



Australian  
National  
University

# ANU Student Managed Fund

## Annual report 2021

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## Contents

Glossary.....	4
Convenor report.....	4
Chief Investment Officer report .....	4
Portfolio overview.....	8
Portfolio structure .....	8
Portfolio performance .....	11
Attribution analysis.....	13
Transactions, income and fees.....	14
Team highlights.....	17
AAE team outperforms the benchmark .....	17
AA team expands their investible universe.....	19
R&C team: how could we be wrong?.....	20
RT systemises the Fund's external engagement.....	22
Socially responsible investment (SRI) report .....	23
APPENDIX .....	25
List of SMF activities .....	25
SMF activities during Semester 1, 2021 .....	25
SMF activities during Semester 2, 2021 .....	25
SMF donors.....	27
Investment Advisory Committee members during 2021.....	27
SMF team members .....	28
Team photo.....	29
Semester 1, 2021.....	29
Semester 2, 2021.....	29
SMF honour role .....	30
Team composition by semester.....	30
Photo credits.....	31
Contact details .....	32

**Notes:**

All dollar amounts in this report are Australian dollars.

This report is written by the members of the Relationship Team (RT) of The Australian National University (ANU) Student Managed Fund (SMF), in conjunction with other SMF team members. It has been reviewed by the SMF Convenors, the Director of the Research School of Finance, Actuarial Studies and Statistics (RSFAS) and the Communications team of the ANU College of Business and Economics (CBE). Any enquires, feedback or comments can be directed to [smf.rsfas@anu.edu.au](mailto:smf.rsfas@anu.edu.au).

Further information on the ANU SMF is found at: <https://rsfas.anu.edu.au/study/student-managed-fund>.

**Disclaimer:**

The sole purpose of this document is to report on the activities of the SMF and its related courses. It has been prepared by ANU staff and students who are not licensed to provide financial product advice under the Corporations Act 2001. The information provided on the investments 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.

## Glossary

**AA** – Asset Allocation  
**AAE** – Active Australian Equities  
**AC** – Australian cash and accruals  
**ACCC** – Australian Competition and Consumer Commission  
**AE** – Australian equities  
**AFI** – Australian fixed income  
**AMA** – ‘Ask Me Anything’  
**ANU** – The Australian National University  
**BBRMF** – Behavioural Bias Risk Management Framework  
**BIN** – Bingo Industries Limited  
**BXB** – Brambles Limited  
**CBE** – ANU College of Business and Economics  
**CCP** – Credit Corp Group  
**CIO** – Chief Investment Officer  
**CMW** – Cromwell Property Group  
**CMT** – Cash management trust  
**COL** – Coles Group  
**CRO** – Chief Risk Officer  
**DM** – Developed market equities  
**EM** – Emerging markets equities  
**ERR** – Earnings recovery rate  
**ESG** – Environmental, Social and Governance  
**IAC** – Investment Advisory Committee  
**IEM** – iShares MSCI Emerging Markets ETF  
**ING** – Inghams Group  
**IOZ** – iShares Core S&P/ASX 200 ETF  
**PBL** – Project-based learning  
**PE** – Price-to-earnings  
**R&C** – Risk and Compliance  
**RIO** – RIO Tinto Limited  
**ROE** – Return on equity  
**RSFAS** – Research School of Finance, Actuarial Studies and Statistics  
**RT** – Relationship Team  
**SHL** – Sonic Healthcare Limited  
**SMF** – ANU Student Managed Fund  
**SRI** – Socially Responsible Investment  
**SUL** – Super Retail Group  
**TLS** – Telstra Corporation Limited  
**VGAD** – Vanguard MSCI Index International Unhedged ETF  
**VGS** – Vanguard MSCI Index International Unhedged ETF  
**WBC** – Westpac Banking Corporation  
**WPL** – Woodside Petroleum

## Convenor report

This has been a year of deepening reflection and collaboration within the SMF. We have watched with pride as Fund members have worked together across sub-teams to confront the challenges of long-term investing in the midst of pandemic-induced short-term volatility, inflated equity-market valuations and significant disruptions. One of the most productive areas of debate and discovery has been applying the Socially Responsible Investing (SRI) policy. Woodside Energy in particular triggered wide-ranging discussion on the presence of resource stocks in a portfolio focused on sustainability, with the question raised over whether the SMF should think about engagement rather than exclusion. Another has been the search for alternative asset classes that accord with the Fund's philosophy and portfolio positioning. The analysis (and ultimate addition) of emerging market equities (EM) provided the opportunity to discover more about developing economies, political uncertainty and the relation between investment objectives and risk. These developments and more are covered in the Chief Investment Officer (CIO) report and team highlights that follow.

We have spoken before about the transformative outcomes of the SMF experience, including the development of hard and soft skills, enhanced career prospects, and the forging of lasting bonds. In this report, we take a moment to reflect on the pedagogy sitting behind the SMF that enables students to thrive. The SMF is based on the principles of project-based learning (PBL), in which students interact to tackle complex challenges in a real-world environment. It provides an immersive application of experiential, authentic learning practices in which students are co-creators of the educational experience. While PBL has many characterisations, our approach to the SMF aligns closely with the Buck Institute for Education's seven essential project-design elements for gold standard PBL. These comprise: *a challenging problem, sustained inquiry, authenticity, student voice and choice, reflection, critique and revision* and, ultimately, *public product*.

Each of these design elements feature strongly within the SMF. We are set up like an 'asset-owner' organisation, with students involved in every aspect of the *challenging problem* of managing the Fund to achieve its learning, investment and developmental objectives. Each semester, overlapping cohorts of students engage in real-world activities. For instance, they undertake investment analysis and risk management, pitch recommendations, produce reports and communicate with external parties. This creates a process of *sustained inquiry* in an *authentic* setting. *Student voice and choice* play a core role, with the investment process and key policies such as the SRI policy being student-driven, and the weekly agenda being set by our CIO and sub-team heads. Team meetings involve members presenting their work for discussion, which they then *revise* based on constructive *critique* to produce output of a professional quality. This output is *publicly released*, including investment recommendations, performance attribution analysis, guest speaker spotlights, alumni profiles and reports such as the one you are now reading. Students engage in ongoing *self- and peer-reflection* that feeds into assessment tasks and deepens the learning experience. Rather than traditional lecturers, our role as Convenors is to act as mentors who offer guidance and advice.

Outside of the classroom, a number of people make this experience possible. First and foremost, we would like to thank our Investment Advisory Committee (IAC): Heath Behncke, Ross Blakers, Paul Bruncker, Mary Fallon, Nicole McMillan and Andre Morony. The ability to connect with, pitch to and learn from industry professionals with decades of experience in investment management is undoubtedly one of the most valuable sources of development for the students. In the words of one of our SMF alumni: "*My fondest (yet also terrifying) memories with the SMF were the IAC presentations. [The] committee were always ready to challenge our assumptions, dismantle our models and debate our investment proposals. This was truly incredible. Having industry professionals put your investment thesis under the microscope ensured we owned our work and were completely across the detail.*"

We would also like to thank RSFAS Director Associate Professor Steve Sault and the CBE Communications team for providing valuable support, including feedback on reports such as these. Finally, we would like to thank the SMF donors (listed later in this report), including those who contributed to the Fund in 2021. The SMF members take very seriously their responsibility in managing this money to support the RSFAS Student Managed Fund Equity Scholarship. These donations are having a profound impact, both for scholarship recipients in accessing an ANU education and for the students of the SMF who are gaining hands on experience in investment management with a real purpose.

*Dr Anna von Reibnitz, Course Convenor*

*Associate Professor Geoff Warren, Fund Convenor*

## Convenors



*Dr Anna von Reibnitz  
Course Convenor*



*Associate Professor Geoff Warren  
Fund Convenor*

## Chief Investment Officer report

Despite maintaining a remote learning environment, Fund members worked collaboratively to attain many exciting achievements over the year. While the virtual environment presented challenges, the team was able to centralise their processes around the key values and objectives of the Fund. Furthermore, the team was able to implement various initiatives that greatly enhanced collaboration across sub-teams, serving to empower the legacy of the SMF for future cohorts. The Fund's key achievements over the year include those listed below.

- The Active Australian Equities (AAE) team enhancing its filtering process, and actively managing the portfolio through both adding and removing stocks. The team received endorsement from IAC to acquire a 10% weighting in Brambles Limited (BXB), and to sell its positions in Bingo Industries Limited (BIN) and Sonic Healthcare (SHL) as both stocks rose above the team's valuation.
- The Asset Allocation (AA) team built on the strong efforts of past and present cohorts, achieving the inaugural addition of a new asset class into the portfolio. The team received endorsement from IAC to acquire a 10% target weighting in EM by purchasing the iShares MSCI Emerging Markets ETF (IEM) in two tranches. The transaction is being funded through decreasing the weighting in Australian equities (AE) and developed market equities (DM) by 5% each.
- The Risk and Compliance (R&C) team deepened their ability to holistically manage risk within the portfolio, culminating in the implementation of the 'red-team' initiative. This initiative sees the R&C team working collaboratively with the AAE team to provide an independent assessment of downside risk to the investment thesis for stocks. The team also undertook a review of the SMF SRI policy, helping to shape the legacy of the Fund's processes.
- RT undertook various initiatives and projects, serving to grow the Fund's presence both internally and externally. The team designed and facilitated two application workshops over the year, and introduced an 'Ask Me Anything' (AMA) session involving current team members. Such initiatives had a considerable impact, with the Fund receiving a record number of applications for the coming semester.

The Fund's performance has been strong throughout 2021, benefiting from the outperformance of equity markets. The Fund total return was +18.22% over the year, outperforming the reference portfolio by +2.67%. This outperformance was largely attributable to a +2.50% contribution from security selection, with all active stock holdings contributing except for BXB, which has underperformed the ASX200 since purchase. Since inception of the portfolio in April 2018, the Fund has returned +47.98% cumulative, exceeding the target return by +17.90% (+4.53% per annum) and the reference portfolio by +1.39% (+0.37% per annum).

The Fund's presence continues to grow, while maintaining and deepening a strong culture of collaboration, which ultimately enables work-integrated learning. I look forward to observing the continued development of the Fund, as it builds on the foundations that have been created by each member over the past year and before.

*Max Burrows, CIO*

### Chief Investment Officers



*Josh Campbell  
(Semester 1, 2021)*



*Max Burrows  
(Semester 2, 2021)*

## Portfolio overview

### Portfolio structure

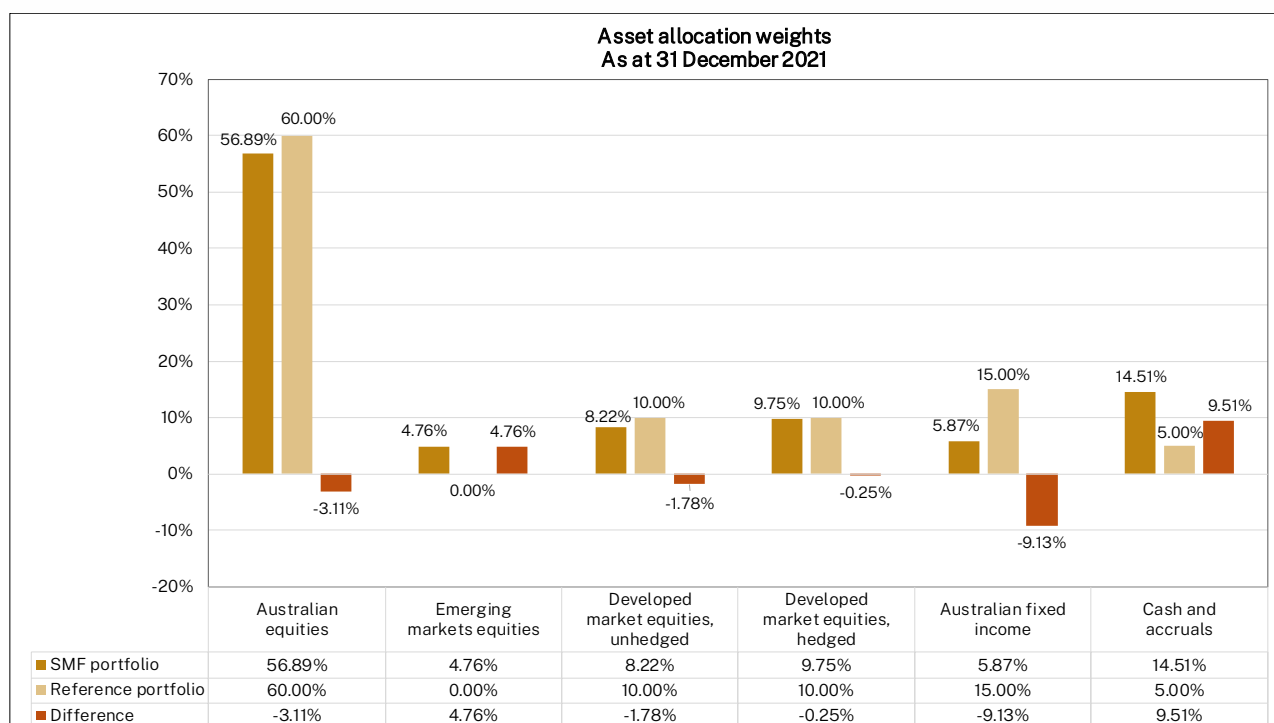
Portfolio weights as of 31 December 2021 are plotted in Figure 1, with the first chart comparing the asset class weights to the reference portfolio and the second chart comparing active stock positions to their target weights in the AAE portfolio. Further details appear in Figure 2, including the value of holdings and comparison of portfolio asset weights versus both the reference portfolio and the target asset weights as endorsed by the IAC.

The overall growth/defensive mix of 79.62%/20.38% is broadly in line with the 80%/20% reference portfolio weights, which also amounts to the target growth/defensive mix. However, the weights within the growth and defensive components both deviate significantly from the reference portfolio, reflecting the combination of active positions and the impact of market movements.

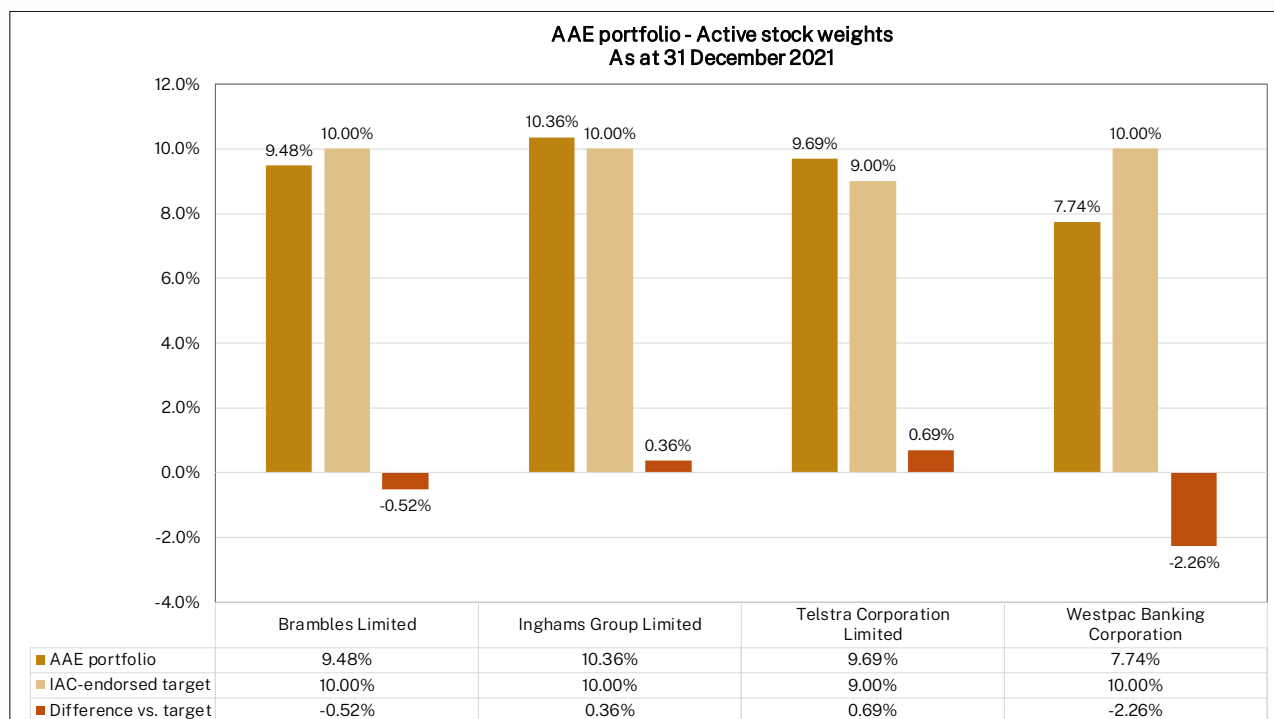
Within the growth portion, the weighting deviations relate to the addition of EM, which is not a reference portfolio asset. IAC endorsed a 10% target weight in EM to be funded by reducing AE and unhedged DM by 5% each. However, IAC requested that half the trades be delayed until 2022 in order to smooth the entry point, with the target weights appearing in Figure 1 reflecting this half-position. As at 31 December 2021, the portfolio was overweight versus the reference portfolio in EM by +4.76%, underweight in AE by -3.11% and underweight in WE by -2.03% (-1.78% unhedged, -0.25% hedged). Relative to the target weights (refer to Figure 2), the growth component is underweight in AE by -0.61%, overweight in DM by +0.47% (+0.72% unhedged, -0.25% hedged) and underweight in EM by -0.24%.

The deviations from the reference portfolio within the defensive component largely stem from an active position targeting a +7.5% overweight in Australian cash (AC) and a -7.5% underweight in Australian fixed income (AFI), which was put in place during October 2020. A combination of underperformance by AFI as bond markets have sold off and the building up of cash as income is received have further increased the deviation relative to the reference weights, with the portfolio underweight in AFI by -9.13% and overweight in AC by +9.51% as at 31 December 2021.

**Figure 1: Asset allocation and active stock weights as at 31 December 2021**







Changes to the AAE portfolio during 2021 included the sale of BIN and SHL, and the acquisition of BXB. The Fund closes the year with four active stock positions summing to 37.28% of the AAE portfolio. These positions leave the AAE portfolio with above-index exposures to the commercial and professional services sector via BXB, the food sector via Inghams Group (ING), and telecommunications sector via Telstra Corporation (TLS). The overall AAE portfolio is modestly underweight in the bank sector (estimated at -0.5%) if the active position in Westpac Banking Corporation (WBC) is combined with the bank holdings embedded within the iShares Core S&P/ASX 200 ETF (IOZ). The Fund is implicitly underweight in other sectors.

Figure 2 reveals that the total SMF portfolio was valued at \$804,560 on 31 December 2021. This is prior to the distribution to be made early in 2022, which is calculated at \$36,205.19 (equal to 4.5% of the total year-end portfolio value). Distributions are used to fund the RSFAS SMF Equity Scholarship, which supports economically disadvantaged students to enable them to study at CBE.

On 5 January 2022, an amount of \$32,017.19 was transferred to CBE from the SMF's account with BT Panorama, reflecting the \$36,205.19 distribution in support of the RSFAS SMF Equity Scholarship less \$4,188 in donations due to the SMF that were received in the latter part of 2021. Some holdings were sold in IOZ and DM (unhedged) to partially finance the transfer, and to facilitate some rebalancing of the portfolio with a view to moving it closer to the target weights. After these set of transactions, the SMF portfolio was positioned close to target weights in growth versus defensive assets and all equity sub-classes, but was overweight AC and underweight AFI versus target by around  $\pm 1.5\%$ .

Figure 2: Portfolio structure as at 31 December 2021

Portfolio component	Benchmark ETF	Asset values \$	SMF portfolio weight %	Reference portfolio weight %	Over (under) weight %	Target weight %	Difference vs. target %
<b>Australian equities</b>							
<b>AAE portfolio:</b>							
iShares Core S&P/ASX 200 ETF		272,131	33.82				
Brambles Limited		41,138	5.11				
Inghams Group Limited		44,965	5.59				
Telstra Corporation Limited		42,059	5.23				
Westpac Banking Corporation		33,584	4.17				
Total AAE portfolio	iShares Core S&P/ASX 200	433,877	53.93	50	3.93		
<b>Held within AA portfolio:</b>							
iShares Core S&P/ASX 200 ETF		23,822	2.96	10	-7.04		
<b>Total Australian equities</b>	iShares Core S&P/ASX 200	<b>457,699</b>	<b>56.89</b>	<b>60</b>	<b>-3.11</b>	<b>57.5</b>	<b>-0.61</b>
Developed markets, hedged	Vanguard International Shares Index, Hedged	78,465	9.75	10	-0.25	10	-0.25
Developed markets, unhedged	Vanguard International Shares Index	66,171	8.22	10	-1.78	7.5	0.72
Emerging market equities	iShares MSCI Emerging Markets Index	38,267	4.76	0	4.76	5	-0.24
<b>Total international equities</b>		<b>182,903</b>	<b>22.73</b>	<b>20</b>	<b>2.73</b>	<b>22.5</b>	<b>0.23</b>
<b>Total equities</b>		<b>640,601</b>	<b>79.62</b>	<b>80</b>	<b>-0.38</b>	<b>80.0</b>	<b>-0.38</b>
<b>Australian fixed income</b>	Vanguard Australian Government Bond Index	<b>47,206</b>	<b>5.87</b>	<b>15</b>	<b>-9.13</b>	<b>7.5</b>	<b>-1.63</b>
<b>Australian cash and accruals:</b>							
BetaShares Australia High Interest Cash ETF		68,359	8.50				
BT Cash Management Trust		40,114	4.99				
Accrued interest & dividends		474	0.06				
Accrued franking credits		7,807	0.97				
<b>Total cash and accruals</b>	BetaShares Australia High Interest Cash	<b>116,753</b>	<b>14.51</b>	<b>5</b>	<b>9.51</b>	<b>12.5</b>	<b>2.01</b>
<b>Total fixed income and cash</b>		<b>163,959</b>	<b>20.38</b>	<b>20</b>	<b>0.38</b>	<b>20.0</b>	<b>0.38</b>
<b>Total value of SMF assets</b>		<b>804,560</b>					
Total portfolio value as reported in BT Panorama		796,753					
Accrued franking credits		7,807					
<b>Total value of SMF assets</b>		<b>804,560</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>100.0</b>	<b>0.00</b>
<b>Estimated distribution with respect to 2021</b>		<b>36,205.19</b>					
<i>(4.5% of assets at 31 December, paid after year-end)</i>							

## Portfolio performance

Figure 3 presents performance both year-by-year and cumulative since the Fund's inception on 10 April 2018. The cumulative return since inception is +47.98% (+11.12% per annum). This equates to outperformance of +17.90% (+4.53% per annum) relative to the return target, which reflects the distribution rate of 4.5% per annum plus realised inflation. The Fund has thus successfully achieved its objective of maintaining its real value while funding a 4.5% distribution since inception. This performance is largely attributable to strong equity markets over the period, especially during 2019 and 2021. The Fund also outperformed the reference portfolio by +1.39% (+0.37% per annum) since inception, consisting of relative returns of -1.10% in 2018, -0.90% in 2019, +0.76% in 2020 and +2.67% in 2021. The significant outperformance during 2021 is largely sourced from the AAE portfolio as it recovered some previous underperformance; while outperformance since inception is mainly attributable to asset allocation. The sources of performance are detailed further in the attribution analysis section. All return calculations include franking credits.

Figure 3: Portfolio performance since inception as at 31 December 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	31 December 2021	31 December 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	\$9,732.74	\$7,719.98		
Adjusted opening portfolio value	\$615,079.04	\$592,071.96	\$683,068.73	\$680,427.19		
Closing portfolio value in BT Panorama	\$608,598.58	\$705,485.10	\$704,774.44	\$796,753.31		
+ Accrued franking credits	\$3,235.76	\$9,732.74	\$7,719.98	\$7,806.53		
- Contributions	\$0.00	\$0.00	-\$1,000.00	-\$150.00		
Adjusted closing total portfolio value	\$611,834.34	\$715,255.22	\$711,531.80	\$804,409.84		
RETURNS (%)	2018	2019	2020	2021	Cumulative	Per annum
SMF portfolio return (based on adjusted portfolio values)	-0.53%	20.81%	4.17%	18.22%	47.98%	11.12%
Target return (estimated as CPI + 4.5%)	4.56%	6.16%	5.36%	8.00%	26.30%	6.47%
SMF return vs. target	-4.87%	13.80%	-1.19%	10.22%	17.90%	4.53%
Reference portfolio return	0.58%	21.91%	3.40%	15.55%	46.50%	10.79%
SMF return vs. reference portfolio	-1.10%	-0.90%	0.76%	2.67%	1.39%	0.37%
Note: Administration fees - BT Panorama		0.02%	0.23%	0.21%	0.46%	0.12%

\* Portfolio value for 10 April 2018 is estimated as at time of portfolio inception trades.

## Attribution analysis

Figure 4 attributes the portfolio performance compared to the reference portfolio into the components of the investment process, specifically asset allocation and security selection. The asset allocation component measures performance attributable to deviations in asset class weights versus the reference portfolio, with the calculations assuming that the AA portfolio is invested in the benchmark ETFs for each asset class. The security selection component measures the contributions of the AAE portfolio relative to the S&P/ASX200 ETF benchmark, i.e. 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 category also captures the effects of the 'cash' portfolio not being invested entirely in the benchmark ETF, with the SMF holding amounts in the cash management trust (CMT) and in the form of accruals.

The total performance of the SMF portfolio against the reference portfolio of +2.67% in 2021 is mainly attributable to a +2.50% contribution from security selection within the AAE portfolio. The AA contribution was -0.24%. The 'rounding' term of +0.41% mostly stems from aggregation effects related to accumulating the performance over sub-periods, and is more significant than typically expected due to the volatile markets during 2021.

The AA attribution reveals that the negative contribution of -0.24% during 2021 comprises +1.31% from AFI, -1.13% from AC and mainly negative contributions from the equity asset classes. A positive driver was the underweight position in AFI versus AC, with the +0.18% difference in contribution (i.e. +1.31%-1.13%) between these two assets providing a broad guide to the magnitude of net impact. Offsetting this is fact the EM have languished since a 5% initial position was added on 11 October 2021. The effect appears in the form of negative contribution from both EM (-0.24%) and DM unhedged (-0.15%), noting that the latter was moved underweight to fund the EM position. The positive cumulative contribution from AA since inception of +1.18% (+0.32% per annum) reflects the benefit from underweighting AFI versus AC and value-accretive rebalancing trades during 2020, with the SMF reweighting equities into the COVID-related sell-off.

The +2.50% contribution from security selection during 2021 reflects the AAE portfolio outperforming its IOZ benchmark by +4.64%. Positive contributions during 2021 arose from TLS (+2.06%), BIN (+1.50%), WBC (+0.77%), SHL (+0.75%) and ING (+0.23%), while a negative contribution arose from BXB (-0.63%). The negative contribution of -0.06% from the S&P/ASX 200 ETF relates to transaction costs incurred in trading IOZ to facilitate other positions. Some of the positive stock contributions during 2021 reflect a clawback of negative contributions in prior years, and therefore the since inception estimates may provide a better guide. Here relative performance versus IOZ was -0.04% cumulative (-0.01% per annum), reflecting the net of positive cumulative contributions from SHL (+2.50%), TLS (+2.15%) and Rio Tinto Limited (RIO) (+1.02%); and negative contributions from BXB (-0.63%), BIN (-0.65%), WBC (-2.21%) and ING (-2.37%). The SMF returns and AAE contributions have benefitted from holding some stocks that pay relatively high fully-franked dividends.

Figure 4: Performance attribution since inception as of 31 December 2021

Period	Contributions to performance vs. reference portfolio					
	2018	2019	2020	2021	Since inception	
	%	%	%	%	Cumulative	Per Annum
Opening date	10/4/18	1/1/19	1/1/20	1/1/21	10/4/18	
Closing date	31/12/18	31/12/19	31/12/20	31/12/21	31/12/21	
<b>SMF portfolio vs. reference portfolio</b>						
Asset allocation	0.17%	-0.28%	1.55%	-0.24%	1.18%	0.32%
Security selection - AAE portfolio	-1.26%	-0.58%	-0.66%	2.50%	-0.04%	-0.01%
Contribution from positions held (prior BT fees)	-1.09%	-0.87%	0.89%	2.26%	1.16%	0.31%
Aggregation, cash portfolio and other effects	-0.01%	-0.03%	-0.13%	0.41%	0.25%	0.07%
<b>Total relative performance</b>	<b>-1.10%</b>	<b>-0.90%</b>	<b>0.76%</b>	<b>2.67%</b>	<b>1.40%</b>	<b>0.37%</b>
<b>Asset allocation attribution</b>						
Australian equities	0.01%	-0.04%	0.44%	0.02%	0.44%	0.12%
Australian fixed income	-0.02%	-0.11%	1.24%	1.31%	2.43%	0.65%
Emerging market equities				-0.24%	-0.24%	-0.06%
Developed market equities, hedged	0.01%	-0.01%	-0.02%	-0.03%	-0.05%	-0.01%
Developed market equities, unhedged	0.01%	0.01%	0.02%	-0.15%	-0.10%	-0.03%
Cash and accruals	0.16%	-0.15%	-0.14%	-1.13%	-1.25%	-0.34%
Time aggregation effect	0.00%	0.00%	0.00%	-0.03%	-0.03%	-0.01%
<b>AA contribution to total portfolio performance</b>	<b>0.17%</b>	<b>-0.28%</b>	<b>1.55%</b>	<b>-0.24%</b>	<b>1.18%</b>	<b>0.32%</b>
<b>AAE Portfolio vs. S&amp;P/ASX200 ETF</b>						
iShares Core S&P/ASX 200 ETF	-0.01%	-0.04%	-0.07%	-0.06%	-0.18%	-0.05%
Bingo Industries Limited	-3.21%	1.89%	-0.75%	1.50%	-0.65%	-0.17%
Brambles Limited				-0.63%	-0.63%	-0.17%
Inghams Group Limited		-2.43%	-0.17%	0.23%	-2.37%	-0.64%
Rio Tinto Limited	-0.04%	0.52%	0.54%		1.02%	0.27%
Sonic Healthcare Limited		-0.11%	1.85%	0.75%	2.50%	0.67%
Telstra Corporation Limited	0.62%	0.53%	-1.05%	2.06%	2.15%	0.57%
Westpac Banking Corporation		-1.49%	-1.49%	0.77%	-2.21%	-0.60%
Time aggregation effect	-0.02%	-0.01%	-0.04%	0.01%	-0.05%	-0.01%
<b>Relative performance vs. S&amp;P/ASX200 ETF</b>	<b>-2.66%</b>	<b>-1.14%</b>	<b>-1.18%</b>	<b>4.64%</b>	<b>-0.49%</b>	<b>-0.13%</b>
Average AAE portfolio weight in SMF portfolio	47.37%	50.88%	55.49%	53.83%		
<b>AAE contribution to total portfolio performance</b>	<b>-1.26%</b>	<b>-0.58%</b>	<b>-0.66%</b>	<b>2.50%</b>	<b>-0.04%</b>	<b>-0.01%</b>

## Transactions, income and fees

Figure 5 details the transaction activity within the BT Panorama account during 2021. The transactions undertaken span the categories below.

- Distribution and associated AA rebalancing, with the payment of the distribution with respect to 2020 (12 January) being preceded by trades to raise cash to fund the distribution while simultaneously rebalancing the portfolio back towards target weights (8 January).
- Rebalancing trades for WBC (27 May) and ING (16 December).
- Investment of positions in BXB (27 May) and IEM (11 October).
- Disinvestment of the positions in BIN (27 May) and SHL (25 October).
- Deposit comprising franking credits received from the Australian Tax Office of \$5,780.54, plus a \$150 contribution (28 May).

Figure 5: Transactions in 2021

Date	Details	Amount (\$)	
		Transaction Value	CMT Change
8-Jan-21	<b>Rebalancing AA portfolio</b>		
	Sell 500 IOZ @ \$27.59. Transaction fee \$15.17.	13,779.83	
	Sell 74 VGAD @ \$81.84. Transaction fee \$12.50.	6,043.66	
	Sell 39 VGS @ \$84.75. Transaction fee \$12.50.	3,292.75	23,116.24
8-Jan-21	<b>Distribution for 2019 of \$32,067.23 by SMF for 2021</b>	-32,067.23	-32,067.23
27-May-21	<b>Buying Brambles Limited</b>		
	Sell 7988 BIN @ \$3.42. Transaction fee \$30.05.	27,288.91	
	Sell 495 WBC @ \$26.29. Transaction fee \$14.31.	12,999.24	
	Buy 3870 BXB @ \$10.68. Transaction fee \$45.46.	-41,377.06	-1,088.91
28-May-21	<b>Deposit</b>		
	Receipt of franking credits from Australian Tax Office	5,780.54	
	Donations received	150.00	5,930.54
11-Oct-21	<b>Buying Emerging Market ETF</b>		
	Sell 664 IOZ @ \$29.79. Transaction fee \$21.76.	19,758.80	
	Sell 199 VGS @ \$99.27. Transaction fee \$21.73.	19,733.00	
	Buy 567 IEM @ \$69.57. Transaction fee \$43.39.	-39,490.79	1.01
25-Oct-21	<b>Selling Sonic Healthcare Limited</b>		
	Sell 995 SHL @ \$40.01. Transaction fee \$43.79.	39,762.53	
	Buy 1306 IOZ @ \$30.56. Transaction fee \$43.90.	-39,955.26	-192.73
16-Dec-21	<b>Rebalancing Inghams Group Limited</b>		
	Sell 447 IOZ @ \$29.94. Transaction fee \$14.72.	13,368.46	
	Buy 4,047 ING @ \$3.31. Transaction fee \$14.74.	-13,410.31	-41.85

Figure 6 details the income received and fees paid during 2021. Fees include brokerage associated with trades and administration fees on the BT Panorama account. Inclusive of franking credits, the Fund generated income during the year equivalent to 4.48% of the estimated average portfolio value over the year. This is significantly up from 3.04% in 2020, when many companies cut dividends amidst COVID-19 uncertainty. The AAE portion of the portfolio also saw a large increase in its income as a percentage of its portfolio year-on-year. Inclusive of franking credits, income increased from 3.99% in 2020 to 4.91% in 2021, as firms increased their dividend payouts in response to more favourable economic conditions.

**Figure 6: Income received and fees paid in 2021**

	INCOME RECEIVED (\$)					FEES PAID (\$)	
	Dividends	Franking credits	CMT interest	Ex. franking	Inc. franking	Brokerage	BT account fees
<b>Total SMF portfolio</b>							
AAE portfolio	14,939.11	5,351.44		14,939.11	20,290.55	206.97	
iShares Core S&P/ASX 200 ETF	1,506.13	515.65		1,506.13	2,021.78	36.93	
iShares MSCI Emerging Market ETF	473.52			473.52	473.52	43.39	
Vanguard Australian Bond ETF	992.37			992.37	992.37		
Vanguard International Shares Hedged ETF	8,341.49			8,341.49	8,341.49	12.50	
Vanguard International Shares ETF	1,549.13			1,549.13	1,549.13	34.23	
Betashares Cash ETF	238.30			238.30	238.30		
BT Cash Management Trust			2.57	2.57	2.57		
Accrued interest at end-period							
Accrued dividends at end-period							
<b>Total portfolio</b>	<b>28,040.05</b>	<b>5,867.09</b>	<b>2.57</b>	<b>28,042.62</b>	<b>33,909.71</b>	<b>334.02</b>	<b>1,584.24</b>
<i>% of average SMF portfolio value</i>	<i>3.70%</i>	<i>0.77%</i>	<i>0.00%</i>	<i>3.70%</i>	<i>4.48%</i>	<i>0.04%</i>	<i>0.21%</i>
<b>AAE portfolio</b>							
iShares Core S&P/ASX 200 ETF	8,157.59	2,799.95		8,157.59	10,957.54	58.62	
Bingo Industries Limited	119.82	51.35		119.82	171.17	30.05	
Brambles Limited	551.09	70.85		551.09	621.94	45.46	
Inghams Group Limited	1,452.00	622.29		1,452.00	2,074.29	14.74	
Sonic Healthcare Limited	905.45	198.50		905.45	1,103.95	43.79	
Telstra Corporation Limited	1,609.92	689.96		1,609.92	2,299.88		
Westpac Banking Corporation	2,143.24	918.54		2,143.24	3,061.78	14.31	
<b>Total AAE portfolio</b>	<b>14,939.11</b>	<b>5,351.44</b>		<b>14,939.11</b>	<b>20,290.55</b>	<b>206.97</b>	
<i>% of average AAE portfolio value</i>	<i>3.62%</i>	<i>1.30%</i>	<i>0.00%</i>	<i>3.62%</i>	<i>4.91%</i>	<i>0.05%</i>	



## Team highlights

In this section, each team discusses their highlights from 2021.

### AAE team outperforms the benchmark

2021 has been a strong year for equity markets and the AAE portfolio. The AAE benchmark ASX 200 ETF delivered a return of 17.85% during the year without a meaningful correction, while the AAE portfolio returned 23.68%. Whilst it is pleasing to see current holdings perform strongly, high valuations across the market have posed a challenge for the team in seeking additional holdings. During Semester 1, BXB, Super Retail Group (SUL) and Cromwell Property Group (CMW) were the in-depth candidates. In Semester 2, the team researched Woodside Petroleum (WPL) and Coles Group (COL). BXB was the only active-stock position added during the year. Active positions in BIN and SHL were sold.

The initial stock screening process was challenging, with limited suitable investment candidates aligning with the Fund's long-term philosophy. The team found that forecasts of top and bottom-line growth frequently appeared too optimistic, and that the growth needed to justify valuations near current share prices often seemed a stretch. The AAE portfolio is effectively a long-short fund sitting within the overall SMF portfolio, and hence needs to account for the level of market-wide valuations. Given this, during this year the team adjusted its baseline cost of equity from 7.25% to 5.68% to align with the AE return expectations of the AA team. This allowed the AAE team to improve the relevance of its valuations by making them relative to existing market prices.

For BXB, the key drivers of the AAE team valuation were operating margins and capital intensity. The management had begun pursuing a new strategy, demerging non-core businesses and automating processes to improve margins. With the benefits starting to materialise in the US segment, the team is confident in the rollout of the strategy over the next two years. The crucial risks to the outlook are seen as the uptake of plastic pallets, currently being trialled with Costco, and market entry from an e-commerce company such as Amazon. The AAE team saw the downside represented by these scenarios as relatively low in probability and magnitude. IAC ultimately endorsed the recommendation to invest.

WPL emerged as very attractive on valuation grounds, with the main issues related to SRI given its status as a hydrocarbon company. The AAE analysts focused their in-depth research on what differing energy transition scenarios would mean for supply and demand for both oil and natural gas, coming to the view that an inevitable decline in non-OPEC supply would support oil prices for some time to come. The WPL recommendation received 65% support from the SMF team, short of the 75% required to present to IAC. Ultimately, the decision not to proceed hinged on SRI considerations including the reputational risk posed by investing in oil and gas, as opposed to the investment thesis in its own right.

COL was the subject of in-depth analysis against a background where it had underperformed Woolworths in recent years, with its store network being more exposed to COVID-19 and the company suffering from underinvestment while owned by Wesfarmers. The team focused its research on the company's online shopping strategy, and whether the declines in market share could be stemmed. The team concluded that, even if this were to occur, margins were likely to face continued downside risk. With this risk not being reflected in the share price, it was decided not to pursue the stock.

This year saw three notable developments in the AAE process, as listed below.

- *Analysis of valuation risk* – The approach to gauging valuation risk was altered from the formation of a valuation distribution through quantitative simulations ('SENSCENARIO' analysis) to a more targeted scenario approach. For instance, the BXB analysts built upside and downside scenarios around discrete company-specific events. For WPL, three oil price forecasts reflected different routes the world may take in reducing carbon emissions. This approach better reflects the team's understanding of risk as permanent loss of capital, and creates natural guideposts for future revaluations by focusing on potential developments that would be of high relevance.
- *Red-teaming initiative* – The second semester saw the initial implementation of the red-teaming initiative in collaboration with the R&C team. This involves R&C analysts being assigned to each in-depth stock analysis to focus on how the AAE team's thesis might be wrong.
- *Thematic filtering* – The stock screening process was rebuilt around initial thematic filtering, informed by both a desire to diversify the portfolio and to incorporate the outlook of the AA team. This replaced what was a largely quantitative filter that had often proven ineffective at identifying suitable candidate stocks. In Semester 2, the team focused on the implications of higher inflation and interest rate risk for equity markets. This led to the selection of both WPL

and toll-road company Atlas Arteria (ALX) for preliminary analysis, and informed the team's revaluations of existing holdings.

Stock revaluations were a core part of the workload over the year, culminating in the decision to sell BIN and SHL. Both decisions reflected increased levels of M&A activity in the Australian market. BIN was sold after receiving a takeover offer from Macquarie Infrastructure and Real Assets. Similarly, the team's decision to sell SHL rested on an increasingly competitive M&A environment, with rising acquisition multiples threatening a crucial source of value creation for the company under its 'roll-up' strategy. The team remained confident in current holdings ING and TLS after further analysis of the company's leases and post-T22 strategy, respectively. ING was rebalanced on 16 December back to its target weight of 10% of the AAE portfolio, after its weight declined to 7% thus exceeding the rebalancing threshold of -3% below target. On WBC, the team decided to retain the current position, conditional on further research into risk related to housing exposure and possible technology-driven disruption.

*Felix Jones, Head of AAE*

### Active Australian Equities (AAE) team



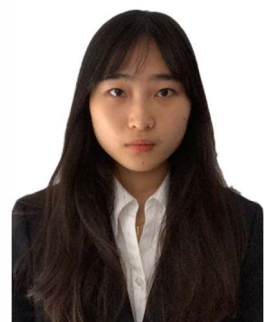
*Albert Lake<sup>#</sup>*  
(Semester 1)



*Sida Li*  
(Semester 1)



*Qing (Julie) Zhu*  
(Semester 1)



*Yao Xiong*  
(Semester 1)



*Max Burrows*  
(Semester 1)



*Felix Jones<sup>##</sup>*  
(Semester 1 & 2)



*Jingxin (Ben) Mai*  
(Semester 1 & 2)



*Lachlan Scott*  
(Semester 1 & 2)



*Hannah Young*  
(Semester 2)



*Jonathan Boyd*  
(Semester 2)



*Sam Watson*  
(Semester 2)

<sup>#</sup> Team Head, Semester 1    <sup>##</sup> Team Head, Semester 2

## AA team expands their investible universe

The AA team started the year by revising some of the key inputs into its process amidst the uncertain and influential nature of the pandemic on markets, including the long-term outlook for both inflation and economic activity, and the modelling of the underlying earnings baselines for equity markets. The addition of EM as a new asset class was a highlight during Semester 2.

The AA team adopted the view that inflation was likely to continue exceeding central bank targets, and that high inflation was unlikely to be transitory. This outlook was based on record amounts of global fiscal stimulus, global supply chain issues and a movement towards inflation targets that are averaged over time, which increases the probability of inflation attaining higher levels. Two changes were made to the AA model in response to the inflation outlook. First, the probabilities on high inflation scenarios were increased, and probabilities of low inflation scenarios decreased. Second, a stagflation scenario was added based on the economic crisis of the 1970s.

While domestic lockdowns in 2021 stunted Australia's economic recovery, the AA team's long-term outlook for economic activity remained relatively unchanged. However, the pandemic was resulting in significant short-term equity earning fluctuations, raising issues over the appropriate baseline for forecasting. An earnings recovery rate (ERR) was incorporated into our model that normalised earnings in year one of the forecasts, and set the price-to-earnings (PE) and return on equity (ROE) baselines for the subsequent projections over years two to 10 of our forecast horizon.

The AA team also investigated the impact a growing technology sector was having on international equity market indices, given their large market capitalisations. This research resulted in the forecast PE and ROE of international equities being increased to reflect an expectation that higher levels would be sustained due to the ongoing influence from the large capitalisation technology companies.

The most significant achievement of the AA team this year was the inaugural addition of EM to the Fund's investible universe. In October, IAC endorsed a weighting of 10% in EM, funded through the sale of 5% in each of AE and DM. Half the position was established immediately, with the remainder to be completed in 2022, in order to spread the entry point. The investment thesis was based around EM's higher forecast expected return versus AE and DM, which is driven by EM's lower PE. The AA team established that this relatively lower PE is not a result of high leverage or weaker ability to generate value. Rather, it appears to reflect risk premia related to greater short-term volatility, illiquidity, Environmental, Social and Governance (ESG) considerations and political risk. The SMF's position as a long-term investor makes the Fund better able to bear some of these risks than the broader market, providing an opportunity to prudently capture higher returns.

The AA team hope that the introduction of EM will act as a catalyst for future cohorts to continue expanding the investible universe, particularly as new ETFs continue to be listed on the ASX. For example, real asset classes may be interesting candidates to investigate as potential inflation hedges given the AA team's inflation outlook.

*Michael Searle, Head of AA*

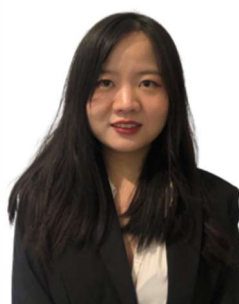
### Asset Allocation (AA) team



Zhenyu (Alicia)  
Sun# (Semester 1)



Michael Searle##  
(Semester 1 & 2)



Jing (Jean) Ran  
(Semester 1 & 2)



Xinyi (Alice) Wang  
(Semester 1 & 2)



Zachary Taylor  
(Semester 2)

# Team Head, Semester 1    ## Team Head, Semester 2

## R&C team: how could we be wrong?

Highlights for R&C during 2021 included the introduction of the 'red-team' initiative and enhanced integration of the SRI policy into stock evaluations. R&C also continued to support the broader SMF through applying the Behavioural Biases Risk Management Framework (BBRMF) and undertaking portfolio analysis and monitoring.

The red-team initiative was implemented at the beginning of Semester 2 to encourage greater consideration of downside risk. This initiative provides the opportunity for R&C analysts to critically analyse the key assumptions underpinning the central investment thesis for stocks being considered by the AAE team. WPL and COL were the initial subjects. Overall, the process proved effective in strengthening the 'bear case' scenario analysis completed by the AAE team during the in-depth phase, and hence fostered greater contestability at a Fund level. The key findings were as follows.

- **WPL** – The R&C team investigated the extent to which WPL was exposed to a 'policy shock' in the short, medium, and long term, against the backdrop of growing domestic and international climate activism. Furthermore, given the Fund's strong stance with respect to ESG considerations, the team investigated the extent to which holding a hydrocarbon stock might contravene our SRI policy, and/or pose an unacceptable level of reputational risk.
- **COL** – The R&C team examined whether COL's revenue projections were reasonable, given the structural uncertainty born from COVID-19 and increased market competition. The likelihood of increased capital expenditure translating into medium-term efficiency improvements and hence improved EBITDA margins was also considered.

Recognising ESG investing as an important paradigmatic shift within the financial industry, another significant highlight for the R&C team this year was the more deliberate integration of the SRI policy into stock evaluations. This manifested in multiple ways:

- A partial review of TLS was completed during Semester 1 after a \$50 million penalty was imposed following TLS's decision to sell post-paid mobile services to Indigenous customers who could neither understand the contracts nor afford them.
- A comprehensive SRI review of WBC was undertaken following the Australian Securities and Investments Commission decision to sue WBC for alleged insider trading, unconscionable conduct and breaching its financial-service obligations. The accusations related to company's role in executing a \$12 billion interest-rate swap transaction with a consortium comprising AustralianSuper and a group of IFM entities in 2016.
- After significant consideration, it was determined that both TLS and WBC were not in violation of the SRI policy.
- The Fund's commitment to excluding companies that are likely to cause an unacceptable level of 'social injury' and 'reputational risk' was typified by two developments. First was the decision not to advance Credit Corp Group (CCP) through to in-depth analysis in Semester 1 due to concerns over lending practices that were potentially exploitative. Second was the decision not to advance WPL to IAC in Semester 2, with ESG concerns and the link to reputational risk proving influential. These decisions underlined the importance of the policy in governing the Fund's decision making.
- The team reinforced its commitment to ongoing process improvement through undertaking a partial and then comprehensive review of the SMF SRI policy in Semester 1 and 2, respectively. In doing so, the team aims to codify a framework from which more tailored and deliberate ESG analysis can be undertaken in pursuit of the Fund's investment objectives.

The R&C team completed its first full-year analysis of the BBRMF, following its operationalisation in late 2020. The process has helped to identify any thematic biases and other structural issues present within the Fund's processes and decision-making mechanisms. It was pleasing to observe the improvements that occurred between Semester 1 and 2, most significantly the reduction in unfounded convergences in opinion over contestable issues.

Overall, the R&C team is pleased with the significant contributions that it has made to the Fund throughout the year. Looking forward, it plans to integrate more comprehensive portfolio-level risk analysis during 2022.

*Jonathan Lang, Chief Risk Officer (CRO)*



## Risk & Compliance (R&C) team



*Isabel Gray<sup>#</sup>*  
(Semester 1)



*Sailendra Sanku*  
(Semester 1)



*Jonathan Lang<sup>##</sup>*  
(Semester 1 & 2)



*Inuja (Jay) Aluwihare*  
(Semester 1 & 2)



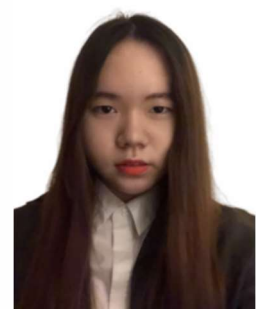
*Yuchen (Ricky) Yang*  
(Semester 1 & 2)



*Daniel Dwyer*  
(Semester 2)



*Liyang Xue*  
(Semester 2)



*Jie Qi Tay*  
(Semester 2)

#CRO, Semester 1    ##CRO, Semester 2

## RT systemises the Fund's external engagement

A key priority for the RT over the year was to strengthen the SMF's internal and external presence. Significant achievements included the initiation of the first SMF AMA session and application workshops, which aimed to boost both the quality and quantity of applications to join the SMF. The RT also expanded the SMF's external engagement with prospective students, student societies, SMF alumni, donors and industry professionals.

The AMA session provided prospective students with a glance at the SMF operations and its value to students; while the application workshops offered guidance on putting together a SMF application, including creating an investment recommendation. The events were successfully held online in collaboration with the AAE, AA and R&C teams. An average of 25 prospective students attended each event, with the team receiving positive feedback from all attendees. These events were complemented by an improved application procedure document, posts on SMF social media pages, Wattle posts in pre-requisite courses, and an 'expression of interest' link. The benefits were reflected in improvement in both the quality and quantity of applications, with the number of applications for Semester 1, 2022 being the largest yet.

Another focus this year was to strengthen the Fund's external engagement. The team built on the 'alumni interview' series, a project that reaches out to past SMF members to provide them an opportunity to reflect on and share their SMF experiences. 'Guest speaker spotlights' were prepared to share key takeaways from guest presenters, providing valuable insights into the investment industry while showcasing an element of the Fund's day-to-day operations. RT also expanded the Fund's reach through improved relationships with ANU student societies such as the Finance Society, now known as the Financial Management Association of Australia (FMAA). This led to opportunities for cross-promotion to raise awareness of the Fund within the University's finance student community. Finally, the team assisted the CBE Advancement team for the ANU Giving Day, where current cohorts shared their SMF experience to thank SMF donors.

The RT used existing communication platforms to extend both the scale and the scope of the SMF's external communications. Many of the Facebook and LinkedIn posts were liked and shared among SMF alumni and industry professionals, which supports our purpose to increase SMF's awareness externally. The RT also conducted website user experience testing, finding that users often struggle to find information regarding the application process and donations. The SMF website has been updated accordingly.

Aside from the efforts to improve external engagement, the RT continues to provide ongoing support to the Fund. The team prepared minutes of the Fund's weekly meetings, drafted SMF reports, edited headshots and group photos, and updated the report templates in compliance with the new ANU Identity guide. The latter helps to increase the efficiency of other teams when writing reports.

Next semester, the team plans to expand the SMF's external engagement with industry professionals and other student-managed funds in Australia. It also intends to develop a more comprehensive marketing strategy that incorporates feedback received from the prospective students, and to further refine the SMF promotional video.

*Seonghyun Yong, Relationship Manager*

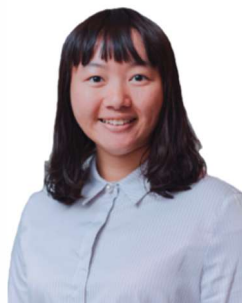
### Relationship Team (RT)



Arnav Chopra<sup>#</sup>  
(Semester 1)



Seonghyun Yong<sup>##</sup>  
(Semester 1 & 2)



Petal Wang  
(Semester 1 & 2)



Julie Lin  
(Semester 2)



Liam Asmaro  
(Semester 2)

# Team Head, Semester 1    ## Team Head, Semester 2

## Socially responsible investment (SRI) report

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

- i. Exclude companies that derive more than 20% of revenues from adult entertainment, alcohol, armaments, coal, gambling, tobacco or exploitative lending practices.
- ii. Hold an active equity portfolio with 30% less carbon intensity than the S&P/ASX 200.
- iii. Avoid investments that are likely to cause an unacceptable level of 'social injury'.
- iv. Favour investments that create 'social benefit'.
- v. Preference companies engaged in the following sustainable business activities and practices related to ESG categories, as determined by the Fund:
  - E. climate change action
  - S. equity, diversity and inclusion
  - G. corporate trustworthiness, including transparency, compliance and accountability

All active stock positions are currently in compliance with the industry exclusions limit (condition i). This condition has proved important in narrowing down the list of candidate stocks, with many stocks being excluded from consideration as a result.

Figure 7 reports on SRI compliance regarding carbon intensity as of 31 December 2021 (condition ii). Sourced from the ANU Investment Office, carbon intensity is calculated based on the volume of scope 1 and scope 2 carbon emissions measured in tonnes per \$1 million of revenue earned. The Fund is pleased to report carbon intensity that is -76.8% below the S&P/ASX200 Index, exceeding the -30% target with a margin of 46.8%.

**Figure 7: Carbon intensity of the AAE component as of 19 November 2021**

	ASX200	BXB	ING	TLS	WBC	Total active stock positions	Active stock positions vs. ASX200	Target improvement	Margin
Weight in AAE Portfolio	62.72%	9.48%	10.36%	9.69%	7.74%	37.28%			
Carbon Intensity	201.00	13.2	86.8	70.0	4.8	46.7	-76.8%	-30.0%	46.8%

Conditions iii-v of the SRI policy are evaluated on an ongoing basis with respect to existing holdings and throughout the stock-analysis process. The Fund's active commitment to avoid investments that cause an unacceptable level of 'social injury' was reflected in three decisions over the course of the year with respect to TLS, WBC and WPL. These are discussed below.

### TLS

In February 2021, the Fund considered an SRI issue relating to TLS after the Australian Competition and Consumer Commission (ACCC) instituted Federal Court proceedings for unconscionable conduct in the sales of post-paid mobile services to Indigenous customers in November 2020. After discussions within the Fund, it was determined that TLS was not in contravention of the SMF SRI Policy. This decision was based upon two main points of consideration.

- The unconscionable conduct was not an indication of systemic behaviour.
- The response of TLS executives was strong, particularly their facilitation of the ACCC's investigation and their commitment to rectify wrongdoings.

### WBC

In July 2021, the Fund declared a 'potential breach' for WBC after the company was sued by the Australian Securities and Investments Commission for alleged insider trading, unconscionable conduct, and breaching its financial service obligation. The allegations related to WBC's role in executing a \$12 billion interest rate swap transaction with a consortium comprising AustralianSuper and a group of IFM entities in 2016. After extensive consultation with the Fund, a formal review was completed by the R&C team in

July 2021. It was determined that WBC was not in contravention of the SMF SRI policy. This decision was based on three considerations.

- The reputational risk posed to the Fund appeared limited. While headlines surfaced across multiple media outlets at the time, there has been no enduring backlash or widespread commentary condemning WBC's behaviour.
- The alleged insider trading occurred back in 2016. This is before the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, which subsequently imposed stricter requirements on financial services firms.
- Whilst insider trading represents a material issue, from a legalistic perspective, innocence must be assumed until WBC is proven to be guilty in a court of law. Given the court proceedings are not set to commence until mid-2023, the Fund would therefore be liquidating WBC on the presumption of guilt.

#### WPL

Finally, given the Fund's strong stance with respect to ESG considerations, the team investigated the extent to which it was appropriate to pursue WPL as an active position. After extensive consideration, it was ultimately determined that WPL was incongruous with the Fund's stance with respect to ESG considerations. Underpinning this decision was two main ideas.

- Given the growing backdrop of climate activism, it was determined that the reputational risk posed from holding WPL was high. As per the SMF Charter and Governance Structure, this operates as principle point of concern.
- Given the Fund's identification of climate change as its core environmental focus, concerns were raised over the extent to which holding a hydrocarbon stock might contravene our SRI policy.

Ultimately, all three instances illuminated the importance of the SRI policy in governing the Fund's decision making.

#### SRI policy review

Spurred by a desire to more effectively integrate SRI principles and ESG considerations, the Fund undertook a partial and then comprehensive review of the SMF SRI policy in Semester 1 and 2, respectively. The team recently codified a framework under which more tailored and deliberate ESG analysis may be undertaken in pursuit of the Fund's investment objectives. The revisions will be finalised and voted on by the SMF team during Semester 1, 2022. The primary proposed policy changes are as follows.

- *Social injury* – The analysis completed by R&C will primarily concentrate on social injury, with recognition of social benefit being considered when initially identifying candidate investments under the AAE process. This will focus the SRI analysis completed by R&C on the risk end of the SRI continuum.
- *Candidate stock analysis (CSA) stage* – SRI analysis will be frontloaded in the CSA stage and presented separately to the investment case, with both ESG and reputational risks considered. The Fund will consider the investment case and SRI risks separately and vote as such, with only stocks that pass both votes progressing to the in-depth analysis stage. This allows the focus of the R&C in-depth stage to be placed on key investment risks and reputational risk.
- *Reputational risk* – The SRI policy will explicitly recognise SRI as a key source of reputational risk, for which the Fund has low tolerance. Adverse public opinion can directly impact a company's ongoing viability, whilst simultaneously bringing the reputation of the SMF and broader University into disrepute. As such, an explicit exclusion of companies deemed as high reputational risk is a proposed addition to the SRI policy. We also intend to investigate the feasibility of undertaking reputational risk-mitigation strategies, which would be implemented jointly by R&C and AAE during the in-depth analysis stage.

#### Declaration

The Fund declares that it has complied with the University's SRI policy while effectively implementing the SMF SRI policy throughout 2021. The Fund remains committed to consistently reviewing and refining its SRI policy to support sustainable business practices while pursuing long-term returns.



# APPENDIX

## List of SMF activities

### SMF activities during Semester 1, 2021

#### **SMF student team make-up**

- The SMF had 21 members during the semester, comprising nine seniors continuing from Semester 2, 2020 and 12 juniors joining the Fund.

#### **SMF meetings**

- 12 weekly meetings were held throughout the semester, usually on Mondays from 9am to 12pm via Zoom. Two meetings were held on Friday in Week 3 and Week 10, because of official holidays.

#### **SMF IAC meeting and subsequent transactions**

- An IAC meeting was held on 24 May 2021, addressing two key matters. First, BXB was recommended for an active position in the AAE portfolio at a 10% target weight, to be funded via reduction of the iShares Core S&P/ASX200 ETF. The BXB recommendation received majority endorsement from IAC. Second, 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.

#### **Visitors and guest speakers**

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

#### **Major reports and actions**

- 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 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.

#### **Other notable items**

- A distribution of \$32,067.23 was paid on 12 January 2021. The distribution was partly funded by sales on 8 January 2021 of holdings in the AE and IE ETFs, which facilitated rebalancing toward target asset weights.
- The first SMF application workshop was held on 14 April 2021.
- An alumni interview was conducted with Isabella Mortimore as part of the alumni profile series, published on the SMF website and Facebook page.
- RSFAS Student Managed Fund Equity Scholarship was awarded to Jack Bavinton.
- The SMF end-of-semester celebration was held on 19 June 2021 at Badger & Co.

### SMF activities during Semester 2, 2021

#### **SMF student team make-up**

- The SMF had 21 members during the semester, comprising 12 seniors continuing from Semester 1, 2021 and nine juniors joining the Fund.

#### **SMF meetings**

- Twelve weekly meetings were held throughout the semester, usually on Mondays, 9am to 12pm, via Zoom, with one meeting held on Friday during Week 4 because of official holidays.
- The SMF had an additional farewell and reflection meeting and welcomed new members on 29 October 2021 via Zoom.

### **SMF IAC meetings and subsequent transactions**

- Two IAC meetings occurred during the semester.
- The first IAC meeting was held on 11 October 2021, and addressed two key matters:
  - Request to endorse some minor revisions made to the Investment Policy Statement (IPS), including recognition of expansion of the course to Masters students, the existence of a separate SMF SRI policy document, and other procedural matters
  - Consider an AA recommendation to introduce a 10% portfolio weight in IEM, funded by a 5% reduction in the IOZ and a 5% reduction in the Vanguard MSCI Index International Unhedged ETF (VGS). The recommendation received majority endorsement from IAC; with all members voting to execute the investment in two tranches to spread the entry point, with the second tranche to occur in Semester 1, 2022.
- The second IAC meeting was held on 25 October 2021. The AAE team recommended exiting the active position in SHL within the AAE portfolio at a price above \$38.00, with proceeds invested into IOZ. The SHL recommendation received majority endorsement from IAC. The stock was sold at a net price of \$39.96.

### **Visitors and guest speakers**

- Dave McGregor, Partner at ATLAS Infrastructure, 23 September 2021.
- Heath Behncke, IAC member/Managing Director of Holon Global Investments, 20 September 2021.
- Habib Subjally, Team Head and Portfolio Manager at RBC Global Asset Management (UK), 28 September 2021.

### **Major reports and actions**

- An *SRI review and recommendation report* on WBC was prepared on 22 August 2021 in response to a potential breach of the SMF SRI policy. It was determined that WBC was not in contravention of the SMF SRI policy.
- An *investment recommendation report* on EM was created in support of the investment recommendation, for presentation at the IAC meeting on 11 October 2021.
- A *divestment recommendation report* on SHL was created in support of the divestment recommendation, for presentation at the IAC meeting on 25 October 2021.
- *Inghams Rebalancing Report* was finalised on 15 December 2021, in response to the weight moving more than 3% below target. The decision was made to rebalance back to the 10% target weight.

### **Other notable items**

- A distribution of \$36,205.19 was declared with respect to 2021, and paid on 5 January 2022.
- Donations were received of \$4,338 during 2021. An amount of \$150 was paid into the Fund on 28 May 2021, and the remaining \$4,188 was paid into the Fund on 5 January 2022 through offsetting against the amount of distribution paid to CBE with respect of 2021.
- The first SMF AMA session was held on 4 September 2021.
- Alumni interviews were conducted with Khurshed Mehta and Frederick Olaide Yinka-Kehinde, to be published as part of the alumni profile series in 2022.
- SMF student access to Thomson Reuters - Eikon was discontinued at the end of September 2021, leaving Factset as the primary database source directly available to students.
- The SMF end-of-semester celebration was held on 14 November 2021 at Grease Monkey.

**Note:** Transactions during 2021, including trades undertaken, are listed in Figure 5 (see page 15).

## SMF donors

### *Over \$200,000*

Russell Clark (seed donor)

### *\$10,000 – \$50,000*

Family of Andre Morony  
Associate Professor Geoff Warren

### *\$1,000 – \$10,000*

Frank Fan  
Mu Tian

### *\$1,000 or less*

#### **Prior to 2021**

Norman Bradshaw  
Stephen J. Duckett  
Kerry-Ann Hugo  
Jennifer Rowland  
Undeclared donor

#### **During 2021**

Andaleeb Akhand  
Benjamin Archer  
Xinyi Bao  
Chris Smith  
Ron Waldon  
Natasha Walton  
Minyue Wang  
Shuxin Yang  
Thida Zaw

The total amount donated to date is \$298,838, with \$4,338 of donations received during 2021. This brings the total contributions to \$595,336 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 (Alternate 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 CRO both sit on the IAC as non-voting members.

## SMF team members

### Semester 1, 2021

Joshua Campbell

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

### Semester 2, 2021

#### Chief Investment Officers

Max Burrows

#### Active Australian Equities Team

Felix Jones	Team Head
Lachlan Scott	Senior Analyst
Jingxin (Ben) Mai	Senior Analyst
Jonathon Boyd	Analyst
Samuel Watson	Analyst
Hannah Young	Analyst

#### Asset Allocation Team

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

#### Risk and Compliance Team

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

#### Relationship Team

Arnav Chopra	Team head
Seonghyun Yong	Relationship Officer
Petal Wang	Relationship Officer
Seonghyun Yong	Engagement Manager
Petal Wang	Relationship Officer
Julie Lin	Relationship Officer
Julie Lin	Team head
Petal Wang	Engagement Manager
Liam Asmaro	Relationship Officer
Julie Lin	Relationship Officer
Isabella (Bella) White	Relationship Officer

#### Convenors

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

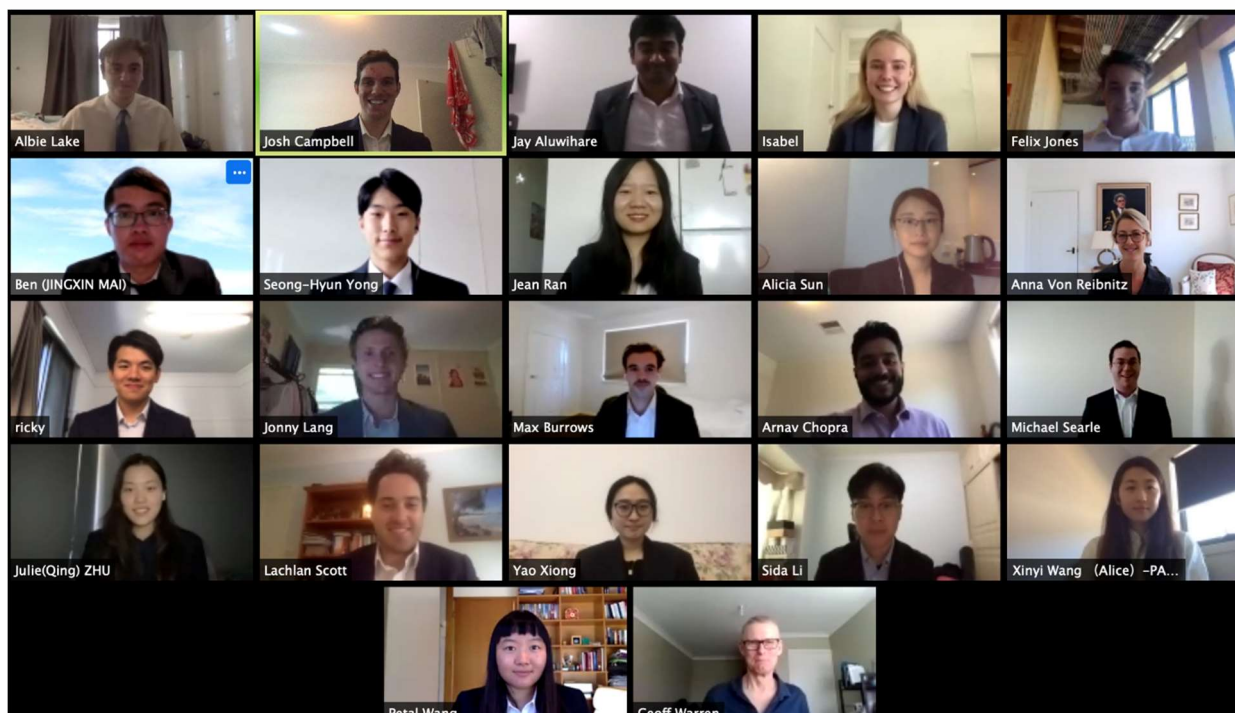
### Accepted Semester 1, 2022

Hannah Young

Jonathon Boyd	Team Head
Samuel Watson	Senior Analyst
Hugo Klimt	Analyst
Olivia Cameron	Analyst
Hugo Heanly	Analyst
Jayden Pham	Analyst
Janet Thudyan	Analyst

## Team photo

### Semester 1, 2021



L-R: Albert Lake, Jingxin (Ben) Mai, Yuchen (Ricky) Yang, Qing (Julie) Zhu, Joshua Campbell, Seonghyun Yong, Jonathan Lang, Lachlan Scott, Petal Wang, Jay Aluwihare, Jing (Jean) Ran, Max Burrows, Yao Xiong, Geoff Warren, Isabel Gray, Zhenyu (Alicia) Sun, Arnav Chopra, Sida Li, Felix Jones, Anna von Reibnitz, Michael Searle, Xinyi (Alice) Wang.

### Semester 2, 2021



L-R: Geoff Warren, Sam Watson, Liying Xue, Lachlan Scott, Julie Lin, Michael Searle, Zachary Taylor, Jie Qi Tay, Jay Aluwihare, Max Burrows, Jing (Jean) Ran, Seonghyun Yong, Liam Asmaro, Yuchen (Ricky) Yang, Jonathan Lang, Xinyi (Alice) Wang, Felix Jones, Jingxin (Ben) Mai, Daniel Dwyer, Hannah Young, Jonathon Boyd, Anna von Reibnitz, Petal Wang.

## 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  
Chenfana (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

### Semester 2, 2021

Max Burrows  
Felix Jones  
Lachlan Scott  
Jingxin (Ben) Mai  
Michael Searle  
Jing (Jean) Ran  
Xinyi (Alice) Wang  
Jonathan Lang  
Yuchen (Ricky) Yang  
Inuja (Jay) Aluwihare  
Seonghyun Yong  
Petal Wang

\* 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
Semester 1, 2022*	1	4	7	5	4	21

\* Expected figures for Semester 1, 2022.



## Photo credits

Name of the person	Photo on page	Photo credits
Albert Lake	18	Angus Padley
Arnav Chopra	22	Arnav Chopra
Dr Anna von Reibnitz	6	Dr Anna von Reibnitz
Daniel Dwyer	21	Luke Kenton
Felix Jones	18	Felix Jones
Associate Professor Geoff Warren	6	Centre for International Finance and Regulation
Hannah Young	18	Andrew Sikorski
Inuja (Jay) Aluwihare	21	Inuja (Jay) Aluwihare
Isabel Gray	21	Abi Cox
Jie Qi Tay	21	Jie Qi Tay
Jing (Jean) Ran	19	Yiyi Han
Jingxin (Ben) Mai	18	Yun Long Xie
Jonathan Boyd	18	Tom Rasmussen
Jonathan Lang	21	Jocelyn Abbott
Joshua Campbell	7	Joshua Campbell
Julie Lin	22	Michelle Thomes
Lachlan Scott	18	Lachlan Scott
Liam Asmaro	22	Hrithik Chaubal-Menon
Liyang Xue	21	Liyang Xue
Max Burrows	7	Luca Autore
Michael Searle	19	Michael Searle
Petal Wang	22	David Beach
Qing (Julie) Zhu	18	Qing (Julie) Zhu
Sailendra Sanku	21	Keshav Dhananjaya
Sam Watson	18	Rachel Lendon
Seonghyun Yong	22	Michael Tietge
Sida Li	18	Sida Li
Xinyi (Alice) Wang	19	Xinyi (Alice) Wang
Yao Xiong	18	Yao Xiong
Yuchen (Ricky) Yang	21	Yuchen (Ricky) Yang
Zachary Taylor	19	Samantha Holt
Zhenyu (Alicia) Sun	19	Zhenyu (Alicia) Sun
Team photo: Semester 1, 2021	29	Screenshot taken by Arnav Chopra
Team photo: Semester 2, 2021	29	Screenshot taken by Seonghyun Yong

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

## Contact details

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

SMF LinkedIn page: <https://www.linkedin.com/company/anu-smf>

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