



Australian  
National  
University

# ANU Student Managed Fund

Mid-semester report – Semester 1, 2024

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### Notes:

All dollar amounts in this report are Australian dollars.

This report is written by the members of the Relationship Team 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 enquiries, feedback or comments can be directed to [smf.rsfas@anu.edu.au](mailto:smf.rsfas@anu.edu.au).

Further information on the ANU SMF can be 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  
**ANU** – The Australian National University  
**ANZ** – Australia and New Zealand Banking Group  
**AUB** – AUB Group Limited  
**BBRMF** – Behavioural Bias Risk Management Framework  
**BXB** – Brambles Limited  
**CBE** – ANU College of Business and Economics  
**CHC** – Charter Hall Group  
**CIO** – Chief Investment Officer  
**CPI** – Consumer Price Index  
**CSL** – CSL Limited  
**CLW** – Charter Hall Long WALE REIT  
**CMT** – Cash Management Trust  
**CRO** – Chief Risk Officer  
**CSA** – Candidate stock analysis  
**DM,H** – Hedged developed market equities  
**DM,U** – Unhedged developed market equities  
**DOW** – Downer EDI Limited  
**ESG** – Environmental, social and governance  
**ETF** – Exchange-traded fund  
**EM** – Emerging markets equities  
**EPS** – Earnings per share  
**FC** – Foreign Currency  
**FMAA** – Financial Management Association of Australia  
**IAC** – Investment Advisory Committee  
**IE** – International equities  
**IPS** – Investment Policy Statement  
**IOZ** – iShares Core S&P/ASX 200 ETF  
**ORA** – Orora Limited  
**PC** – Portfolio construction  
**PE** – Price/Earnings ratio  
**R&C** – Risk and Compliance  
**RBC** – Royal Bank of Canada  
**REIT** – Real Estate Investment Trust  
**RSFAS** – Research School of Finance, Actuarial Studies and Statistics  
**RT** – Relationship Team  
**RWC** – Reliance Worldwide Corporation  
**SMF** – ANU Student Managed Fund  
**SRI** – Socially responsible investment  
**SUN** – Suncorp Group Limited  
**WBC** – Westpac Banking Corporation

## Chief Investment Officer (CIO) report

The macroeconomic climate during Semester 1, 2024 provided some challenges for the SMF. Inflation has remained sticky, prompting interest rates to be higher for longer. Geopolitical tensions have also contributed to volatile commodity prices, while the slow rebound of the Chinese economy has added extra uncertainty. Despite these concerns, market sentiment has remained positive, with equity markets both in Australia and the United States setting new all-time highs. This backdrop has provided the SMF with a unique learning experience and encouraged us to reconsider our current holdings, both within the Asset Allocation (AA) portfolio and the Active Australian Equity (AAE) portfolio.

For the period from 1 January 2024 to 4 April 2024, the SMF's portfolio generated a return of 6.14% on a year-to-date (YTD) basis, outperforming our target return of 5.16% by 0.98%, largely due to our equity allocation as noted below. On another positive note, the SMF's portfolio outperformed the reference portfolio by 1.43% for the YTD. Cumulatively, since its inception, the fund has achieved an annualised return of 9.12%, outperforming the reference portfolio by 1.55% in total and 6.25% ahead of our target return.

For the year to 4 April 2024, the main driver of the AA's portfolio performance was the emerging market equities (EM) allocation, which contributed 0.20% to total portfolio performance. Given that asset allocation has been responsible for 0.09% of the total 1.43% outperformance of the SMF's portfolio over the reference portfolio for the YTD, this emerging market allocation has been instrumental in maintaining our capital. With respect to the AAE portfolio, the main driver of performance was Suncorp Group Limited (SUN) (+1.43%) following confirmation of the sale of its banking arm to ANZ, as well as Downer EDI Limited (DOW) (+1.12%) which outperformed expectations following its half year results to 31 December 2023. Brambles Limited (BXB) and Westpac Banking Corporation (WBC) also contributed positively to the performance of the AAE portfolio due to strong underlying business fundamentals and stable, quality cash flows.

The negative performers for 2024 were Ansell Limited (ANN), which has struggled due to a demand slump following the pandemic, as well as CSL Limited (CSL), which has underperformed in 2024, following concerns about the newly acquired segment Vifor, despite margin recovery in the largest segment, Behring. The Fund's hedged developed market equities (DM,H) position also did not perform as expected due to the Australian dollar falling from a high base at the end of 2023. Overall, the SMF portfolio has performed well in 2024 thus far. Our asset holdings have offered diversification, and our stock selections have outperformed our benchmark, showcasing our continued commitment to our investment philosophy.

The SMF welcomed ten new juniors in Semester 1, 2024, who have collectively shown tremendous development since commencing. As CIO, I am pleased to report that our juniors have quickly adapted to the SMF workload, via effective teamwork and engaging in meaningful discussions, while also actively embracing the steep learning curve and exemplifying the SMF's 'Five Key Values'. With the seniors successfully transitioning into their leadership roles and having introduced the SMF's processes and procedures over the first half of the semester, they are now preparing the Fund for Investment Advisory Committee (IAC) presentations coming up in the second half of the semester. The leadership team has successfully stepped into their roles, ensuring their respective juniors are familiar with the processes of the SMF and that the seniors are comfortable and confident in their leadership positions. Worthy of mention is the new initiative to increase sub-team collaboration this semester, where the leadership team has implemented new 'open tutorials' involving the AA and AAE sub-teams inviting all SMF students to join their tutorial. Such efforts are aimed at increasing the knowledge and understanding of all Fund members of the roles and skills of the other sub-teams. In doing so, we hope to fast track the

juniors learning curve and help improve the ability of all fund members to work with other sub-teams, recreating the experience of working in a professional firm. With further focus, this cross sub-team collaboration will continue to contribute to the learning objective aligned with the key values of the SMF.

Additional points of emphasis and achievements for each sub-team for 2024 so far, are below:

- Risk and Compliance (R&C) have performed environmental, social and governance (ESG) analysis on six companies. Worthy of mention is their analysis of GQG Partners Inc. (GQG), which identified a key personnel risk, demonstrating the robustness of their application of the ESG framework.
- AAE have narrowed down their candidate stock analysis (CSA) selection to two exciting proposals of AUB Group Limited (AUB) and Orora Limited (ORA). AAE also rebalanced our position in DOW back to the 10% target weighting following research conducted in 1H24.
- AA have performed their preliminary macroeconomic analysis to input into the PC model. A notoriously complicated process, AA showed analytical prowess in explaining this process, ensuring greater understanding across the SMF.
- Relationship Team (RT) continued their regular stream of social media posts, and created a new “holdings update” framework, whilst putting into action a new video initiative which will provide unique content for the SMF for semesters to come.

To improve our understanding of industry practices and professional standards, the fund welcomed guest presentations from former SMF Fund Convenor, Dr Geoff Warren, as well as healthcare analysts Peter Niu and Andrew Paine from CLSA Australia. These presentations assisted the Fund in improving its output to ensure consistency between SMF investment recommendations and industry level reports. As the semester continues, we are excited to welcome former AAE team head and SMF alumnus, Hugo Klimt, who currently works at Macquarie Bank, to share with us his experience of embarking on a career in the industry.

***Francis Brown, CIO***

## Team updates

The following updates introduce new members, detail activities and outline upcoming priorities for each sub-team.

### Asset Allocation (AA) team

This semester, the AA team is delighted to welcome three exceptional juniors, Harry Nielson, Jessica Zeltzer, and Koh Dewar, to join our returning seniors Enkhbaatar Oyungerel and Siying Li. They have exhibited exceptional professional ability and immense enthusiasm for researching economic conditions and global markets, demonstrated in their analyses and presentations so far.

After an initial period of familiarisation and research, the AA team conducted their inaugural open tutorial in Week 3. This new initiative aims to foster stronger communication among different team members outside of fund meetings, assisting other members in forming economic expectations. Doing so also assists in providing the AA team with diverse perspectives on the economy and giving the AA team’s juniors the opportunities to practice summarising and sharing research findings. Following that, the AA team presented their Macro Outlook to the wider Fund in Week 4. During these processes, the team thoroughly examined the primary factors expected to significantly influence the terminal values of various asset classes within the Fund’s portfolio,

encompassing domestic equities, developed markets equities, emerging markets equities, as well as the defensive component consisting of cash and bonds. These factors included aggregate economic growth, inflation, central bank interest rates, price-to-earnings (PE) and return on equity (ROE) ratios.

These comprehensive analyses served as the foundation for the key inputs of the AA team's portfolio construction (PC) model, including crucial forecasts for the 3-year horizon, leading to the culmination of the Model Update Presentation in Week 5. Each semester, the Model Update Presentation serves as the blueprint guiding the AA cohort in justifying potential adjustments to the AA portfolio's target weights. Concurrently, in-depth research into international economies and stock markets provided the AA members with the opportunity to reassess developed and emerging markets.

Presently, the AA team is actively drafting the AA Recommendation Report. This document will serve as the foundation for their proposed adjustments to the AA portfolio's target weights at the upcoming IAC meeting, slated for Week 9. The report will encapsulate the team's collective perspective regarding the retention or modification of target weights for each asset class, with a specific focus on evaluating the potential returns and risks linked to the international equity exchange-traded funds (ETFs).

The AA team will embark on a novel collaboration with the AAE team during the mid-semester break to conduct in-depth analysis of target companies, aiming to assist them in evaluating the performance of companies under different economic scenarios. Additionally, another open tutorial is expected to be conducted in Week 10 to help other team members gain a better understanding of opportunities and risks in the international markets.

Moving ahead, the AA team is eager to delve deeper into the potential of Real Estate Investment Trusts (REITs) as a new asset within the Fund. While initial discussions were held earlier in the semester regarding the feasibility of incorporating REITs, further research was paused due to prevailing economic uncertainties. Nevertheless, the team remains confident in the value that REITs can bring to risk diversification and foresees more favourable policy conditions emerging later this year or early next year. Additionally, the team sees this initiative as an opportunity to involve junior members in decision-making processes, paving the way for a seamless leadership transition next semester and upholding the Fund's legacy.

Siying Li, Head of AA

### Active Australian Equities (AAE) team

This semester, the AAE team welcomed four junior analysts: Benjy Jacobson, Aiden Jacobson, Gemma Saliba, and Tom Mitchell. This group has done an exceptional job of integrating themselves into the AAE team, and their work rates have been nothing short of extraordinary.

Our team has streamlined to an overall size of seven, with two senior analysts: Angus McCulloch and Benji Klotz; both of whom have done an excellent job of setting a benchmark for our junior analysts to aspire to and leading their respective projects. The senior team will continue to facilitate the transfer of knowledge to the junior team but have placed a greater emphasis on driving improvement than last semester when the focus was on stability throughout the convenor handover.

The seniors have made a series of small but meaningful changes which will contribute to their legacy. This includes aesthetic improvements to our presentations and the introduction of dedicated EPS figures to our models bringing us in line with industry.

This semester has been incredibly busy, with the AAE portfolio consisting of six active holdings – more companies than it has had at any other point in the Fund’s history. Additionally, the beginning of Semester 1, 2024 saw thirteen CSAs conducted on a diverse mix of companies, with a focus on defensiveness and sustainability of cash flows. The screening process focused on identifying quality companies with high dividend yields, which complied with the Fund’s socially responsible investment (SRI) policies. Industries examined included telecommunications, pharmaceutical, retailing, and insurance.

The team ultimately decided that ORA and AUB aligned best with the Fund’s objectives and were potentially undervalued. The team are currently examining these companies in greater depth. Both companies exhibit defensive characteristics and strong fundamentals, and we expect that they will provide stable cash flows into the future. Should both companies maintain viability following in-depth research, buy recommendations will be presented to IAC during Week 11.

DOW was rebalanced on February 15, 2024. The stock price jumped approximately 20% following the release of their report for the period ending December 31, 2023. This price rise pushed DOW above a 13% weighting within the AAE portfolio triggering a rebalancing decision. The senior team agreed that the SMF should rebalance DOW back to its 10% target weighting. The stock was then flagged as potentially overvalued, which saw its revaluation swapped with that of Ansell, as it attracted a higher priority.

The team’s revaluation of DOW earlier in the semester suggested that the company may be overvalued. Further to this point, the company fundamentals have departed from those which initially attracted the Fund to DOW and our initial investment thesis no longer holds. The team is currently undertaking work on a sell recommendation, with the intention of presenting this to IAC this semester.

CSL, WBC and SUN were all revalued earlier in the semester. Having only been purchased by the Fund last semester, CSL has not seen significant change, though there was some market fluctuation following reporting on CSL-112’s failure and the previous period’s results. The team determined that CSL’s fundamentals are still strong, and the original investment thesis still held, leading to a hold recommendation.

The decision to hold WBC was one reliant on franking credits. Modelling suggested that the bank was slightly overvalued but the Fund’s benefit from franking credits and the company’s strong fundamentals supported a hold.

Finally, the Fund elected to hold SUN. The environment surrounding SUN is slightly ambiguous with the upcoming sale of its banking arm. The team concluded that the insurance segment of SUN remains strong and anticipates that the company will continue to pay dividends in line with or exceeding the benchmark, especially considering they pay fully franked dividends from which the Fund receives an additional benefit.

Other work which still needs to occur this semester include the revaluations of BXB and Ansell. Ansell’s revaluation is set to be complete in Week 8, while BXB is set to be revalued in Week 11.

*Jordan Hawke, Head of AAE*



## Risk and Compliance (R&C) team

The R&C team is excited to welcome two outstanding junior analysts this semester: Aryaman Chhaya and Nick Devlin. Under the guidance of our returning senior analysts Donna Yang, Ethan Tay, and Chief Risk Officer (CRO) Mayoouran Gnanasampanthan, the incoming juniors have already demonstrated a high level of proficiency in undertaking team tasks as well as making meaningful contributions to the Fund. The senior analysts have exhibited excellent leadership skills while consistently upholding a high standard of work. These include identifying objectives such as identifying relevant SRI / ESG concerns at the CSA stage for prospective stocks, observing behavioural biases under the Behavioural Bias Risk Management Framework (BBRMF) and presenting their findings at both the sub-team and the Fund levels.

The CSA stage involved the Fund investigating a selection of six stocks, for which R&C collaborated with the AAE team to assess ESG concerns with the company and their operations, as well as ensuring compliance with the SMF's SRI Policy. Notably, the analysis of GQG raised some concerns over the company's fit given the Fund's objectives, with the R&C team conducting Fund-wide polling and further analysis to determine whether to proceed. This led to GQG falling out of in-depth analysis consideration.

The team has continued to refine the BBRMF process, with the introduction of undertaking BBRMF check-ins with a new framework for the IAC practice meetings. These are intended to help identify potential behavioural biases that are observed when presenting the investment cases to the IAC, and to ensure objectivity within the discussions. R&C also continuously monitors for behavioural biases on an ongoing basis during cross-team collaboration projects and sub-team meetings, with the goal of providing an even greater level of insight and feedback to help mitigate observed biases within the team.

The seniors conduct performance attribution analysis and monitor the Fund's portfolio to ensure that it remains compliant with SMF's SRI Policy and the Investment Policy Statement (IPS) with a declaration of compliance presented later in the report. Currently, the R&C team is collaborating with the AAE team on the potential investments in AUB and ORA in the ongoing red-teaming initiative. This involves one senior and one junior working together on each stock to ensure that they do not breach the SMF's SRI policies or observe any biases within their presentation and challenge AAE's models and evaluations. The team is also working together with the AA team on a portfolio-wide risk analysis of the ETFs held, and the breakdown of their revenue sources to ensure that they comply with the SRI policy.

Looking ahead, the re-implementation of the Mining Framework that was originally introduced two years ago, would allow analysis of a sector that tends to be under-explored in the Fund due to potential SRI concerns. R&C analysts focus on selected mining companies' ESG outlooks, as well as for existing and potential reputational risk considerations. Prospective investments that do not breach the SMF's SRI Policy or pose a threat of social harm would be suitable for CSAs in the following semesters by the AAE team. The Fund's portfolio has a margin of 48.67% over the SRI Policy's required baseline of 30% less carbon emissions than the ASX200's portfolio, which gives the Fund the cushion to consider more carbon intensive stocks that are common in this sector, while still adhering to the SRI objectives.

*Mayoouran Gnanasampanthan, CRO*



## Relationship Team (RT)

In February, RT was excited to welcome Kyaw (John) Sat as Relationship Officer and welcome back Alexander Aranega as Engagement Manager, for what is shaping up to be a successful semester. John has shown enthusiasm to contribute to the Fund, working closely with Alexander and RT Head Semele Haynes towards the goals of the team.

The team has continued to promote the Fund, most notably with the creation of content and upkeep of the fund's social media platforms. This has been achieved with a focus on showcasing the work of SMF students, with the introduction of 'market update' posts, allowing the AAE and AA teams to give stakeholders an insight into the Fund's market perceptions. The RT also posted a holdings breakdown to provide a simple and accessible mode for external stakeholders to understand the Fund's investments. The introduction of this new content follows a continued revamp of the Fund's external marketing, focusing on catching the interest of the readers while also maintaining its professionalism. The RT will present a statistical analysis of the metrics provided by Facebook and LinkedIn to measure the performance of our content and determine the success of these new forms of content.

After consultation with the SMF convenors and CBE, the RT has commenced the early stages of a short video initiative. A series of promotional videos will interview members of the Fund about their experiences and be used as a form of marketing. The RT is also continuing initiatives initiated by previous cohorts, including posting on the LinkedIn alumni page. Furthermore, RT will again be hosting the Women in Finance Drinks in collaboration with the Financial Management Association of Australia (FMAA).

In Week 5, the leadership team attended undergraduate and postgraduate finance and statistics lectures, to advertise the opening of applications. The marketing campaign aims to encourage students to plan early, allowing multiple opportunities to apply during their program and to break down misunderstandings that have discouraged prospective applicants in the past.

Looking forward to the second half of the semester, RT will continue marketing for applications. This will be facilitated through the Fund's application workshop, where RT and the leadership team will assist students with their stock pitches, as well as answer any questions prior to the application deadline. The team will continue to update external stakeholders on development as the Fund heads towards the IAC meetings. The RT will also continue to represent the Fund in any engagement opportunities. The team has successfully engaged with a large range of prospective applicants through various events this semester, including CBE Dean's Welcome, CBE Mid-Semester Pizza Party and ANU Open Day.

Overall, RT is committed to improving and growing with the Fund, both with respect to our coverage and reach, as well as the personal development of our skills. RT's goals are aligned with the Fund's five key values, which exist alongside the fund-wide duties required by each of its members.

*Semele Haynes, Head of RT*

## SMF team photos and roles

### Chief Investment Officer



*Francis Brown (CIO)*

### Convenors



*Dr Dean Katselas (Fund Convenor)*



*Dr Hua Deng (Course Convenor)*

## Team Heads



*L-R: Mayoouran Gnanasampanthan (CRO), Semele Haynes (RT), Francis Brown (CIO), Siying Li (AA), Jordan Hawke (AAE)*



## Asset Allocation (AA) team



*L-R: Koh Dewar (Analyst), Harry Nielsen (Analyst), Siying Li (Team Head), Jessica Zeltzer (Analyst)  
Enkhbaatar Oyungerel (Senior Analyst)*

## Active Australian Equities (AAE) team



*L-R: Angus McCulloch (Senior Analyst), Jordan Hawke (Team Head), Gemma Saliba (Analyst), Tom Mitchell  
(Analyst), Benji Jacobson (Analyst), Benji Klotz (Senior Analyst), Aiden Jacobson (Analyst)*

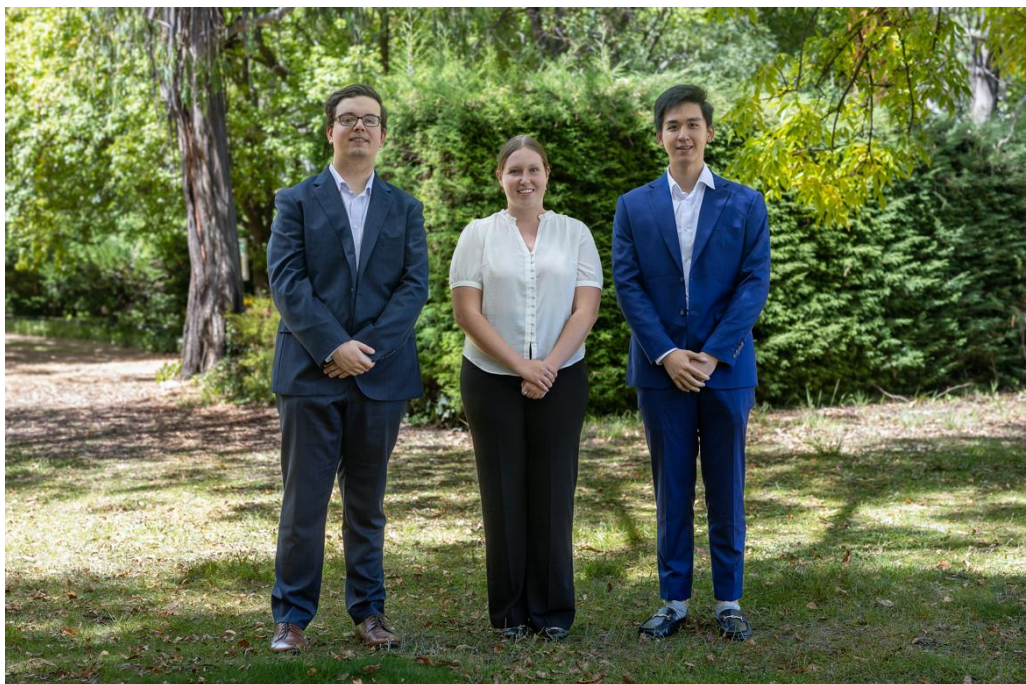


## Risk and Compliance (R&C) team



*L-R: Nick Devlin (Analyst), Qingqing Yang (Senior Analyst), Ethan Tay (Senior Analyst), Aryaman Chhaya (Analyst), Ethan Tay (Analyst), Mayoouran Gnanasampanthan (CIO)*

## Relationship Team (RT)



*L-R: Alexander Aranega (Engagement Manager), Semele Haynes (Team Head), Kyaw Sat (Relationship Officer)*

*Photography by Tram Pham and Crystal Li, CBE*

## Portfolio overview

### Portfolio structure

The asset values and their respective weights within the SMF portfolio are presented in Figure 1. As of 4 April 2024, the portfolio was valued at \$840,807. The allocation of the SMF portfolio adheres to the reference weights, with 20% allocated to defensive assets comprising Australian fixed income (AFI) and Australian cash (AC), and 80% allocated to growth assets including AE, DM,H, and Unhedged developed markets (DM,U) , and EM.

During Semester 2, 2023, the former AA team recommended reallocating 5% from DM,H to DM,U in the SMF portfolio. This semester, there have been no adjustments made to the target weights in the AA portfolio. However, the current AA team is actively working on a report for the IAC, which could potentially lead to revisions in the target weights of the SMF portfolio. Presently, all individual asset classes are comfortably within their target ranges, with none nearing the 3% deviation threshold that would prompt a review for rebalancing.

Figure 2a contrasts the weights of SMF asset classes with those of the reference portfolio as of 4 April 2024. Deviations include: -6.14% for AE; +9.28% for EM; +1.08% for DM,U; -3.81% for DM,H; -1.80% for AFI; and +1.40% for AC. These variations result from a blend of target weights, market fluctuations, and the accumulation of cash receipts as income is generated by the Fund.

Figure 2b illustrates the six active stock positions in the AAE portfolio, comparing them with their target weights as approved by the IAC. All positions are within a  $\pm 3\%$  range of their designated target weights.

Figure 1: Portfolio structure as of 4 April 2024

Portfolio component	Benchmark ETF	Asset values	SMF portfolio weight	Reference portfolio weight	Over (under) weight
		\$	%	%	%
<b>Australian equities</b>					
<b>AAE portfolio:</b>					
iShares Core S&P/ASX 200 ETF		180,497	21.47		
Ansell Limited		35,897	4.27		
Brambles Limited		44,020	5.24		
CSL Limited		44,556	5.30		
Downer EDI Limited		40,889	4.86		
Suncorp Group Limited		54,349	6.46		
Westpac Banking Corporation		40,945	4.87		
Total AAE portfolio	iShares Core S&P/ASX 200	441,154	52.47	50	2.47
<b>Held within AA portfolio:</b>					
iShares Core S&P/ASX 200 ETF		11,671	1.39	10	-8.61
<b>Total Australian equities</b>	iShares Core S&P/ASX 200	452,824	53.86	60	-6.14
Developed markets, hedged	Vanguard International Shares Index, Hedged	52,041	6.19	10	-3.81
Developed markets, unhedged	Vanguard International Shares Index	93,129	11.08	10	1.08
Emerging market equities	iShares MSCI Emerging Markets Index	78,011	9.28	0	9.28
<b>Total international equities</b>		223,181	26.54	20	6.54
<b>Total equities</b>		<b>676,005</b>	<b>80.40</b>	<b>80</b>	<b>0.40</b>
<b>Australian fixed income</b>	Vanguard Australian Government Bond Index	<b>110,963</b>	<b>13.20</b>	<b>15</b>	<b>-1.80</b>
<b>Australian cash &amp; accruals:</b>					
BetaShares Australia High Interest Cash		15,036	1.79		
BT Cash Management Trust		20,400	2.43		
Accrued Interest & Dividends		3,477	0.41		
Accrued Franking Credits		14,926	1.78		
<b>Total cash &amp; accruals</b>	BetaShares Australia High Interest Cash	53,839	6.40	5	1.40
<b>Total fixed income &amp; cash</b>		164,802	19.60	20	-0.40
<b>Total value of SMF assets</b>		<b>840,807</b>			
Total portfolio value as reported in BT Panorama		825,881			
Accrued franking credits		14,926			



Figure 2 (a): Asset allocation and active stock weights as of 4 April 2024

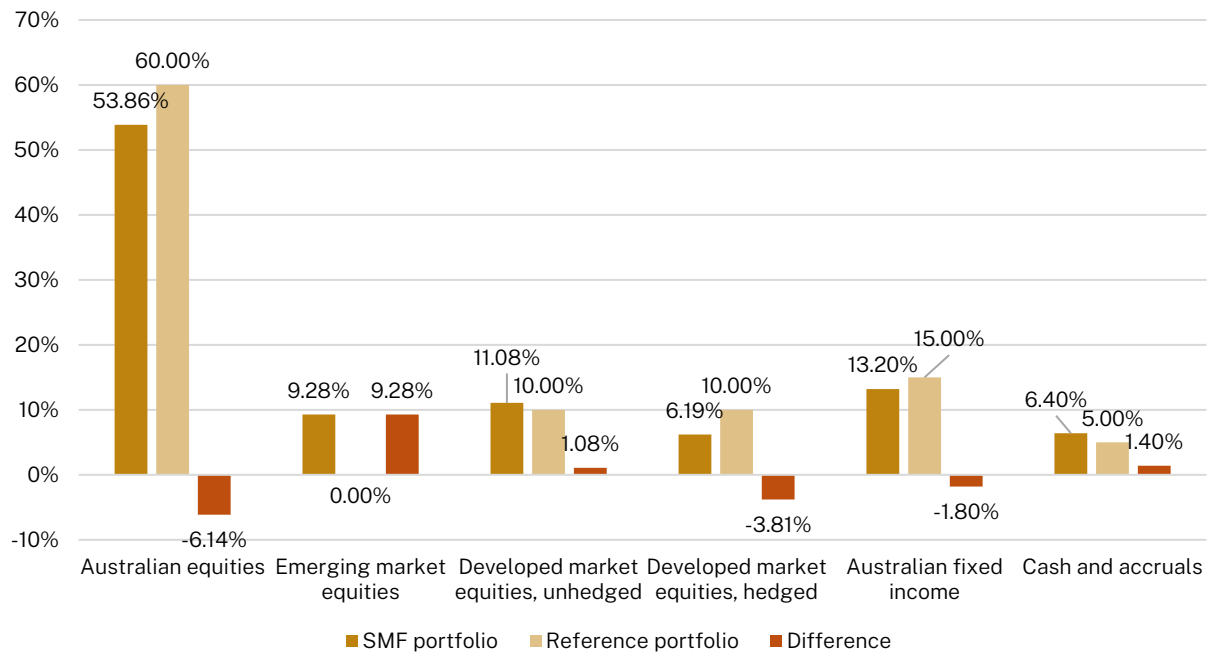
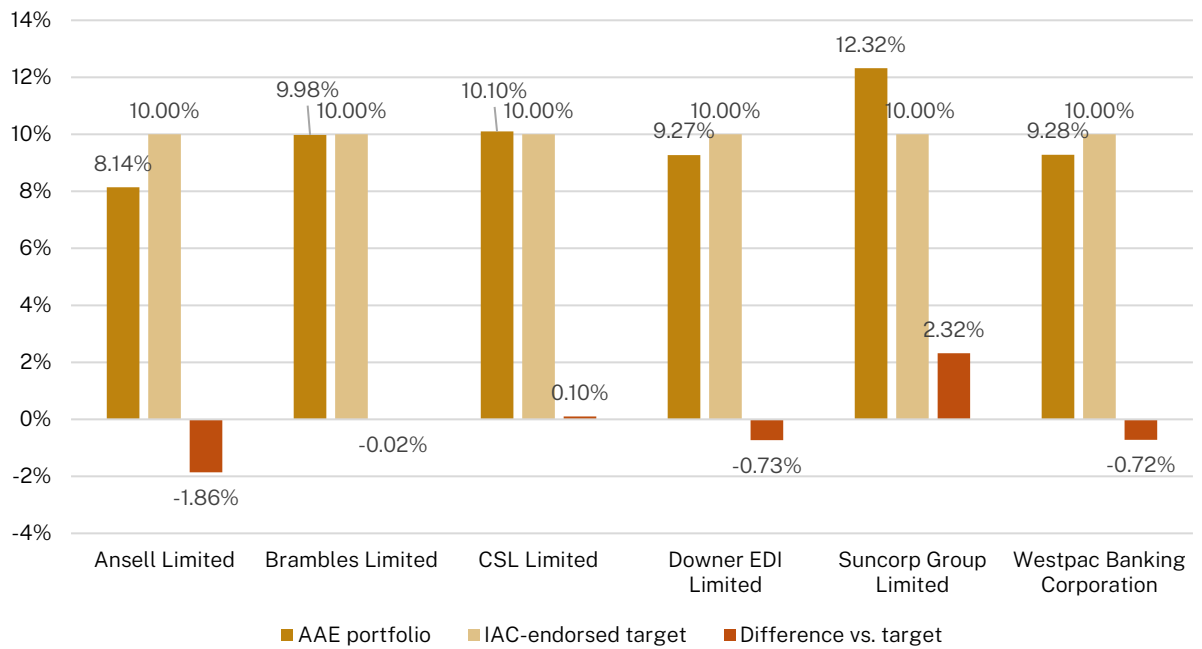


Figure 2 (b): AAE portfolio – active stock weights as of 4 April 2024



## Portfolio performance<sup>1</sup>

Figure 3 reports the total portfolio performance as of 4 April 2024. Since the inception of the Fund, the portfolio has achieved a cumulative total return of 68.32%, or 9.12% per annum. This result outperforms the target return by 6.25% cumulatively, and 0.71% per annum. Since 1 January 2024, the portfolio has generated an overall YTD return of 6.14%, which results in a return 0.98% over the reference portfolio. The target return (realised Consumer Price Index (CPI) over the period + distribution rate of 4.5%) lowering to 5.16%, combined with individual stock over-performance were the primary factors driving the positive overall returns. The Fund aims to deliver returns above the target to maintain the real value of the Fund after distributions in support of the RSFAS SMF Equity Scholarship, the primary investment objective in the IPS. The attribution analysis below discusses the contributions to the performance versus the reference portfolio.

## Attribution analysis

Figure 4 attributes portfolio performance relative to the reference portfolio, into components of the investment process, namely asset allocation and security selection. The AA component measures performance attributable to deviations in asset class weights versus the reference portfolio. The security selection component measures the contribution from the AAE portfolio relative to its benchmark, the iShares Core S&P/ASX 200 ETF (IOZ). After accounting for administration fees, a residual difference versus the total portfolio returns as reported in Figure 3 is estimated and reported under 'Aggregation, cash portfolio and other effects' (Figure 4). This item reflects the approximate nature of attribution analysis.

The SMF portfolio has historically over-performed relative to the reference portfolio since inception, with a cumulative per annum return of +0.19%. Contribution to the per annum returns since inceptions against the relative portfolio is attributed +0.05% to asset allocation, +0.16% to security selection, -0.16% to administration fees and +0.14% to aggregation, cash portfolio and other effects.

The positive AA contribution stems from strong AA performance in 2020 and 2022. The source can be attributed in large part to rebalancing activities during the COVID-19 related sell-off earlier in 2020, and the success of the position where AFI was held underweight and AC overweight during the period when bond markets were sold off. The latter is the main contributor to the difference between the AFI and AC contributions. The AAE portfolio's cumulative performance of +0.16% per annum reflects a mix of contributions, largely driven by strong performances in TLS, SHL and BXB, all of which have contributed close to +0.40% per annum. The largest negative performances have been Inghams Group Limited (ING) (-0.73%), WBC (-0.22%) and ANN (-0.22%).

Examining the YTD contributions, AA has added +0.09% while AAE has added +1.69%. The latter's strong performances are driven by SUN (+1.43%), DOW (+1.12%), BXB (+0.91%) and WBC (+0.75%), despite negative contributions from ANN and CSL (-0.56% for both). AA's positive performance to date is largely driven by strong EM (+0.20%) performance, with positive contributions from AFI (+0.05%) and DM,U (+0.03%), off-setting the weaker DM,H (-0.18%) performance in 2024.

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<sup>1</sup> All return calculations include franking credits.

Figure 3: Portfolio performance since inception as of 4 April 2024

Year	2018	2019	2020	2021	2022	2023	2024	Since inception	
Opening date	10 April 2018	1 January 2019	1 January 2020	1 January 2021	1 January 2022	1 January 2023	1 January 2024	10 April 2018	
Closing date	31 December 2018	31 December 2019	31 December 2020	31 December 2021	31 December 2022	31 December 2023	4 April 2024	4 April 2024	
<b>PORTFOLIO VALUES</b>									
Opening portfolio value in BT Panorama*	\$615,079.04	\$608,598.58	\$705,485.10	\$704,774.44	\$796,753.31	\$722,051.16	\$800,951.02		
+ Accrued franking credits	\$0.00	\$3,235.76	\$9,732.74	\$7,719.98	\$7,806.53	\$9,938.76	\$14,926.07		
<b>Opening portfolio value</b>	<b>\$615,079.04</b>	<b>\$611,834.34</b>	<b>\$715,217.84</b>	<b>\$712,494.42</b>	<b>\$804,559.84</b>	<b>\$731,989.92</b>	<b>\$815,877.09</b>		
Closing portfolio value in BT Panorama	\$608,598.58	\$705,485.10	\$704,774.44	\$796,753.31	\$722,051.16	\$800,951.02	\$825,882.71		
+ Accrued franking credits	\$3,235.76	\$9,732.74	\$7,719.98	\$7,806.53	\$9,938.76	\$14,926.07	\$8,893.72		
<b>Closing portfolio value</b>	<b>\$611,834.34</b>	<b>\$715,217.84</b>	<b>\$712,494.42</b>	<b>\$804,559.84</b>	<b>\$731,989.92</b>	<b>\$815,877.09</b>	<b>\$834,776.43</b>		
Change in portfolio value	-0.53%	16.90%	-0.38%	12.92%	-9.02%	11.46%	2.32%		
<b>CASH FLOWS</b>									
- Distribution related to prior period	\$0.00	-\$27,746.21	-\$32,186.49	-\$32,067.23	-\$36,205.19	-\$33,127.65	-\$36,714.47		
+ Amount held by CBE, offset against distribution	\$0.00	\$7,983.83	\$0.00	\$0.00	\$0.00	\$4,189.31	\$6,403.00		
- Contributions	\$0.00	\$0.00	\$1,000.00	\$150.00	\$4,188.00	\$18,190.00	\$910.00		
<b>Total cash flows</b>	<b>\$0.00</b>	<b>-\$19,762.38</b>	<b>-\$31,186.49</b>	<b>-\$31,917.23</b>	<b>-\$32,017.19</b>	<b>-\$10,748.34</b>	<b>-\$29,401.47</b>		
<b>RETURNS (%)</b>								<b>Cumulative</b>	<b>Per annum</b>
<b>SMF portfolio return</b> (based on adjusted portfolio values)	<b>-0.53%</b>	<b>20.77%</b>	<b>4.16%</b>	<b>18.20%</b>	<b>-5.25%</b>	<b>13.16%</b>	<b>6.14%</b>	<b>68.32%</b>	<b>9.12%</b>
Target return (estimated as CPI + 4.5%)**	4.56%	6.16%	5.36%	8.00%	12.41%	8.55%	5.16%	62.07%	8.40%
<b>SMF return less target return</b>	<b>-5.09%</b>	<b>14.61%</b>	<b>-1.20%</b>	<b>10.20%</b>	<b>-17.66%</b>	<b>4.61%</b>	<b>0.98%</b>	<b>6.25%</b>	<b>0.71%</b>
Reference portfolio return	0.58%	21.91%	3.40%	15.55%	-4.09%	13.36%	4.71%	66.77%	8.92%
<b>SMF return less reference portfolio return</b>	<b>-1.11%</b>	<b>-1.13%</b>	<b>0.76%</b>	<b>2.65%</b>	<b>-1.15%</b>	<b>-0.20%</b>	<b>1.43%</b>	<b>1.55%</b>	<b>0.19%</b>
<b>Note: Administration fees - BT Panorama</b>		<b>0.02%</b>	<b>0.23%</b>	<b>0.21%</b>	<b>0.23%</b>	<b>0.22%</b>	<b>0.07%</b>	<b>0.98%</b>	<b>0.16%</b>

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

\*\* Based on realised CPI to December quarter 2023, and an estimated +0.1% change in CPI from December quarter 2023 to 31<sup>st</sup> March 2024.

Figure 4: Performance attribution since inception as of 4 April 2024

Contributions to performance vs. reference portfolio									
Period	2018	2019	2020	2021	2022	2023	2024	Since inception	
	%	%	%	%	%	%	%	Cumulative	Per Annum
Opening date	10/4/18	1/1/19	1/1/20	1/1/21	1/1/22	1/1/23	1/1/24	10/4/18	
Closing date	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	31/12/23	4/4/24	4/4/24	
<b>SMF portfolio vs. reference portfolio</b>									
Asset allocation	0.17%	-0.28%	1.55%	-0.24%	0.50%	-1.39%	0.09%	0.36%	0.05%
Security selection - AAE portfolio	-1.26%	-0.58%	-0.66%	2.50%	-1.13%	0.58%	1.69%	1.09%	0.16%
Contribution from positions held (prior BT fees)	-1.09%	-0.87%	0.89%	2.26%	-0.63%	-0.81%	1.78%	1.44%	0.21%
Administration fees – BT Panorama	0.00%	-0.02%	-0.23%	-0.21%	-0.23%	-0.22%	-0.22%	-0.98%	-0.16%
Aggregation, cash portfolio and other effects	-0.02%	-0.24%	0.09%	0.60%	0.29%	0.83%	-0.13%	1.09%	0.14%
<b>Total relative performance</b>	<b>-1.11%</b>	<b>-1.13%</b>	<b>0.76%</b>	<b>2.65%</b>	<b>-1.15%</b>	<b>-0.20%</b>	<b>1.43%</b>	<b>1.55%</b>	<b>0.19%</b>
<b>Asset allocation attribution</b>									
Australian equities	0.01%	-0.04%	0.44%	0.02%	-0.23%	-0.01%	0.01%	0.21%	0.03%
Developed market equities, hedged	0.01%	-0.01%	-0.02%	-0.03%	0.00%	-0.08%	-0.18%	-0.31%	-0.05%
Developed market equities, unhedged	0.01%	0.01%	0.02%	-0.15%	0.24%	-0.57%	0.03%	-0.41%	-0.06%
Emerging market equities				-0.24%	-0.68%	-0.65%	0.20%	-1.37%	-0.20%
Australian fixed income	-0.02%	-0.11%	1.24%	1.31%	0.47%	-0.01%	0.05%	2.96%	0.43%
Cash and accruals	0.16%	-0.15%	-0.14%	-1.13%	0.71%	-0.05%	-0.02%	-0.62%	-0.09%
Time aggregation effect	0.00%	0.00%	0.00%	-0.03%	-0.03%	-0.01%	0.00%	-0.07%	-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>0.50%</b>	<b>-1.39%</b>	<b>0.09%</b>	<b>0.36%</b>	<b>0.05%</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%	0.00%	-0.21%	0.00%	-0.39%	-0.06%
Ansell Limited						-0.95%	-0.56%	-1.50%	-0.22%
Bingo Industries Limited	-3.21%	1.89%	-0.75%	1.50%				-0.65%	-0.10%
Brambles Limited				-0.63%	1.62%	0.62%	0.91%	2.54%	0.37%
CSL Limited						0.34%	-0.56%	-0.22%	-0.03%
Downer EDI Limited					-0.51%	1.23%	1.12%	1.84%	0.27%
Inghams Group Limited		-2.43%	-0.17%	0.23%	-2.19%	-0.28%		-4.78%	-0.73%
Rio Tinto Limited	-0.04%	0.52%	0.54%					1.02%	0.15%
Sonic Healthcare Limited		-0.11%	1.85%	0.75%				2.50%	0.37%
Suncorp Group Limited					-0.66%	0.81%	1.43%	1.58%	0.23%
Telstra Corporation Limited	0.62%	0.53%	-1.05%	2.06%	0.45%			2.61%	0.38%
Westpac Banking Corporation		-1.49%	-1.49%	0.77%	0.58%	-0.57%	0.75%	-1.47%	-0.22%
Time aggregation effect	-0.02%	-0.01%	-0.04%	0.01%	-0.05%	0.02%	0.03%	-0.06%	-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>-1.92%</b>	<b>1.01%</b>	<b>3.12%</b>	<b>1.66%</b>	<b>0.24%</b>
Average AAE portfolio weight in SMF portfolio	47.37%	50.88%	55.49%	53.83%	55.60%	53.68%			
<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>-1.13%</b>	<b>0.58%</b>	<b>1.69%</b>	<b>1.09%</b>	<b>0.16%</b>

## Socially responsible investment (SRI) report

This report details how the ANU SMF portfolio is invested in line with the SMF SRI Policy, which was developed based on the University's SRI Policy and the SMF objectives. The key points of the SMF SRI Policy are captured below.

(i) Exclude companies that draw more than 20% of revenues from adult entertainment, coal, gambling, tobacco, alcohol, armaments, and 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 with 'social benefit.'

(v) Preference companies that actively pursue sustainable business activities as determined by the Fund, with a current focus on the following activities and practices related to ESG categories:

E. Climate change action

S. Equity, diversity and inclusion

G. Corporate trustworthiness, including transparency, compliance and accountability.

All active stock positions in the SMF portfolio currently comply with the industry exclusion list outlined in condition (i). The industry exclusion list is applied to reviews of the SMF portfolio through a narrowing down of the list of candidate stocks at the CSA stage that are considered as part of the stock-filtering process.

Figure 5 reports on compliance on carbon intensity (condition ii) with respect to the active stock positions with the AAE portfolio as of 4 April 2024. Sourced from the ANU Investment Office, the carbon intensity of the AAE component of the SMF portfolio is calculated from active stock positions using tons of CO2 produced per \$1 million of revenue on a holdings-weighted basis. This is then compared with the carbon intensity of the S&P/ASX200 estimated on a market-capitalisation basis. The Fund is pleased to report that the AAE portfolio's carbon intensity is 78.67% below the ASX200 index, which is within the -30% threshold target with a margin of +48.67%.

**Figure 5: Carbon intensity of the AAE component as of 4 April 2024**

	ASX200	ANN	BXB	CSL	DOW	SUN	WBC	Total active stock positions	Active stock positions vs. ASX200	Target improvement	Margin
Weighting in AAE portfolio	40.91%	8.42%	9.50%	10.94%	11.16%	10.78%	8.75%	59.55%			
Carbon intensity	163.28	123.50	7.00	32.20	49.40	2.00	4.90	34.83	-78.67%	-30.00%	48.67%

### *Declaration*

The Fund declares that it has complied with the University's SRI policy while effectively implementing the SMF SRI policy throughout 2024. The Fund remains committed to consistently reviewing and refining its SRI policy to support sustainable business practices while pursuing long-term returns.

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