



Report for End of Semester 1, 2021

ANU Student Managed Fund

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Contents

Glossary	3
About this Report	4
Convenor Report	5
Chief Investment Officer (CIO) Report	6
Team Highlights	7
AA Improves its Equity Modelling	7
AAE Receives Endorsement to Invest in Brambles	8
R&C Reforms its Risk Policies	9
RT Launches an Applications Workshop and Partners with ANU Societies	10
Portfolio Overview	11
Portfolio Structure	11
Portfolio Performance	13
Attribution Analysis	13
Socially Responsible Investment (SRI) Report	16
APPENDIX	17
SMF Activities During Semester 1, 2021	17
SMF Donors	18
Investment Advisory Committee Members During 2021	18
SMF Team Members	19
SMF honour role	20
Team composition by semester	20
Photo Credits	21

Note:

All dollar amounts in this report are Australian dollars.

This report is made available for the sole purpose of demonstrating the analysis undertaken by students enrolled in the University's Student Managed Fund and its related courses, and has been prepared by students who are not licensed to provide financial product advice under the Corporations Act 2001. The information provided does not constitute, and should not be relied upon as, financial product advice. For financial product advice that takes account of your particular objectives, financial situation and needs, readers should consider seeking that advice from an Australian Financial Services licensee.

Further information on the Student Managed Fund can be found at: <https://rsfas.anu.edu.au/study/student-managed-fund>.

Glossary

AA	– Asset Allocation
AAE	– Active Australian Equities
AC	– Australian Cash and Accruals
AE	– Australian Equities
AFI	– Australian Fixed Income
ANU	– The Australian National University
BIN	– Bingo Industries Limited
BXB	– Brambles Limited
CBE	– ANU College of Business and Economics
CCP	– Credit Corp Limited
CIO	– Chief Investment Officer
CMT	– Cash Management Trust
CRO	– Chief Risk Officer
ERR	– Earnings Recovery Rate
ETF	– Exchange-Traded Fund
IAC	– Investment Advisory Committee
IE	– International Equities
ING	– Inghams Group Limited
IOZ	– iShares Core S&P/ASX 200 ETF
PE	– Price to Equity Ratio
PR	– Payout Ratio
ROE	– Return on Equity
R&C	– Risk and Compliance
RT	– Relationship Team
RSFAS	– Research School of Finance, Actuarial Studies and Statistics
SHL	– Sonic Healthcare Limited
SMF	– ANU Student Managed Fund
SRI	– Socially Responsible Investment
TLS	– Telstra Corporation Limited
WBC	– Westpac Banking Corporation

About this Report

The Australian National University (ANU) Student Managed Fund (SMF) is pleased to report on its achievements over Semester 1, 2021. This report presents an update from the Course Convenors and Chief Investment Officer (CIO); highlights key accomplishments of the semester; reports on the SMF portfolio and performance; provides a statement of the Fund's compliance with its Socially Responsible Investment (SRI) policy; and details SMF activities and members during the semester.

We would appreciate feedback or comments and look forward to addressing any enquiries, which can be directed to the SMF email address smf.rsfas@anu.edu.au.

Arnav Chopra, Seonghyun Yong and Petal Wang
Relationship Team

Convenor Report

We continue to be proud of how the SMF seems to get better all the time, with each cohort building on the foundation left by those who went before them. The sub-team reports that follow will provide a really good sense of our progress. In this report we want to spend some time discussing two features of the Fund that encourage a process of continual improvement.

The first influential feature is the SMF's five key values: *legacy*, *contribution*, *team*, *objectives* and *long-term*. Students are charged with aiming to leave a legacy and contribute during their two semesters with the Fund. Contributions may include assisting the overall team, or working towards the Fund's investment, learning and development objectives. They are encouraged to take a long-term view not only when investing, but also in terms of the Fund's future. Leaving the SMF in a better state than when they joined is what it is all about. Importantly, the key values are also embedded in student evaluations. A central question we ask when grading is whether a team member has embraced the key values. Those that do can be rewarded with impressive marks.

A second influential feature is overlapping cohorts of senior and junior members. Team members enter as juniors and learn from the seniors in their first semester, and then progress to seniors in their second semester where they take responsibility for running the Fund and teaching the new juniors. And so the cycle continues. We originally set up the SMF this way to retain corporate knowledge, noting that the SMF is a long-term endowment fund. Nevertheless, it soon became apparent that the overlapping cohorts give rise to other benefits while interacting with the key values. Senior members not only rise to the challenge of leading the team, but also put effort into training the juniors and making improvements to the way that the Fund operates. Numerous times we have seen seniors update models and document processes after the semester has ended and the grades are decided. It is a clear signal that key values like legacy and contribution are taken to heart, and that students care about the Fund and its future.

These two features have furthered what is a unique culture, which helps make the SMF experience so much more than just learning about how to invest.

We would like to conclude by offering a special thanks to several people who provide invaluable input into the Fund's operations. The first is to the SMF Investment Advisory Committee (IAC) of Heath Behncke, Ross Blakers, Paul Brunker, Mary Fallon, Nicole McMillan and Andre Morony. The very fact that students know their recommendations will be scrutinised by a discerning group of experienced investors helps focus the mind. In recent semesters, we have also started to use IAC members to help the SMF team in addressing specific issues outside of the IAC meeting cycle. This has proved extremely valuable and really contributes to the learning experience. We also want to give a call-out to the Advancement, Alumni and Communications teams at the ANU College of Business and Economics (CBE) for all their support in assisting the SMF with external engagement (even including reviewing these reports). Finally, we would like to thank ANU and CBE management for their support, in particular the Director of the Research School of Finance, Actuarial Studies and Statistics (RSFAS), Associate Professor Steve Sault. The responsiveness and willingness of all these groups to assist the Fund is genuinely appreciated.

Anna von Reibnitz and Geoff Warren
SMF Convenors

Convenors



Dr Anna von Reibnitz
Course Convenor



Associate Professor Geoff Warren
Fund Convenor

Chief Investment Officer (CIO) Report

The SMF made a positive start to 2021, with numerous initiatives progressing successfully across the Fund's operations. The portfolio has returned 12.14% p.a. since inception, outperforming the target return and benchmark portfolio by 5.77% and 0.95% respectively. Both asset allocation and active equity selections made significant contributions to this outperformance, highlighting the calibre of analysis performed across the Fund. This performance over a meaningful time frame is just one example of the strong legacy past SMF cohorts have left behind.

It has been extremely satisfying to reflect upon the teams' achievements throughout the semester. A wide range of exciting initiatives and achievements have further built upon the legacy, and have already started making significant contributions to the Fund's overarching objectives. Highlights of the semester include:

- The Active Australian Equities (AAE) team received endorsement from IAC to acquire a 10% weight in Brambles Limited (BXB). AAE also sold its position in Bingo Industries Limited (BIN), after an attractive takeover premium pushed the stock's price substantially above the team's valuation.
- The Asset Allocation (AA) team deepened their understanding of the macroeconomic outlook in this unique period, with a focus on the inflationary outlook across developed countries and more rigorous modelling of equities. These changes enhance the ability to make key decisions pertaining to the Fund's defensive vs growth positioning.
- The Risk and Compliance (R&C) team continued to develop a more comprehensive qualitative risk assessment framework. This framework is envisaged to come into full effect next semester as R&C achieves a greater level of collaboration with AAE. This will enable the team to gain a more comprehensive understanding of risk exposures, both for individual stocks and across the portfolio as a whole.
- The Relationship Team (RT) further developed the Fund's university-wide presence through initiatives such as a prospective applicants workshop and strengthening relationships with student societies such as the ANU Finance Society. These initiatives continue to increase the Fund's prominence within the ANU community, and highlight the invaluable opportunity to engage in work-integrated learning.

It has also been gratifying to see the passion of the incoming seniors as they prepare for Semester 2, 2021. These students are well equipped by the excellent learning opportunities the Fund provides. As a result, I'm confident that the Fund will continue to improve upon the legacy of past cohorts.

Student learning opportunities were further supported by presentations from industry experts. The SMF thanks Mary Fallon, Saksham Malhotra, Justin Chan, Paul Bruncker and Tim Davies from the IAC for sharing their valuable insights with the Fund and answering our numerous questions.

In summary, the Fund has performed well this semester, thanks to the considerable efforts made by all members. The future is bright for the SMF, and I am excited to see the incoming members contribute to its legacy in semesters to come.



CIO

Joshua Campbell

Team Highlights

AA Improves its Equity Modelling

The AA team made significant strides to strengthen its equity modelling this semester. Specifically, the team deepened its understanding of the technology sector's potential impact on equity model inputs, including the price-to-earnings ratio (PE) and return on equity (ROE). This has boosted the team's confidence to make recommendations on the growth versus defensive asset class mix, as well as the split between Australian Equities (AE) and International Equities (IE).

The first major equity modelling improvement was the introduction of an Earnings Recovery Rate (ERR), which is applied to PE and ROE in the first year of the 10-year forward projections. The baseline historic PE and ROE respectively stand near historic highs and lows due to the significant drop in earnings from the unexpected shock of the pandemic and lockdown protocols. However, a sharp bounce back in earnings is unfolding due to a combination of government stimuli, increases in money supply, lower interest rates and the gradual reopening of economies. The ERR recognises the unsustainability of such high PEs and low ROEs, and allows the team to capture the expected earnings recovery during the post-pandemic period. It has the effect of adjusting the one-year forward PE downwards and ROE upwards to reflect this earnings bounce-back.

Second, the team normalised the payout ratio (PR) in line with pre-pandemic levels. As at Fourth Quarter (Q4) 2020, the PRs peaked at 80.9% for AE and 52.3% for IE, which appear unsustainably high. The team lowered the forward PR to pre-pandemic levels of 73.0% for AE and 43.0% for IE. Previously, PR projections were based on a fixed value due to their relatively stable historical trend.

Finally, AA adjusted upwards the 10-year expected PE and ROE for IE after considering historical trends and the impact of the emerging international technology sector on these inputs. This acknowledges the strong future earnings potential of key players in the technology sector through the development of products in artificial intelligence, cloud computing and autonomous cars, as well as a relatively higher return on capital in part due to the accounting treatment of intangibles. We also assume that these effects would be reinforced with rising economic growth, which would further enhance the ability of these companies to generate earnings. The revised probability-weighted 10-year PE forecast for IE is 1.7 points higher than the 16.8x assumed last semester, and ranges between 13x and 25x across scenarios. The new probability-weighted 10-year ROE forecast for IE of 11.41% is approximately 1% higher than last semester, and ranges between 7.0% and 14.5% across scenarios. These adjustments are supported by the team's research into FAAMGs (Facebook, Apple, Amazon, Microsoft, and Google) and Tesla, which indicates that the technology sector contributes approximately an additional 2% to the current market ROE and an additional 1% to the current market PE relative to history.

Despite these updates, as well as an adjusted inflation outlook tilted towards greater inflation risk, the AA team did not identify a strong case to recommend a change in asset weights, noting that the current return premium provided by growth over defensive assets is not historically large. We will continue to review all four asset classes we currently model, and begin exploring new asset classes that may provide an inflation hedge while achieving the Fund's long-term return objective. The AA team is extremely proud to have reached the milestone of being more confident in our equity modelling and inflation probabilities, especially in light of the challenges of incorporating the macroeconomic shocks brought by the pandemic into our investment process.

Asset Allocation Team



Team Head
Zhenyu (Alicia) Sun



Analyst
Xinyi (Alice) Wang



Analyst
Jing (Jean) Ran



Analyst
Michael Searle

AAE Receives Endorsement to Invest in Brambles

A highlight for the AAE team this semester was receiving endorsement for a 10% weight in BXB after successfully pitching an investment case to IAC. AAE views BXB as exhibiting defensive cash flows, a dominant market position and an undemanding valuation. Such features are central to our investment philosophy and underpinned previous recommendations such as Telstra Corporation Limited (TLS), which was one of our first investments, and has been a good contributor to performance of the AAE portfolio. This demonstrates how the knowledge amassed over semesters is being passed on between cohorts to form a cohesive active stock portfolio. The team appreciated the insights from IAC members, who provided a variety of considerations to incorporate into future analysis as we monitor our BXB investment.

The BXB analysis broke new ground for the AAE team, as analysts performed discrete and specific scenario analyses to a level of detail never explored before. Scenarios examined included the potential upside from greater efficiency gains driven by automation, and the downside that could be associated with an aggressive move into plastic pallets. The process demonstrated how scenario testing can be more effective when analysts examine the likely situations that would result in a materially above or below base case valuation and then model these scenarios specifically, rather than using a matrix approach that values a large number of scenarios less tailored to the individual stock mechanics. The ability to form detailed assumptions in different scenarios greatly strengthened the BXB investment case by highlighting a desirable asymmetry in the investment, with downside scenarios showing a low risk of capital impairment.

AAE also adjusted its baseline discount rate in line with AA's median 10-year forecast for AE market returns. This enables the team to compare active positions to the return offered by the benchmark ETF, which is the default investment for the portion of the AAE portfolio not invested in active positions. Previously the baseline discount rate was based on the SMF absolute return target of inflation plus 4.5%. This made it difficult to find stocks that aligned with the Fund's investment philosophy with sufficient margin of safety, given that the AE market appears priced for returns well below the target. The adjustment has introduced new opportunities to re-examine high quality companies that may have previously been discarded based on their valuation using the higher discount rate.

Active Australian Equities Team



Team Head
Albert Lake



Senior Analyst
Qing (Julie) Zhu



Senior Analyst
Sida Li



Senior Analyst
Yao Xiong



Analyst
Lachlan Scott



Analyst
Max Burrows



Analyst
Jingxin (Ben) Mai



Analyst
Felix Jones

R&C Reforms its Risk Policies

Policy documents are fundamental to the day-to-day operations of R&C; therefore, their clarity and relevance are paramount. The R&C team has identified several opportunities to refine the Fund's policies to accelerate the response to breaches, expand the analysis of risk and enhance the communication of information.

SRI Policy – The R&C team made a number of improvements to the SMF SRI Policy this semester. Firstly, R&C firmed up the delegation of responsibility for determining whether a potential issue should be investigated further through an SRI review. The Fund unanimously voted to assign this responsibility to R&C, the CIO and the relevant Team Head. The revision proved timely, allowing quick decisions regarding next steps when SRI issues emerged relating to TLS and Westpac Banking Corporation (WBC) in the second half of the semester. Secondly, R&C established a process where a Fund-wide email is distributed when a potential SRI issue arises regarding an active stock holding. The email summarises the issue and posits the R&C team's initial view, thus enabling members to understand the issue before it is discussed in the weekly meeting. Thirdly, payday lending was added to the list of industry exclusions following the analysis of Credit Corp Limited (CCP), with the practice determined to be predatory and likely to cause social injury. Finally, the application of the SRI policy at the filtering stage was updated to formalise the process for recording SRI ETF analyses.

Risk Matrix – R&C determined that greater consideration of portfolio level risk is required as the Fund seeks to increase the number of active holdings. This led the team to update the R&C risk matrix structure to categorise risks into three broad risk categories: stock-level investment risk, portfolio-level investment risk and reputational risk. Each category now has its own matrix containing an expanded range of sub-risks, such as leverage and macro-economic risks for individual stocks, and risks from concentrated exposures at the overall portfolio level. This enables more detailed analysis of risk exposures, which we hope will lead to better investment decisions.

Portfolio Updates – R&C has taken advantage of a new subscription to Thomson Reuters Eikon to improve the format of portfolio updates. Each fortnight, one stock is chosen to present to the Fund and discuss recent developments, which R&C complements with graphs from Eikon highlighting its performance since purchase alongside the Fund's target prices. Visualising performance in such a manner assists in maintaining a long-term focus, rather than being distracted by short-term price fluctuations that are unrelated to the stock's long-term potential.

Overall, we are pleased with the way that these changes have improved the operations of R&C and the Fund as a whole. We hope that future cohorts can continue to refine the team's policies to maximise their efficiency and effectiveness.

Risk & Compliance Team



Team Head
Isabel Gray



Senior Analyst
Sailendra Sanku



SRI Analyst
Jonathan Lang



Analyst
Inuja Aluwihare



Analyst
Yuchen (Ricky) Yang

RT Launches an Applications Workshop and Partners with ANU Societies

In an effort to boost both the quality and quantity of applications to join the SMF, RT piloted an applications workshop that provided prospective candidates with guidance on creating investment recommendations and the application process as a whole. This initiative emerged from an RT think tank, in which Fund members shared their major challenges during the application process, brainstormed likely obstacles for prospective applicants and suggested potential solutions. In collaboration with AAE, AA and R&C, the team organised a workshop that was delivered to 13 attendees. The team were careful to focus on broad tips rather than prescriptive directions, and emphasised the importance of using the application to highlight the candidate's unique strengths and insights. The workshop complimented other ongoing practices such as an improved application procedure document, posts on SMF social media pages, Wattle posts in pre-requisite courses, and a promotional video. An improvement in the overall quality of applications was observed this semester; and the team received positive feedback from workshop attendees.

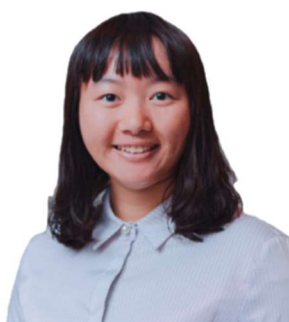
As foreshadowed last semester, RT expanded the Fund's reach through improved relationships with ANU student societies. In particular, RT developed a strong partnership between the SMF and the ANU Finance Society. This has led to opportunities for cross-promotion to further raise awareness of the Fund within the University's finance student community, attract top candidates who actively demonstrate an interest in the investment industry, and potentially attract the attention of the Finance Society's corporate sponsors.

Next semester, RT plans to refine the workshop, incorporating feedback received from the pilot run, as well as further strengthen partnerships with other societies.

Relationship Team



Team Head
Arnav Chopra



Relationship Officer
Petal (Minyue) Wang



Relationship Officer
Seonghyun Yong

Portfolio Overview

Portfolio Structure

Portfolio weights as of 18 June 2021 are plotted in Figure 1. The first chart compares asset class weights to the reference portfolio, while the second chart plots active stock positions relative to their target weights in the AAE portfolio. Figure 2 (see over on page 11) details the asset values and associated weights of each investment within the portfolio.

No active changes were made to the target asset class weights this semester. The growth-defensive split was reset on 8 January 2021, when the iShares Core S&P/ASX200 ETF (IOZ), Vanguard International Shares Index (Hedged) ETF (VGAD) and Vanguard International Shares Index ETF (VGS) were sold to rebalance the portfolio and fund the annual scholarship distribution. Significant deviations can be observed for Australian Fixed Income (AFI) (-8.87%) and Australian Cash and Accruals (AC) (+7.36%). These mainly reflect the decision on 13 October 2020 to shift 7.5% of the portfolio from AFI to AC. Some deviations from target have emerged due to market movements, with the AFI weight sitting -1.37% below the 7.5% target and the portfolio overweight in growth assets by +1.50% versus its 80% target.

Significant shifts occurred in the AAE portfolio this semester. The Fund exited BIN following a takeover bid, capitalising on an attractive takeover premium that pushed the stock price above the team's valuation. The Fund also acquired a 10% weighting in BXB. A rebalancing trade was made in WBC after it moved more than +3% overweight relative to its 10% target weight. At 18 June, significant deviations are observed in Inghams Group Limited (ING) and Sonic Healthcare Limited (SHL) at -2.04% and -1.43%, respectively.

The SMF portfolio was valued at \$782,596.88 as of 18 June 2021. The Fund's five active stock positions sum to 24.89% of the portfolio, with the remainder comprising 36.78% in IOZ (of which 31.18% is housed in the AAE portfolio), 19.84% in international equities, 6.13% in AFI and 12.36% in AC plus accruals.

Figure 1: Active Stock and Asset Allocation Weights as at 18 June 2021

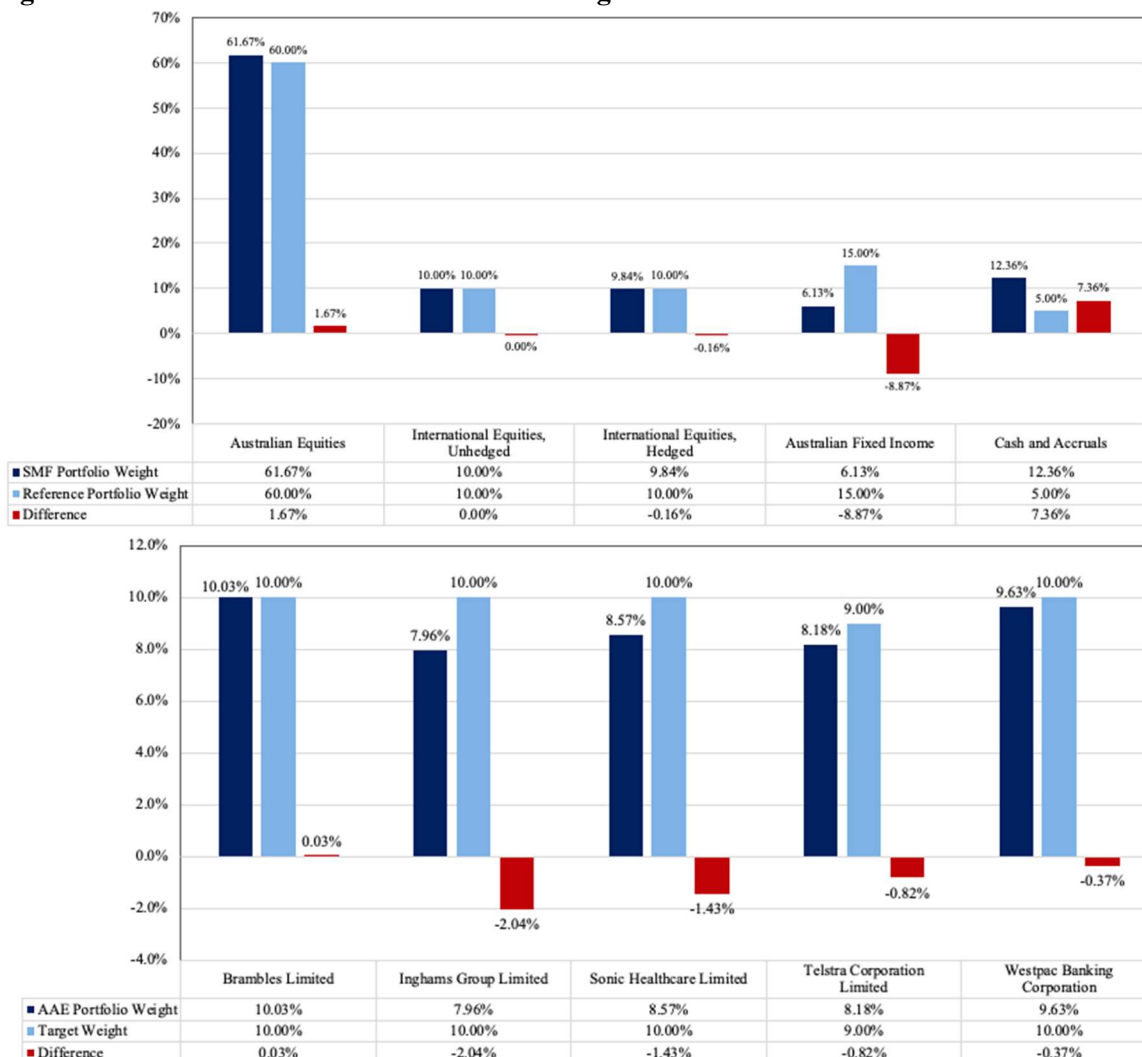


Figure 2: Portfolio Structure as at 18 June 2021

Portfolio Component	Benchmark ETF	Asset Values \$	SMF Portfolio Weight %	Reference Portfolio Weight %	Over (Under) Weight %
Australian Equities					
AAE Portfolio:					
iShares Core S&P/ASX 200 ETF		244,094	31.18		
Brambles Limited		44,041	5.63		
Inghams Group Limited		34,936	4.46		
Sonic Healthcare Limited		37,621	4.81		
Telstra Corporation Limited		35,921	4.59		
Westpac Banking Corporation		42,282	5.40		
Total AAE Portfolio	iShares Core S&P/ASX 200	438,896	56.07	50	6.07
Australian Equities in AA Portfolio:					
iShares Core S&P/ASX 200		43,809	5.60	10	-4.40
Total Australian Equities	iShares Core S&P/ASX 200	482,705	61.67	60	1.67
International Equities, Hedged	Vanguard International Shares Index, Hedged	77,004	9.84	10	-0.16
International Equities, Unhedged	Vanguard International Shares Index	78,242	10.00	10	0.00
Total International Equities		155,246	19.83	20	-0.17
Total Equities		637,951	81.50	80	1.50
Australian Fixed Income	Vanguard Australian Government Bond Index	48,017	6.13	15	-8.87
Australian Cash & Accruals:					
BetaShares Australia High Interest Cash		68,359	8.73		
BT Cash Management Trust		22,883	2.92		
Accrued Interest & Dividends		1,200	0.15		
Accrued Franking Credits		4,337	0.55		
Total Cash & Accruals	BetaShares Australia High Interest Cash	96,779	12.36	5	7.36
Total Fixed Income & Cash		144,796	18.50	20	-1.50
Total Value of SMF Assets					
Total Portfolio Value as Reported in BT Panorama		778,410			
Accrued Franking Credits		4,337			
Total Value of SMF Assets		782,747	100	100	

Portfolio Performance

Figure 3 (page 14) reports the portfolio performance. The Fund earned a cumulative return of 12.14% per annum since inception, amounting to outperformance of 5.77% per annum against the target (comprising the 4.5% distribution rate plus realised inflation). This outperformance is far greater than the 2.41% per annum observed at the end of last semester and the underperformance of -6.56% per annum that was recorded about a year ago. The turnaround is largely driven by the surge in equity markets as the economy recovered from COVID-19, fuelled by economic stimulus. This effect was amplified by the portfolio's significant exposure to Australian and international equities of around 80%. The rebound in performance was also assisted by positive contributions from the active positions held within the portfolio. 2021 marks the first year since inception in which the SMF portfolio's cumulative performance exceeded the reference portfolio, with outperformance currently standing at +0.95% per annum. This was driven by a significant year-to-date outperformance of 4.37%. All return calculations include franking credits. The sources of performance are discussed in the attribution analysis section below.

Attribution Analysis

Figure 4 (page 15) presents the attribution of portfolio performance versus the reference portfolio into various components of the investment process, specifically asset allocation and security selection. The asset allocation component measures performance attributable to deviations in asset class weights from reference weights, whereas the security selection component measures the contributions of the AAE portfolio relative to the benchmark IOZ. Any residual effects resulting from interactions between the two segments over time is reported under the heading 'Aggregation, Cash Portfolio and Other Impacts.' This heading also captures the effects of the cash portfolio not being invested entirely in the benchmark ETF, noting that the SMF portfolio holds small amounts in the cash management trust (CMT) and accruals, with the latter treated as 'cash' that is due but not yet received.

The outperformance of the SMF portfolio year-to-date against the reference portfolio of +4.37% per annum comprises +3.70% from security selection within the AAE portfolio, +0.16% from asset allocation positions within the AA portfolio, and an additional +0.51% from aggregation and other effects. Within the AA portfolio, notable contributions were observed from AFI at +0.94%, with AC detracting -0.77%. The aggregation effects are particularly high in 2021 at +0.51% due to the interaction between high portfolio returns and sizeable outperformance versus the reference portfolio.

Since inception, the SMF portfolio outperformed the reference by +0.95% per annum, 0.49% of which stems from asset allocation decisions and 0.35% from security selection within the AAE Portfolio, with the remainder from aggregation and other effects. The AA contribution also arises from a combination of rebalancing and the decision to switch 7.5% of the portfolio from AFI to AC (which we estimate contributed around +0.23% between 13 October 2020 and 18 October 2021). As the decision to move from AFI to AC was based on a long-term investment horizon, it is premature to evaluate the effectiveness of this decision until more time has passed.

Notable contributors to the AAE portfolio's year-to-date performance are WBC at +2.84% and BIN at +1.50%. However, both of these stocks have posted negative contributions since inception. Since April 2018, SHL has made the largest contribution to cumulative outperformance at +2.14% per annum, partially offsetting ING's negative performance since inception of -1.52% per annum.

Figure 3: Portfolio Performance Since Inception as at 18 June 2021

Year	2018	2019	2020	2021	Since Inception	
Opening Date	10 April 2018	1 January 2019	1 January 2020	1 January 2021	10 April 2018	
Closing Date	31 December 2018	31 December 2019	31 December 2020	18 June 2021	18 June 2021	
PORTFOLIO VALUES						
Opening Portfolio Value in BT Panorama*	\$615,079.04	\$608,598.58	\$705,485.10	\$704,774.44		
- Distribution Related to Prior Period	\$0.00	-\$27,746.21	-\$32,186.49	-\$32,067.23		
+ Amount Held by CBE, Offset Against Distribution	\$0.00	\$7,983.83	\$0.00	\$0.00		
+ Accrued Franking Credits	\$0.00	\$3,235.76	\$9,770.12	\$7,830.63		
Adjusted Opening Portfolio Value	\$615,079.04	\$592,071.96	\$683,068.73	\$680,537.84		
Closing Portfolio Value in BT Panorama	\$608,598.58	\$705,485.10	\$704,774.44	\$778,409.75		
+ Accrued Franking Credits	\$3,235.76	\$9,770.12	\$7,830.63	\$4,337.13		
- Contributions	\$0.00	\$0.00	-\$1,000.00	-\$150.00		
Adjusted Closing Total Portfolio Value	\$611,834.34	\$715,255.22	\$711,614.39	\$782,596.88		
RETURNS (%)	2018	2019	2020	2021	Cumulative	Per annum
SMF Portfolio Return (Based on Adjusted Portfolio Values)	-0.53%	20.81%	4.18%	15.00%	43.96%	12.14%
Target Return (Estimated as CPI + 4.5%)**	4.56%	6.16%	5.36%	3.27%	20.78%	6.10%
SMF Return vs. Target	-4.87%	13.80%	-1.18%	11.72%	19.52%	5.77%
Reference Portfolio Return	0.58%	21.91%	3.42%	10.63%	40.29%	11.20%
SMF Return vs. Reference Portfolio	-1.10%	-0.90%	0.75%	4.37%	3.06%	0.95%
Note: Administration Fees - BT Panorama		0.02%	0.23%	0.11%	0.36%	0.11%

* Portfolio value for 10 April is estimated as at time of portfolio inception trades.

** Preliminary estimate based on +0.6% CPI for June quarter 2021.

Figure 4: Performance Attribution Since Inception as at 18 June 2021

Period	Contributions to Performance vs. Reference Portfolio					
	2018 %	2019 %	2020 %	2021 %	Since Inception <i>Cumul- ative</i>	<i>Per Annum</i>
<i>Opening Date</i>	10/04/18	01/01/19	01/01/20	01/01/21	10/04/18	
<i>Closing Date</i>	31/12/18	31/12/19	31/12/20	18/06/21	18/06/21	
SMF Portfolio vs. Reference Portfolio						
Asset Allocation – AA Portfolio	0.17%	-0.28%	1.54%	0.16%	1.59%	0.49%
Security Selection – AAE Portfolio	-1.26%	-0.58%	-0.66%	3.70%	1.12%	0.35%
Contribution from Positions Held (Prior BT Fees)	-1.09%	-0.87%	0.88%	3.86%	2.73%	0.85%
Aggregation, Cash Portfolio and Other Effects	-0.01%	-0.03%	-0.13%	0.51%	0.34%	0.11%
Total Relative Performance	-1.10%	-0.90%	0.75%	4.37%	3.06%	0.95%
Asset Allocation Attribution – AA Portfolio						
Australian Equities	0.01%	-0.04%	0.44%	0.00%	0.41%	0.13%
Australian Fixed Income	-0.02%	-0.11%	1.24%	0.94%	2.06%	0.64%
International Equities, Hedged	0.01%	-0.01%	-0.02%	0.00%	-0.02%	-0.01%
International Equities, Unhedged	0.01%	0.01%	0.02%	-0.01%	0.04%	0.01%
Cash and Accruals	0.16%	-0.15%	-0.14%	-0.77%	-0.89%	-0.28%
Time Aggregation Effect	0.00%	0.00%	0.00%	-0.01%	-0.01%	0.00%
AA Contribution to Total Portfolio Performance	0.17%	-0.28%	1.54%	0.16%	1.59%	0.49%
AAE Portfolio vs. S&P/ASX200 ETF						
iShares Core S&P/ASX 200 ETF	-0.01%	-0.04%	-0.07%	0.00%	-0.12%	-0.04%
Bingo Industries Limited	-3.21%	1.89%	-0.75%	1.50%	-0.65%	-0.21%
Brambles Limited	0.00%	0.00%	0.00%	0.23%	0.23%	0.07%
Inghams Group Limited	0.00%	-2.43%	-0.17%	1.10%	-1.52%	-0.48%
Rio Tinto Limited	-0.04%	0.52%	0.54%	0.00%	1.02%	0.32%
Sonic Healthcare Limited	0.00%	-0.11%	1.85%	0.40%	2.14%	0.67%
Telstra Corporation Limited	0.62%	0.53%	-1.06%	0.72%	0.81%	0.25%
Westpac Banking Corporation	0.00%	-1.49%	-1.49%	2.84%	-0.20%	-0.06%
Time Aggregation Effect	-0.02%	-0.01%	-0.04%	0.11%	0.05%	0.01%
Relative Performance vs. S&P/ASX200 ETF	-2.66%	-1.14%	-1.20%	6.91%	1.65%	0.51%
AAE Contribution to Total Portfolio Performance	-1.26%	-0.58%	-0.66%	3.70%	1.13%	0.35%

Socially Responsible Investment (SRI) Report

This section outlines how the Fund invests in accordance with SMF SRI Policy. The SMF policy operates as an extension on the University's SRI Policy, and can be summarised by the following five conditions:

- Exclude companies that derive more than 20% of revenues from adult entertainment, alcohol, armaments, coal, gambling, tobacco or exploitative lending practices.
- Hold an active equity portfolio with 30% less carbon intensity than the S&P/ASX 200.
- Avoid investments that are likely to cause an unacceptable level of 'social injury'.
- Favour investments that create 'social benefit'.
- Preference companies engaged in these sustainable business activities and practices, as determined by the Fund:
 - Environment: Climate change action
 - Social: Equity, diversity and inclusion
 - Governance: Corporate trustworthiness, including transparency, compliance and accountability

All active stock positions are currently in compliance with the industry exclusions limit (condition i). An investigation into the payday lending practices of CCP during the candidate stock analysis process undertaken this semester prompted a revision of the SRI Policy to incorporate exploitative lending practices on the exclusionary list.

Figure 7 reports on SRI compliance regarding carbon intensity as of 18 June 2021 (condition ii). Carbon intensity is calculated based on the volume of Scope 1 and 2 emissions measured in tonnes per \$1 million of revenue earned, based on the Greenhouse Gas Protocol. The carbon intensity for the S&P/ASX200 ETF is sourced from the 2020 ANU SRI Policy Report. The Fund is pleased to report a -82.3% reduction in carbon intensity relative to the S&P/ASX200 Index, which exceeds the -30% target with a margin of 52.3%. The margin was significantly improved by the sale of BIN from the AAE portfolio.

Figure 7: Carbon Intensity of the AAE Component as at 18 June 2021

	ASX200	BXB	ING	SHL	TLS	WBC	Total Active Stock Positions	Active Stock Positions vs. ASX200	Target Improvement	Margin
Weighting in AAE Portfolio	55.62	10.03%	7.96%	8.57%	8.18%	9.63%	44.38%			
Carbon Intensity	201.00	13.2	86.8	15.5	70	4.8	35.5	-82.3%	-30.0%	52.3%

Conditions iii-v of the SRI Policy are evaluated on an on-going basis with respect to existing holdings and throughout the candidate stock analysis process. The Fund's commitment to advancing SRI outcomes was typified by the decision to trigger a formal review of WBC after the Australian Securities and Investment Commission instigated legal proceedings for alleged insider trading, unconscionable conduct and for breaching its financial service obligation. The allegations related to WBC's role in executing a \$12 billion interest rate swap transaction with a consortium of investors in 2016. An in-depth review is scheduled for completion early next semester, including a vote by Fund members to determine the extent to which they feel comfortable holding this position.

Whilst the issue is multifaceted, a summary of the key points of consideration are as follows:

- To what extent has WBC undergone authentic cultural change in response to the 'Royal Commission Investigation into Misconduct in the Banking, Superannuation and Financial Services Industry'? It is important to note that the current issue occurred back in 2016. However, legitimate concerns persist given WBC's recent history.
- What reputation risk is the Fund subject to by maintaining its active holding in WBC?
- Can a holding be liquidated on SRI grounds based upon allegations that are yet to be legally tested?

The Fund also investigated TLS for potential anti-competitive behaviour during the semester. The incident occurred between March and July 2020, where approximately 42,000 TLS customers were precluded from porting their home phone numbers to or from rival networks. However, given that the issue was a result of resource constraint imposed by COVID-19, it was determined that the incident did not constitute a breach of the SRI policy.

Overall, the fund continues to recognise that sustainable investing represents an important paradigm shift within the domain of finance. In doing so, the Fund continues to privilege SRI analysis when selecting and reviewing investments.

APPENDIX

SMF Activities During Semester 1, 2021

SMF Student Team Make-up

- The SMF team comprised 21 members during the semester, including nine seniors continuing from Semester 2, 2020 and 12 juniors joining the Fund.
- The SMF team is expected to comprise 21 members in Semester 2, 2021, including 12 senior members from Semester 1, 2021 and nine juniors joining the Fund.

SMF Meetings

- 12 weekly meetings were held throughout the semester, usually on Mondays from 9am – 12pm via Zoom.

SMF IAC Meeting and Investment Recommendations

- An IAC meeting was held on 24 May 2021 and two key matters were covered. Firstly, BXB was recommended for an active position in the AAE portfolio at a 10% target weight, to be funded via a reduction of the iShares Core S&P/ASX200 ETF. The BXB recommendation received majority endorsement from IAC. Secondly, the AAE team outlined the recommendation to exit the active position in BIN in the AAE portfolio, to be sold on-market at a price of \$3.42 or greater with the proceeds to be invested in the iShares Core S&P/ASX200 ETF. The recommendation received unanimous endorsement from IAC members.

Transactions

- Three trades were completed on 27 May 2021 as follows:
 - *BXB*: purchase of 3,870 shares for cost of \$41,377.06, establishing a 10% weight in the AAE portfolio.
 - *BIN*: sale of 7,988 shares for proceeds of \$27,288.91, exiting the stock.
 - *WBC*: sale of 495 shares for proceeds of \$12,999.24, rebalancing back to 10% target weight in the AAE portfolio.
 - *Balance* of -\$1,088.91 funded out of cash (BT CMT), rather than undertaking a small balancing trade in IOZ.
 These transactions acted to reduce the weight in AC and increasing the weight in the AAE portfolio by 0.14%.
- An amount of \$5,930.54 was transferred from the ANU General Bank Account into the SMF's CMT on 28 May 2021. This transfer represented \$5,780.54 in franking credit rebates received from the ATO with respect to FY 2019-20, and \$150 due to three small donations.

Major Reports

- The *SMF SRI policy* was updated to incorporate exploitative lending practices within the exclusionary list.
- *Investment recommendation reports* on BIN and BXB were created in support of investment recommendations for presentation at the IAC meeting on Monday 24 May 2021.
- *Westpac Rebalancing Report* was finalised on 24 May 2021, in response to the weight moving to more than 3% above target. The decision was made to rebalance back to the 10% target weight.
- *Inghams Rebalancing Report* was finalised on 24 May 2021, in response to the weight moving more than 3% below target. The decision was made not to rebalance back to the 10% target weight.
- *Asset Allocation Portfolio Update Report* was finalised on 8 June 2021, summarising the developments in AA investment process and the rationale for maintaining the current portfolio weights.

Visitors and Guest Speakers

- Mary Fallon, IAC member/Director, Saksham Malhotra, Investment Analyst, and Justin Chan, Investment Analyst of the ANU Investment Office, Monday 1 March 2021.
- Paul Brunker, IAC member/Principal of Optar Capital, Monday 19 April 2021.
- Tim Davies, Director of Holon Global Investments, Thursday 27 May 2021.

Other Notable Items

- The first SMF Application Workshop was held on 14 April 2021.
- RSFAS Student Managed Fund Equity Scholarship was awarded to Jack Bavinton.
- The SMF End of Semester Celebration was held on 19 June 2021.

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

Norman Bradshaw

Stephen J. Duckett

Kerry-Ann Hugo

Jennifer Rowland

Undeclared donor

The total amount donated to date is \$295,650, bringing the total contribution to \$591,150 including RSFAS matching all donations made prior to 2020.

Investment Advisory Committee Members During 2021

External members

Heath Behncke	Holon Global Investments
Ross Blakers	Whitehelm Capital
Paul Brunker	Optar Capital
Mary Fallon	ANU Investment Office
Andre Morony	Independent

Alternate external members

Nicole McMillan (to Ross Blakers)	Whitehelm Capital
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Internal members

Associate Professor Geoff Warren (Chair)	Fund Convenor
Dr Anna von Reibnitz	Course Convenor

The SMF CIO and Chief Risk Officer (CRO) both sit on the IAC as non-voting members.

SMF Team Members

Semester 1, 2021

Accepted for Semester 2, 2021

Chief Investment Officers

Joshua Campbell

Max Burrows

Risk and Compliance Team

Isabel Gray	Chief Risk Officer	Jonathan Lang	Chief Risk Officer
Sailendra Sanku	Senior Analyst	Inuja (Jay) Aluwihare	Senior Analyst
Inuja (Jay) Aluwihare	Analyst	Yuchen (Ricky) Yang	Senior Analyst
Yuchen (Ricky) Yang	Analyst	Daniel Dwyer	Analyst
Jonathan Lang	SRI Analyst	Liyang Xue	Analyst
		Jie Qi Tay	SRI Analyst

Asset Allocation Team

Xhenyu (Alicia) Sun	Team Head	Michael Searle	Team Head
Michael Searle	Analyst	Jing (Jean) Ran	Senior Analyst
Jing (Jean) Ran	Analyst	Xinyi (Alice) Wang	Senior Analyst
Xinyi (Alice) Wang	Analyst	Zachary Taylor	Analyst

Active Australian Equities Team

Albert Lake	Team Head	Felix Jones	Team Head
Yao Xiong	Senior Analyst	Lachlan Scott	Senior Analyst
Sida Li	Senior Analyst	Jingxin (Ben) Mai	Senior Analyst
Qing (Julie) Zhu	Senior Analyst	Jonathon Boyd	Analyst
Felix Jones	Analyst	Samuel Watson	Analyst
Max Burrows	Analyst	Hannah Young	Analyst
Lachlan Scott	Analyst		
Jingxin (Ben) Mai	Analyst		

Relationship Team

Arnav Chopra	Relationship Manager	Seonghyun Yong	Relationship Manager
Seonghyun Yong	Relationship Officer	Petal Wang	Engagement Manager
Petal Wang	Relationship Officer	Liam Asmaro	Relationship Officer
		Julie Lin	Relationship Officer

Convenors

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

SMF honour role

Semester 2, 2017

Haoyan (Howie) Chen*
Mia Dekovic*
Wenlin Lin*
Elena Pleass*

Semester 1, 2018

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

Semester 2, 2018

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

Semester 1, 2019

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

Semester 2, 2019

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

Semester 1, 2020

Charya Kannangara
Rocky Lagudi
Abhay Madan*
Todd O'Dea
William Ranson-Smith
Yanfei (Victoria) Rao
Ashley White
Shengchang (Albert) Zhang

Semester 2, 2020

Bernice Choi
Nicholas Collings
Eric Gittleman
Angus Lloyd
Michael Oates
Matthew Pham
Shalini Rajkumar*
Ulrika Yui Ting Li
Chenfan (Winnie) Wei
Qifan (Cheryl) Yang

Semester 1, 2021

Joshua Campbell
Zhenyu (Alicia) Sun
Albert Lake
Sida Li
Qing (Julie) Zhu
Sailendra Sanku
Isabel Gray
Arnav Chopra
Yao Xiong

* Fund member for one semester only

Team composition by semester

Team / Position	CIO	AA	AAE	R&C	RT	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	1	3	6	3	3	16
Semester 2, 2020	1	3	9	3	3	19
Semester 1, 2021	1	4	8	5	3	21
Semester 2, 2021*	1	4	6	6	4	21

* Expected figures for Semester 2, 2021

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Alice Wang	8	Alice Wang
Alicia Sun	8	Alicia Sun
Arnav Chopra	9	Arnav Chopra
Dr Anna von Reibnitz	10	Dr Anna von Reibnitz
Ben Mai	8	Yun Long Xie
Felix Jones	8	Felix Jones
Assoc. Prof. Geoff Warren	10	Centre for International Finance and Regulation
Inuja Aluwihare	9	Inuja Aluwihare
Isabel Gray	9	Abi Cox
Jean Ran	8	Yiyi Han
Jonathan Lang	9	Jocelyn Abbott
Joshua Campbell	10	Joshua Campbell
Julie Zhu	8	Julie Zhu
Lachlan Scott	8	Lachlan Scott
Max Burrows	8	Jonathan Boyd
Michael Searle	8	Michael Searle
Ricky Yang	9	Ricky Yang
Petal Wang	9	David Beach
Sailendra Sanku	9	Keshav Dhananjaya
Seonghyun Yong	9	Seonghyun Yong
Sida Li	8	Sida Li
Yao Xiong	8	Yao Xiong

Note: All persons appearing in photos have given permission for that photo to be used in this report.

Contact details

SMF email: smf.rsfas@anu.edu.au

SMF Website: <https://www.rsfas.anu.edu.au/rsfas-education/student-managed-fund/>

SMF Facebook Page: <https://www.facebook.com/smfANU/>

RSFAS / CBE: +61 2 6125 4626

The Australian National University

Canberra ACT 2600 Australia

www.anu.edu.au

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