International Shares ETF		10.0%	10.2%	10.6%	10.0%	4.67%	9.20%	-12.54%	-0.03%
Vanguard International Shares Hedged ETF		10.1%	10.2%	10.0%	9.5%	4.34%	2.71%	-12.65%	-6.39%
Vanguard Australian Bond ETF		14.9%	14.4%	14.0%	15.6%	-0.35%	1.55%	2.67%	3.89%
Betashares Cash ETF		2.7%	2.6%	2.5%	2.7%	0.20%	0.78%	0.45%	1.44%
BT Cash Management Trust	100.0%	2.1%	2.1%	2.9%	4.3%	0.52%	0.20%	0.15%	0.87%
Accruals		0.03%	0.00%	1.04%	0.00%				
SMF Portfolio - Estimated	100.0%	100.0%	100.0%	100.0%	100.0%	2.95%	3.59%	-7.58%	-1.45%
<i>Interaction, aggregation and trading* effects</i>						<i>0.16%</i>	<i>-0.07%</i>	<i>0.00%</i>	<i>0.10%</i>
AAE Portfolio Components									
iShares Core S&P/ASX 200 ETF		100.0%	91.1%	78.4%	81.0%	3.46%	2.74%	-6.63%	-0.76%
Rio Tinto			3.0%	2.8%	3.1%		-4.02%	-0.37%	-4.37%
Telstra Corporation			6.0%	8.9%	8.8%		21.78%	-10.66%	8.80%
Bingo Industries				9.9%	7.1%			-34.91%	-34.91%
AAE Portfolio - Estimated		100.0%	100.0%	100.0%	100.0%	3.46%	3.67%	-9.62%	-3.07%
<i>Performance vs S&P/ASX200 ETF</i>						<i>0.00%</i>	<i>-0.93%</i>	<i>2.99%</i>	<i>-2.31%</i>
Cash Portfolio Components									
Betashares Cash ETF		56.2%	56.0%	39.3%	39.2%	0.20%	0.78%	0.45%	1.44%
BT Cash Management Trust	100.0%	43.2%	44.0%	44.5%	60.8%	0.52%	0.20%	0.15%	0.87%
Accruals		0.6%	0.0%	16.2%	0.0%				
Cash Portfolio - Estimated	100.0%	100.0%	100.0%	100.0%	100.0%	0.34%	0.52%	0.24%	1.11%
<i>Performance vs Cash ETF</i>						<i>0.14%</i>	<i>-0.26%</i>	<i>-0.20%</i>	<i>-0.33%</i>

* Trading effects stem from differences between the price at which trades occur on the day, and end-day price used in estimating performance

Figure 6: Income Earned and Transaction Fees Paid

	Dividends	Franking Credits	Interest	TOTAL INCOME		Transaction Fees
				Ex. Franking	inc. Franking	
Total SMF Portfolio						
Active Australian Equities Portfolio	8,245.57	1,140.55		8,245.57	9,386.12	495.78
iShares Core S&P/ASX 200 ETF	1,594.53	159.32		1,594.53	1,753.85	67.69
Vanguard International Shares ETF	1,139.40			1,139.40	1,139.40	67.75
Vanguard International Shares Hedged ETF	669.19			669.19	669.19	67.68
Vanguard Australian Bond ETF	1,023.74			1,023.74	1,023.74	101.57
Betashares Cash ETF			228.98	228.98	228.98	18.36
BT Cash Management Trust			298.39	298.39	298.39	
Accrued Interest at 31/12/2018			0.00	0.00	0.00	
Accrued Dividends at 31/12/2018	0.00			0.00	0.00	
Total Portfolio	12,672.43	1,299.87	527.37	13,199.80	14,499.67	818.83
<i>% of Portfolio Value at 10/4/2018</i>	<i>2.05%</i>	<i>0.21%</i>	<i>0.09%</i>	<i>2.14%</i>	<i>2.35%</i>	<i>0.13%</i>
Active Australian Equities Portfolio						
iShares Core S&P/ASX 200 ETF	7,282.02	727.60		7,282.02	8,009.62	413.63
Rio Tinto	194.76	83.47		194.76	278.23	12.50
Telstra Corporation	768.79	329.48		768.79	1,098.27	33.68
Bingo Industries	0.00	0.00		0.00	0.00	35.97
Total AAE Portfolio	8,245.57	1,140.55	0.00	8,245.57	9,386.12	495.78
<i>% of Portfolio Value at 10/4/2018</i>	<i>2.66%</i>	<i>0.37%</i>	<i>0.00%</i>	<i>2.66%</i>	<i>3.03%</i>	<i>0.16%</i>

Attribution Analysis

Figure 7 presents the attribution analysis, which identifies the components of performance relative to the reference portfolio. The analysis is undertaken for each sub-period based around the portfolio weights at the end of the day during which a portfolio change occurred. The sub-period contributions are then accumulated to generate the cumulative returns reported in the final column. The sum of the estimated contributions does not sum to actual portfolio performance, with the difference reported as “interaction, aggregation and trading effects”. The major source of difference is the trading effects, which arise from the fact that trades may occur at a different price than those at which the portfolio valuation is struck. These may be viewed as trading gains and losses arising from transacting at a better or worse price than the close on the day. Interaction effects relate to unrecognised cross-products between asset allocation and security selection contributions. Aggregation effects arise from the fact that aggregating sub-period returns generates an error term, in part because time-weighted returns may deviate from the asset-weighted returns estimated from the change in portfolio value.

Figure 7 reveals that the underperformance versus the reference portfolio largely arises from security selection within the AAE portfolio. The chief source is a -2.81% contribution from Bingo Industries to the AAE portfolio return, which equates to a negative contribution to total portfolio returns of about -1.4%. Telstra contributed +0.77% to the performance of the AAE portfolio, or about +0.39% to the total portfolio. Rio Tinto provided a small negative contribution. The active stock positions are discussed in the next section. Holding a slice of cash in the CMT came at the cost of a lower return from the cash segment of the portfolio than the benchmark cash ETF, but the return effect at the total portfolio level was only -0.01%. Some cash is retained in the CMT for reasons of liquidity management. Finally, the difference between total and estimated portfolio returns was +0.11%, of which analysis reveals +0.10% is due to trading effects.

Figure 7: Attribution Analysis

<i>Period Start</i> <i>Period End</i>	Contributions to Performance vs. Reference Portfolio by Sub-Period			Cumulative Return
	April 10, 2018 May 22, 2018	May 22, 2018 October 8, 2018	October 8, 2018 December 31, 2018	April 10, 2018 December 31, 2018
SMF Portfolio vs. Reference Portfolio				
Asset Allocation	0.01%	0.02%	-0.02%	0.01%
Security Selection - AAE Portfolio	0.00%	0.47%	-1.47%	-1.01%
Security Selection - Cash Portfolio	0.01%	-0.01%	-0.01%	-0.01%
Contribution from Positions Held	0.02%	0.48%	-1.50%	-1.01%
Interaction, aggregation, trading* effects	0.16%	-0.07%	0.00%	0.11%
Total Relative Performance	0.17%	0.41%	-1.51%	-0.90%
AAE Portfolio vs. S&P/ASX200 ETF				
iShares Core S&P/ASX 200 ETF	0.00%	0.00%	0.00%	0.00%
Rio Tinto		-0.20%	0.17%	-0.03%
Telstra Corporation		1.13%	-0.36%	0.77%
Bingo Industries			-2.81%	-2.81%
Time Aggregation Effect				0.02%
Total Relative Performance	0.00%	0.93%	-2.99%	-2.09%
<i>AAE Weight in Total Portfolio</i>	<i>50.2%</i>	<i>50.5%</i>	<i>49.2%</i>	
Cash Portfolio vs. Betashares Cash ETF				
Betashares Cash ETF	0.00%	0.00%	0.00%	0.00%
BT Cash Management Trust	0.14%	-0.26%	-0.13%	-0.25%
Accruals	0.00%	0.00%	0.00%	0.00%
Time Aggregation Effect				0.00%
Total Relative Performance	0.14%	-0.26%	-0.13%	-0.25%
<i>Cash Portfolio Weight in Total Portfolio</i>	<i>4.8%</i>	<i>4.7%</i>	<i>6.4%</i>	

* Trade timing effects stem from differences between the price at which trades occur on the day, and end-day price used in evaluating performance

Review of Active Stock Positions

Rio Tinto (RIO)

RIO was purchased as a global leader in the mining and metal industry with significant operational advantages across its major segments, which was available at an attractive share price according to AAE team modelling. RIO's core competitive advantage is its world-class operating efficiency stemming from vast economies of scale, a cost management focus, and technological and commercial innovations. These features solidify RIO's position as a cost leader in the mining industry, which in turn enables RIO to deliver a relatively strong and stable level of profit versus its competitors. The company also benefits from a diversified revenue base through its widespread market presence across a number of countries and products, contributing to greater sustainability of earnings over time. The high-quality nature of the business, supported by a robust financial position, provides opportunity for solid value creation and cash flow generation, which is attractive given the objectives of the Fund. As a result of its competitive advantages and diversified commodities exposure, RIO benefits from a relatively low cash flow risk versus comparable companies, and is well positioned to mitigate potential headwinds. RIO has so far performed broadly in line with the overall market since purchase.

Telstra Corporation (TLS)

TLS was purchased on the investment thesis that the market had largely discounted the substantial business challenges faced by the company. The stock is seen as offering very attractive long-term returns, with significant potential for the company to perform better than the pessimistic expectations built into the stock price. The initial investment was made against a backdrop of market concerns regarding tough competition, falling fixed-line margins, the negative impact on earnings from the NBN roll out, and selling pressure from many investors who previously relied on the 100% payout dividend policy that was lowered to 70%. Meanwhile, the AAE team sees potential for the NBN earning hole to be less severe than the market is predicting; while little credit is being given for the possibility of positive impacts from business reorganisation and growth from areas such as technology, cybersecurity and the 5G network. The weighting of Telstra in the AAE portfolio was increased on 8th October in reflection of strengthened confidence in the company's direction, and the judgement that downside risk had reduced. The initial investment in TLS has so far proven to be very well-timed, having occurred around the share price low to date; although the stock has suffered a moderate correction since the position was increased.

Bingo Industries (BIN)

BIN was purchased to gain access to the long-term attractions of the waste management industry, with the company offering an attractive margin of safety based on the AAE team modelling. Experienced management and good internal control has allowed BIN to outperform its competitors in operating efficiency, and in managing growth both organically and through effective acquisitions of similar businesses. It has a highly successful tendering rate and benefits from limitations on market entry, which add to the confidence in long-term cash flows. Unfortunately, the stock suffered a significant fall of over 30% since being purchased by the SMF. This seems related to several large institutional investors ceasing to be substantial shareholders, and the Australian competition regulator raising concerns that the proposed acquisition of Dial-a Dump would reduce competition in the Sydney landfill market. The AAE team will be keeping the BIN position under close review; but currently believes that the fundamental drivers of future cash flows have not changed substantially and that the stock remains an attractive (if not more attractive) long-term investment.

Socially Responsible Investment (SRI) Report

During Semester 2 of 2018, the SMF conducted a major review into the implementation of the ANU’s SRI policy by the Fund. The review led to enhancement of the application of the SRI policy within the AAE component. It also included a re-examination of the benchmark ETFs used by the Fund. The SRI review and outcomes were settled after consultation with the IAC at a meeting on 17th September 2018, and with input from the ANU Investment Office. The Fund would like to thank both the IAC and ANU Investment Office for their assistance throughout the review process.

Prior to the review, the SMF aimed to meet the criteria used by ANU’s Long Term Investment Pool (LTIP) within its Australian equity portfolio. These criteria require the ANU’s (enhanced index) Australian equity manager to comply with three main conditions related to company exclusions, carbon intensity and Environment, Social and Governance (ESG) ratings, as per conditions one through three on the list below. Following the review, the SMF added conditions four and five with regard to how stocks are to be evaluated.

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 ESG rating relative to the benchmark.
4. Evaluate whether a prospective investment causes an unacceptable level of ‘social injury’.
5. Take into consideration whether a prospective investment creates ‘social benefit’.

The addition of conditions four and five reflects the importance that the SMF places upon SRI considerations, and moves the SMF towards embracing the *intent* of the ANU SRI policy. These conditions are addressed during candidate stock analysis, with a view toward taking them into account in deciding stock recommendations. The SRI implementation process is further supported by policy documents and procedures that have been put in place by the R&C and AAE teams.

The SRI review also involved an assessment of the benchmark ETFs used by the Fund from an SRI perspective. The outcome was a decision to retain the current benchmark ETFs at this stage, but to keep the matter under review. The Fund will continually search for suitable alternatives which better balance the requirements of the ANU SRI policy as well as the SMF’s investment and learning objectives. The current SRI-based ETFs listed on the ASX are deemed inferior in this regard, and unsuitable on balance. In particular, they poorly represent the underlying asset class due to their narrow focus, which hampers their effectiveness for the intended purpose of the benchmark ETFs. It also makes it quite difficult for the AA team to analyse their characteristics. In addition, their fees are higher than the ETFs currently used by the Fund.

Formal SRI compliance reporting is based around conditions one to three above, which relate to ensuring that the active stock positions within the AAE portfolio are compliant with the readily measurable components of policy. Figure 8 displays the carbon intensity and ESG scores of the AAE portfolio holdings at 31 December 2018. The carbon intensity data for the holdings in Bingo, Rio Tinto and Telstra are sourced from Bloomberg. The scores are calculated on the annual carbon emission (in tonnes) per \$1 million of revenue earned. The carbon intensity data of the S&P/ASX200 ETF is retrieved from the ANU Socially Responsible Investment Policy 2017 Report. The ESG data is retrieved from Sustainalytics, and has been updated to reflect current ESG scores of companies and changes in market capitalisation. (The Bingo score is based on an industry average). The SMF benchmarks against the equally-weighted average ESG score for ASX200 score, which accords with its investment process that targets about 10 broadly equally-weighted positions. The market capitalisation -weighted average is shown in brackets for reference.

The SMF is in compliance with ANU SRI policy with respect to its active stock positions. Compliance with conditions two and three as listed above is demonstrated by -59% reduction in carbon intensity against a 25% requirement; and 14% improvement in ESG score against a 10% required improvement. Compliance with conditions one, four and five is checked prior to making an active stock investment. The Fund is not aware of any evidence that any of the active stock positions breach of these conditions.

Figure 8: Position of the AAE Component in regard to SRI Compliance at 31/12/2018

	ASX200 ETF	Bingo Industries (BIN)	Rio Tinto (RIO)	Telstra Corporation (TLS)	Total Active Stock Positions	Active Stock Positions vs. S&P/ASX200	Target Improvement	Margin
Weighting in AAE portfolio	81.0%	7.1%	3.1%	8.8%	19.0%			
Carbon intensity	314.1	40.6	565.3	50.2	129.4	-59%	-25%	34%
ESG score (ASX200 cap-weighted)	58.8 (65.8)	58	68	74	67.1	14%	10%	4%

List of SMF Activities

Activities during Semester 1, 2018

- *SMF student team make-up*
 - The SMF had 12 members during the semester, which includes 4 seniors carrying over and 8 new juniors.
- *Establishment of administration platform and investments* – An account was established with the BT Panorama Investment Platform on 26th February 2018, and the funds transferred by ANU into the account on 3rd April 2018. The funds were previously held in an account at ANU. A transfer from the BT cash management trust into the reference portfolio was finalised on 16th April 2018.
- *SMF meetings*
 - 11 regular team meetings were held during the semester on Mondays, 9 am-12 noon, ARNDT TR1.
 - End-of semester get-together and welcoming gathering of new team members was held on 25th May 2018.
- *SMF Investment Advisory Committee (IAC) meetings*
 - An IAC meeting was held on Monday 21st May 2018 to discuss recommendations to add Rio Tinto and Telstra Corporation to the Active Australian Equities portfolio, funded out of the iShare Core S&P/ASX200 ETF. Endorsement was received for positions of 3% in Rio and 6% in Telstra, representing the inaugural active positions taken by the Fund. The transactions were completed on 22nd May 2018.
- *Guest speakers*
 - Debbie Saunders, Whitehelm Capital, Monday 7th May 2018
 - Grant Wilson, Civic Capital, Wednesday 30th May 2018
- *Reports finalised*
 - Reports on Rio Tinto and Telstra were prepared in support of the investment recommendations.
- *Other notable items*
 - Substantial progress was made on developing and documenting the Asset Allocation and Risk and Compliance processes.
 - Development commenced on the SMF website and a Facebook page, but further progress was delayed with a view to first finalising the Social Media Policy.
 - Outreach activities conducted by SMF student team members include: running a booth at the CBE welcome day; presentations to Year 11 students and ANU students; and cross-promotion at an ANU public lecture.

Activities during Semester 2, 2018

- *SMF student team make-up*
 - The SMF had 18 members during the semester, comprising eight seniors continuing from Semester 1 and 10 juniors joining the Fund.
- *SMF meetings*
 - 11 weekly meetings were held throughout the semester on Mondays, 9 am-12 noon, MORAN G007.
 - The SMF celebrated its achievements and welcomed new members at an end-of-semester get-together on 26th October 2018.
- *SMF Investment Advisory Committee (IAC) meetings*
 - Two IAC meetings occurred during the semester as the SMF progressed with policy creation and implementation, as well as investment recommendations.
 - The first IAC meeting was held on 17th September 2018 to discuss the R&C SRI compliance process as well as its proposed implementation of the ANU SRI policy within the AAE portfolio and the overall Fund. The IAC members accepted both the R&C document and the AAE team proposal. They endorsed the commitment to implementing SRI policies across the remainder of the Fund as suitable ETFs become available, and the suggestion that no changes should be made to the ETFs held until this occurs.
 - The second IAC meeting on 5th October 2018 was used by the AAE team to propose the additions of Bingo Industries and further investment in Telstra Corporation, funded via a reduction of the iShares Core S&P/ASX200 ETF. The IAC endorsed both proposals, with target weightings of 10% in Bingo and an increase in the Telstra weight from 6% to 9%. The subsequent transactions were completed on 8th October 2018.
- *Guest speakers*
 - David Nolan, Point72, Monday 6th August 2018
 - Risman Cornelius, Whitehelm Capital, Monday 20th August 2018
 - Russell Clark, Horseman Capital Management, Wednesday 19th September 2018
 - Heath Behncke, Holon Global Investments, Monday 15th October 2018
- *Reports finalised*
 - Reports on Bingo and Telstra were generated in support of the investment recommendations.
 - An investment report was prepared on Estia Health, although the stock failed to receive sufficient team votes to pass the requirement for a recommendation or be presented to the IAC.
 - The Relationship team finalised the Social Media Policy Statement (SMPS), which was endorsed by the Director of RSFAS. Establishment of the SMPS will allow the SMF website and a Facebook page to be implemented during Semester 1, 2019.
- *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 SMF received an increased number of applications as a result of several engagement activities. The Fund was promoted to eligible students in finance classes, and represented at the CBE welcome day.
 - The SMF was included in a forthcoming publication by Universities Australia showcasing Work Integrated Learning activities in Australia as an excellent real-world learning experience.



SMF Donors

Over \$200,000

Russell Clark (seed donor)

\$10,000-\$50,000

Family of Andre Morony

Geoff Warren

\$1,000 or less

Kerry-Ann Hugo

- All donations were kindly matched by the ANU Research School of Finance, Actuarial Studies and Statistics.
- Donations to date total \$295,100, bringing the total contribution to \$590,200 including RSFAS matching.

Investment Advisory Committee Members during 2018

External Members

Heath Behncke	Sigma Investment Management / Holon Global Investments
Mary Fallon	ANU Investment Office
Andre Morony	Independent
Debbie Saunders	Whitehelm Capital Advisors

Alternate External Members

Risman Cornelius	Whitehelm Capital Advisors (alternate for Debbie Saunders)
John Fleming	ANU Investment Office (alternate for Mary Fallon)
Stephen Giubin	Sigma Investment Management (alternate for Heath Behncke)

Internal Members

Geoff Warren (Chair)	Fund Convenor
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

Team Composition by Semester

Team / Position	Semester 2, 2017	Semester 1, 2018	Semester 2, 2018	Semester 1, 2019
Chief Investment Officer	0.5	1	1	1
Asset Allocation	2	3	4	5
Active Australian Equities	3.5	4	8	8
Risk and Compliance	2	3	3.5	2.5
Relationship	-	1	1.5	2.5
Total	8	12	18	19

Team Members during Semester 2, 2017

Chief Investment Officer

Elena Pleass

Risk and Compliance Team

Mia Dekovic

Chief Risk Officer (Joint)

Vipul Nijhawan

Chief Risk Officer (Joint)

Asset Allocation Team

Olaide Yinka-Kehinde

Team Head

Manling (Sarah) Zhu

Analyst

Active Australian Equities Team

Elena Pleass

Team Head

Wenlin Lin

Portfolio Analyst

Ben Rada-Martin

Analyst

Haoyan (Howie) Chen

Analyst

Convenors

Anna von Reibnitz

Course Convenor

Geoff Warren

Fund Convenor

Number of Student Members

8

(No team picture available.)



Team Members during Semester 1, 2018

Chief Investment Officer

Olaide Yinka-Kehinde

Risk and Compliance Team

Vipul Nijhawan

Ruolin (Alex) Mai

Lanyu Zhang

Zhongxi Zheng

Chief Risk Officer

Relationship Manager

Analyst

Analyst

Asset Allocation Team

Sarah Zhu

Victor Munagala

Harrison Papworth

Team Head

Analyst

Analyst

Active Australian Equities Team

Ben Rada-Martin

Isabella Mortimore

Wayne Wang

Zhan Zhang

Team Head

Analyst

Analyst

Analyst

Convenors

Anna von Reibnitz

Geoff Warren

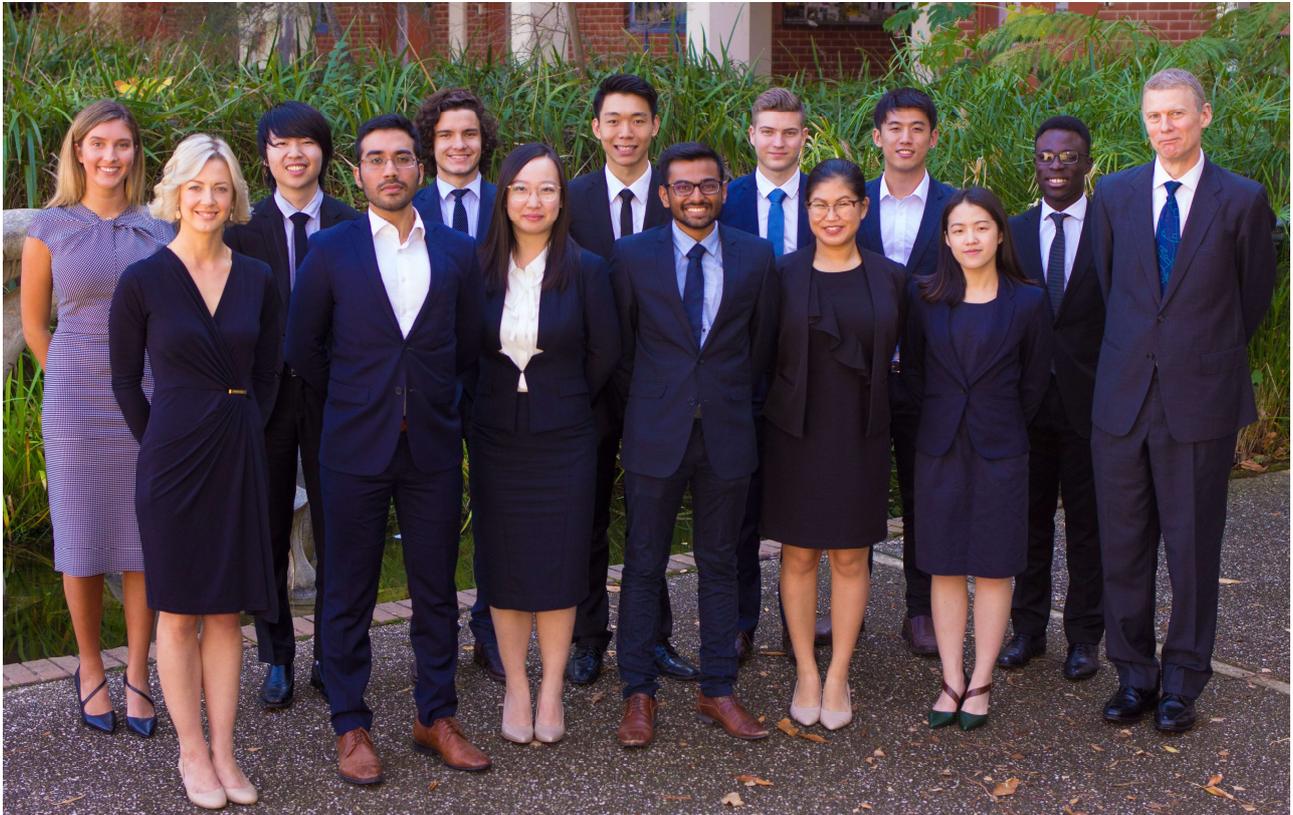
Course Convenor

Fund Convenor

Number of Student Members

12

SMF Team – Semester 1, 2018



L-R: Isabella Mortimore, Anna von Reibnitz, Zhan Zhang, Vipul Nijhawan, Ben Rada-Martin, Sarah Zhu, Wayne Wang, Victor Munagala, Harrison Papworth, Lanyu Zhang, Zhongxi Zheng, Alex Mai, Olaide Yinka-Kehinde, Geoff Warren

Team Members during Semester 2, 2018

Chief Investment Officer

Ruolin (Alex) Mai

Risk and Compliance Team

Zhongxi Zheng	Chief Risk Officer
Lanyu Zhang	Compliance & Reporting Manager
Azmina Hossain	Analyst
Saurav Patel	Analyst (50%)

Asset Allocation Team

Harrison Papworth	Joint Team Head
Victor Munagala	Joint Team Head
Jak Carty	Analyst
Hongyi (Leo) Xu	Analyst

Active Australian Equities Team

Zhan Zhang	Team Head
Isabella Mortimore	Portfolio Manager
Wayne Wang	Research Manager
Ruixin (Chasel) Chi	Analyst
Chuxuan (Jessie) Jiang	Analyst
Aiyun (Stephanie) Li	Analyst
Jiaqi (Leon) Liu	Analyst
Chengxuan (Charles) Zhang	Analyst

Relationship Team

Saurav Patel	Relationship Officer (50%)
Rory Roche	Relationship Officer

Convenors

Anna von Reibnitz	Course Convenor
Geoff Warren	Fund Convenor

Number of Student Members 18

(Team picture appears on cover.)

Glossary

- AA** – Asset Allocation
- AAE** – Active Australian Equities
- ANU** – The Australian National University
- BIN** – Bingo Industries
- CBE** – 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
- LTIP** – Long Term Investment Pool
- SCAPA** – Strategic Communications and Public Affairs
- SMF** – Student Managed Fund
- SMPS** – Social Media Policy Statement
- SRI** – Socially Responsible Investment
- R&C** – Risk and Compliance
- RIO** – Rio Tinto Limited
- RSFAS** – Research School of Finance, Actuarial Studies and Statistics
- TLS** – Telstra Corporation Limited

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