Queen's Student Managed Fund

Annual Report 2020/21

Queen's University Belfast | Management School

FOREWORD

April 2021 marked the fifth anniversary of our real money fund, and it has been my pleasure to work alongside our talented team to deliver the best experience for our members. As the current CEO, I focused on creating a framework where the fund's members thrived while pushing the portfolio further during this volatile year. Our goal was threefold; generating strong portfolio performance, offering applied learning opportunities for our members and facilitating industry experiences to help our members secure roles in the most prestigious financial institutions.

The Executive Committee has set a new goal for the next five years to celebrate our anniversary. The fund will seek to diversify across different asset classes, especially foreign securities, to search for value in untapped markets, lowering overall risk. This plan will enable the fund to develop further, offering our analysts new opportunities to put their skills into practice.

Portfolio growth remained our priority during QSMF's fifth year of activity and having just under £50,000 invested, this makes us one of the most significant student-managed funds in the UK. We significantly outperformed the FTSE 350 benchmark to maintain our growth ambitions by being well-positioned to benefit from the market rally. Moreover, with the new strategy for the coming years, we are looking forward to increasing the assets under management with new investment ideas.

This year, as all of our activities occurred online, the Executive Committee established reliable online learning materials in the form of weekly webinars. With the help of our Sector Heads, we kept all analysts connected and bridged the gap of working online, seeing high participation rates every week. Moreover, we facilitated interactive simulations and Masterclasses and hosting industry professionals to help our members find a career that suits their abilities.

To mark this significant milestone in our fund's history, we established an annual charitable donation, formed as a percentage of our profits. To start, we will donate £1,500 amount to PIPS Charity this year.

I would like to thank the Oversight Committee for their guidance throughout the year and Davy for their continued support as fund sponsors. Alongside the valuable support from Davy, we are delighted that Citco Group Ltd will be joining as Gold Sponsors this year. We look forward to working with Citco and are grateful for their support. I would also like to thank the members of the Executive Committee for their work alongside Sector Heads for delivering such interactive learning experiences and to our Analysts for their involvement.

To conclude, I see our work this year as having laid the foundations for the next generations of QSMF members. As the Executive Committee, we are looking forward to seeing the following teams diversify into new asset classes while maintaining a high standard of education for the members and helping more students secure positions in the most prominent financial institutions in the world.

Bogdan Golumbeanu (CEO)
BSc Economics with Finance
Incoming Goldman Sachs Analyst

NEW DIRECTION

Over the year, the 2021/21 committee identified an opportunity to change the fund for good. This new direction will increase the fund's educational value and reduce the portfolio's systematic risk. To achieve this, we have set the following goal:

> Diversify the fund's holdings and move away from the FTSE 350 constraint over the next three years

We will add one new asset (anything other than UK equities) per year to the portfolio. This investment policy will ensure that future members have the whole academic year to understand the risks, pricing, macro environment and bureaucracy associated with each asset before committing to adding it to the portfolio whilst maintaining a focus on UK equities for the foreseeable future. Forthcoming executive committees can therefore structure the weekly meetings accordingly to educate the rest of the fund about the specific asset class that will be pitched at the rebalance at the end of the year.

As the portfolio expands, the size and sophistication of the fund must grow too. Historically, the Management School dominates student membership. But to maximise the fund's returns, a technical, quantitative aspect is needed. In addition, a multi-asset portfolio presents an excellent opportunity for STEM students to gain hands-on financial experience with practical applications such as cross-asset correlation models, for example. A dashboard has also set the tone for the fund moving forward, and each future technological step will only add to the richness of the experience we provide our members.

The culture of the fund has always been highly positive and motivating, and to ensure it only improves, we have created a set of values:

- **We are collaborators**
  - We understand the importance of diversity and understanding other perspectives.
- **We are innovators**
  - We understand the role that technology plays in our daily lives and in our future careers.
  - We are disruptive thinkers and understand the danger of 'we have always done it this way.'
- **We empower students**
  - From the first year to postgraduate, everyone deserves their voice to be heard.
- **We are impact investors**
  - We incorporate ESG metrics into investment decisions.
  - We give back to the fund's members and donate a portion of profits to charity.

Daniel Colbeck (Co-COO)
BSc Finance

FUND ACTIVITIES

As Co-Chief Operating Officer, I took the lead on the operations side of the QSMF. There were approximately 130 students enrolled this year as students at Queen's continue to seek knowledge beyond the boundaries of their courses. Moreover, the fund attracts more diverse perspectives from non-Management School degrees such as Engineering, Law and Physics. Next, we adapted to new challenges never seen before by moving all fund's activity online. Students were not discouraged by the transition to an online format, as evidenced by our record participation rate. On the positive side, technology opened new doors in terms of flexibility and the ability of our members to engage in the webinars in their own time, regardless of time constraints and external commitments.

Guest Speakers

The fund provides a platform for students to further their professional network; guest speakers and online events encourage students to engage with the industry. Leveraging the online format, we invited speakers from overseas to share their insights and experiences. We had the honour to invite a Queen's alumnus, Declan Breslin, former Global Head of Client Services at JP Morgan NYC. Moreover, Charlie Morris, Chief Investment Officer of ByteTree Asset Management and former Head of HSBC Wealth Opportunities Fund,

Another goal was to equip students with the technical knowledge required to generate informed investment decisions. Therefore, the Bloomberg Markets Concept Certificate acted as the starting point. Next, throughout the first semester, we provided weekly webinars that taught analysts how to perform a CFA style equity research report. To do this, we tailored each webinar to one component of our final report so by the end of it. As a result, our members have all the tools and confidence to produce their analyst reports in the second semester.

Events

- Introduction to the QSMF
- Webinar: Macro
- Webinar: Competitive positioning & Investment Metrics
- Masterclass with Declan Breslin
- AmplifyME Finance Accelerator
- Webinar: DCF Analysis
- Masterclass Charlie Morris
- Webinar: Risk, & ESG
- Webinar: Creating an Equity Report
- Bloomberg Markets Concept Course
- Application Process Webinar for Internships

Building commercial awareness for our members is another crucial aspect of the fund. So we made use of the Financial Times subscription provided by the Management School. We also continued to partner with Lightstone Insights, the online publication run by the fund's CEO, Bogdan Golumbeanu, to keep students up-to-date with the latest market news.

Each webinar also included a markets and current affairs discussion, encouraging students to share ideas, think critically and challenge each other's perspectives.

To gain practical experience in different finance roles, we partnered with AmplifyME, a tech company that helps students find their roles in the industry. Therefore, we organised the Finance Accelerator Simulation for our analysts to understand better what an asset manager and a market maker do in their jobs. In the second semester, we organised the AGM in an online format where we discussed the fund's performance and our vision for this year. Our biggest highlight for this year was the Davy online Pitching Event. All of the work and effort that our Analysts and Sector Heads have put in over the last seven months leading up to this event was well received by Davy and the panel of professionals that evaluated our investment pitches.

Yee (Jed) Tan (Co-COO)
BSc Finance
Incoming Citco Fund Services Senior Administrator

ECONOMIC OUTLOOK 2021

'Unprecedented' is the only applicable term for the environment we currently find ourselves in. We are undoubtedly living through a piece of history that will be discussed and evaluated for years to come. In 2020, we observed a monumental collapse, and after an excessive amount of money printing, global markets recovered.

The pandemic, and the actions of governments globally in response, have left us in a problem. Inflation and interest rates are the two most significant talking points at present. They have the potential to reverse or continue the great rallies we have seen in equity markets since March 2020. We are now at a crossroads, with several potential scenarios lying ahead of us. April 2021 CPI figures have made for grim reading, displaying a figure of 4.2% in the USA and 1.5% in the UK. This data has dampened the considerable run-up we have seen in the technology and ESG space over the last year. If recent inflation figures are indeed transitory and a result of the base effect, as central banks have been drumming recently, there will be less pressure on these institutions to raise interest rates and taper spending programmes. This action should aid global recovery as we move forward.

However, should inflation linger or accelerate in the coming months, we may see further volatility in both stock and bond markets, as we hang on Jerome Powell's every word. There has been recent optimism regarding the global recovery and potential for a 'roaring twenties' as the grand reopening of business and countries continue. Vaccination programmes here in the UK have been very positive, and we should return to normality soon. However, the economic rebound is likely to replace rather than augment the effect of trillions of dollars in pandemic relief programs, which preserved corporate revenues while subsidising labour costs. If the global recovery were to undershoot expectations, we might see a second collapse in equities markets or a continuation in the volatility that we have seen recently.

Due to the financial markets' uncertainty, the QSMF has rebalanced for a more defensive outlook. Accordingly, we reduced exposure to highly valued companies and adding some portfolio insurance (through Gold) if turbulent times arrive and inflation rears its ugly head for longer than expected.

Conor Dornan (CE)
BSc Economics with Finance
Incoming Analyst at Otus Capital Management

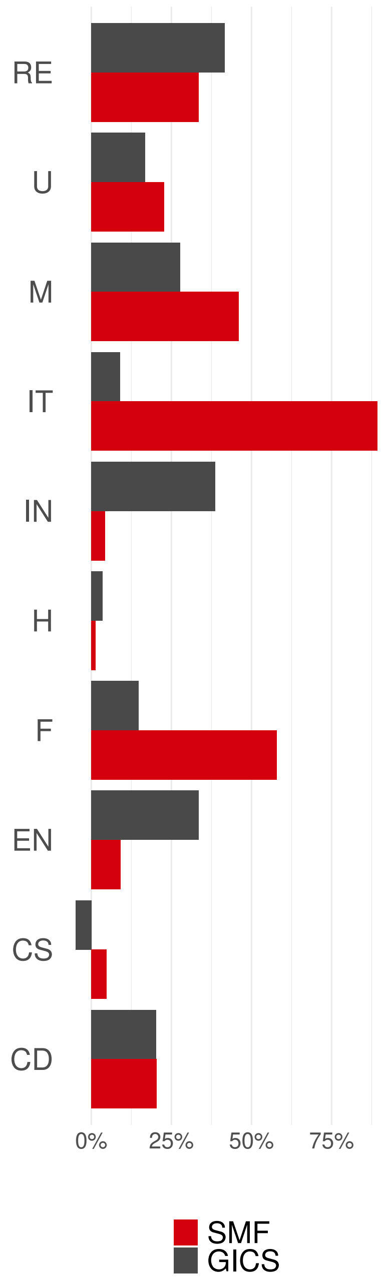
Peter McMullan (CRO)
BSc Actuarial Science & Risk Management

PORTFOLIO PERFORMANCE

Introduction and Portfolio Objectives

This year marks the fifth anniversary of the Queen's Student Managed Fund. With the help of our sponsor Davy, the Oversight Committee, and our fund members: we have successfully generated over 20% alpha above our current benchmark of the FTSE 350.

We are a student ran, philanthropic and educational vehicle that allows talented, motivated and like-minded individuals a way to gain hands-on equity research & investment experience, exposure to a thriving & diverse network and to put theory into practice. The QSMF covers all GICS industry sectors and aims to selectively construct a portfolio that will outperform the benchmark through intensive research, collaboration, and due diligence: with a long-term view.



Portfolio Performance

Our portfolio displayed a robust recovery relative to our benchmark throughout the COVID-19 pandemic. As markets tumbled, our holdings acted defensively, particularly in the consumer staples, industrials and materials sectors. Tesco PLC undertook the responsibility of an essential retailer, remaining open throughout the pandemic, which saw sales grow whilst maintaining a safe and clean environment for its customers. Unilever leveraged its strong brand portfolio and saw increased sales in home cleaning and personal care products, in line with changing consumer habits.

Much of the resilient recovery was from several strong plays, which took the shift to work from home in their stride and made full advantage of lower interest rates whilst expanding their customer base through changing business needs and requirements. Our technology sector, consisting of Kainos PLC, experienced rapid growth. It saw its tax-adjusted profits double YoY by supporting the National Health Service throughout the pandemic and gaining from an increased valuation due to falling interest rates. Our macro sector, the FT Cloud Computing ETF, experienced high growth from an expanding customer base and support for existing clients for many of the same reasons.

Next Steps

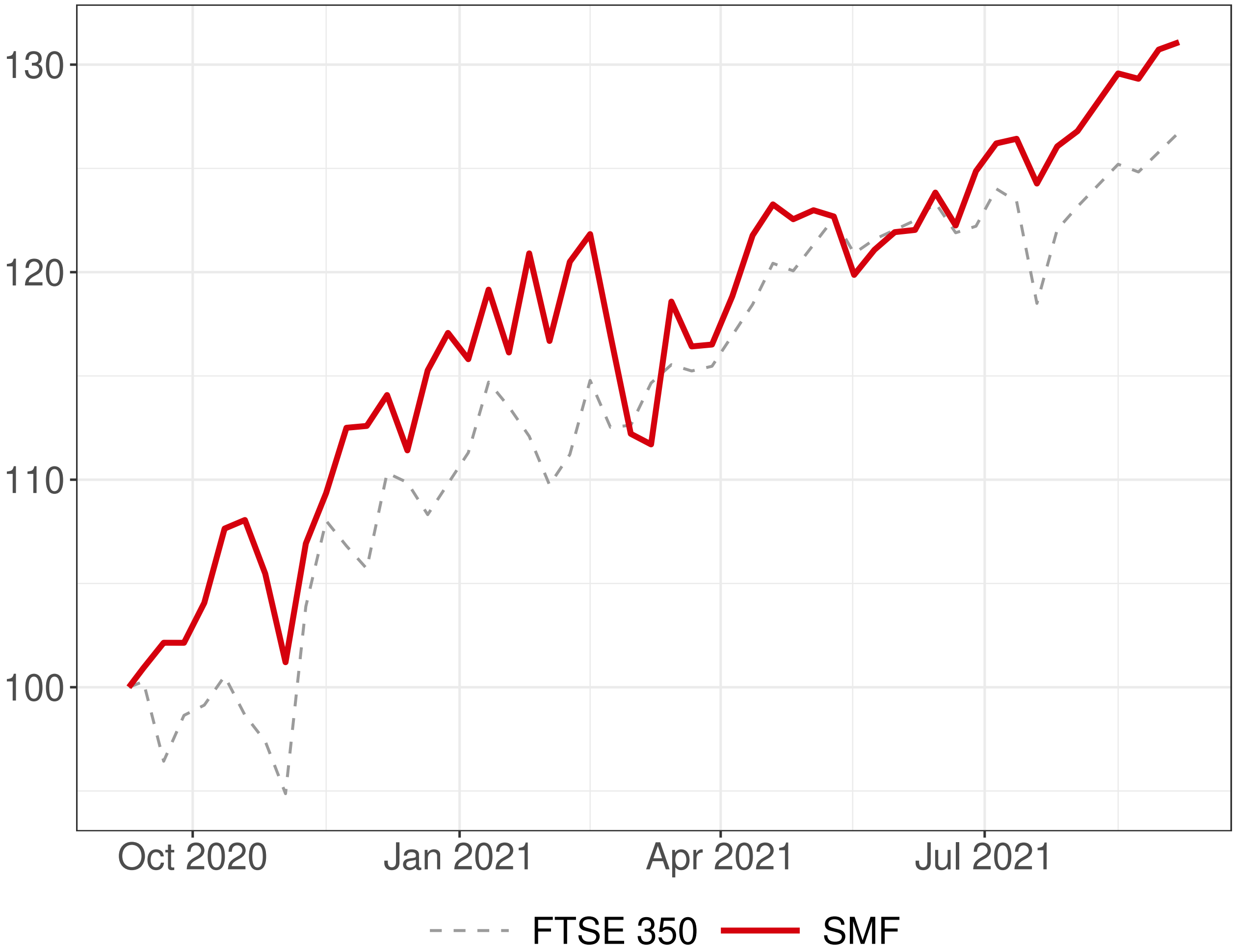
The following steps for the fund are to bring our sector weightings back in line with targets. To do this, we will crystallise some of the gains we have made in areas we feel are unsustainable long term whilst still maintaining exposure and redistribute these gains to bring other sectors up to weight and introduce new securities where we think value exists.

As we advance, we (and the following executive committee) need to be aware of potential risks that may come to light over the next 12 months and plan appropriately to ensure we have a robust portfolio whilst also maintaining growth characteristics.

Monitoring interest rate and inflation closely are important as rising rates will significantly and negatively impact the valuations of our higher growth investments such as Kainos PLC.

Sector weights must be brought back into our target range to ensure that we are appropriately diversified and not overexposed to any one area. This will allow to us mitigate downfall whilst also experience overall recovery.

We continue to seek ESG focussed investments as part of our holdings, so it is on us to ensure that these companies live up to the targets they have set out and assess their room for growth in the future.



Conclusion
To wrap up: I am immensely proud of what we as a fund have achieved, from seasoned Executive Committee level to our first-year analysts. We have demonstrated our competency in portfolio construction, teamwork and adapted to unforeseen challenges set before us.

Tom Charlick (CIO)
BSc Finance
Incoming Finance Analyst at Morgan Stanley

INVESTMENT PROCESS & REBALANCING

QSMF Investment Process and Rebalancing

Given the unprecedented nature of the past eighteen months in more ways than one, the Executive Committee undertook a comprehensive appraisal of the fund's holdings. Much of the fund's performance can be attributed in the last year to the heavy weighting in favour of technology and focused firms, with picks such as Kainos and holdings within the iShares Clean Energy ETF driving significant outperformance versus that of our benchmark, the FTSE350. Exposure to US mega-caps through the First Trust Cloud Computing ETF also furthered our outperformance, as COVID-19 saw a significant shift in investor sentiment and a subsequent rally in companies who can generate cashflows regardless of and potentially even take advantage of the uncertainty posed by the numerous rounds of lockdowns and movement restrictions we observed throughout 2020/21.

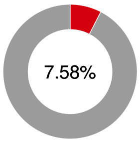
However, due to a shifting macroeconomic environment and unprecedented levels of liquidity, driven by central bank asset purchases and record low-interest rates, as part of an unconventional monetary policy framework, coupled with highly expansionary fiscal policy, the committee felt it prudent to reassess our sector-specific exposure. As excess money supply meets significant pent-up demand following a reopening of the economy and forecasted increases in GDP figures across developed markets materialise in 2021, we felt a prudent action is necessary. Precisely, we trim our now outsized positions and reallocate some of those profits in favour of more economically sensitive sectors such as Financials and Consumer Discretionary, where valuations appear more attractive. In addition, discount rates are less impactful on shorter-term revenues. We also added to our holdings within the Consumer Staples sector, a defensive move that reflects record valuations across global equities, and with both fiscal and monetary policy likely to tighten in the coming years.

Given that demand for commodities is likely to increase further as producers struggle to catch up following production cycles cut short by the pandemic, we felt it sensible to increase our exposure to businesses that can benefit from such price increases. Furthermore, with such a scenario being met by record levels of demand driven by significant government infrastructure spending, we believe adding to the current weighting within the Materials sector would help drive continued outperformance. Finally, the unprecedented expansion of central bank balance sheets and the government debt pile in 2020, coupled with a commitment in the medium term at least to low interest rates and low yields, the addition of a gold position within the portfolio would act as a hedge against outsized inflation increases, given its historically strong performance in adverse natural interest rate environments. The committee also understands that the addition of a new asset class moving forward is vital in broadening the knowledge of our members and setting them on a steadier course to achieving their career-driven ambitions within the industry.

Finally, other additions to our portfolio this year came in the form of GamesWorkshop, a nod to the ever-increasing quality of the research courtesy of our analysts and their quest to scour every corner of the market for potential outperformance. The rebalancing process was also aided significantly by a quantitative approach to appraising our portfolio, marking a possible turning point for the fund by broadening the type of student it can cater for and attract. Such an approach also highlights and satisfies the dual mission of the fund, both outperforming our benchmark indices and providing a valuable learning experience to each member.

Craig McAuley (CTO)
BSc Economics with Finance

SECTOR OVERVIEW & INVESTMENT DECISIONS



CONSUMER DISCRETIONARY

Sector: ⬆20.21% SMF: ⬆20.46%

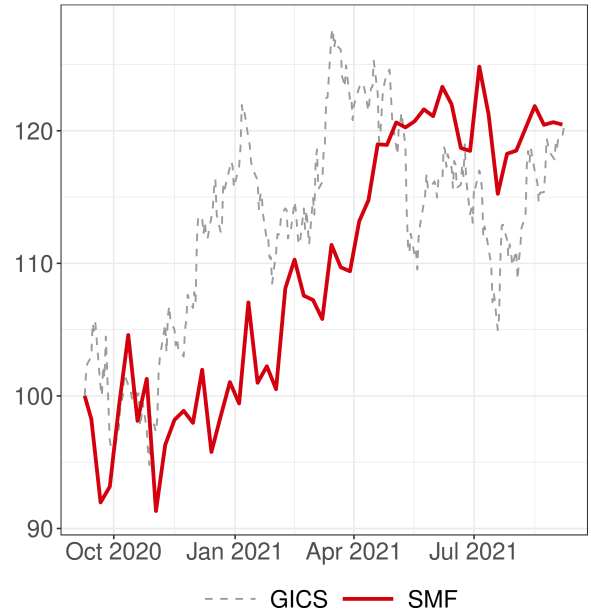
This year has seen unprecedented times for global markets and economies; nearly a year and a half later, since the initial lockdowns of the pandemic, we are still waiting to see the long-term implications. The cyclical nature of consumer discretionary financial markets has posed a particular challenge. The closure of the high street, the increase in the number of people not working and the apprehensions during the pandemic to spend money saw a particular decline in many CD firms stock values. This applies to the holdings during the period by the QSMF.

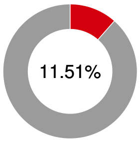
Greggs PLC saw its first annual pre-tax revenue loss since 1984 during the 2020 period; this is being somewhat mitigated by the return of pre-tax revenue to pre-covid levels as the firm predicted with the reopening of stores. Greggs also shows significant cash reserves to meet debt obligations & working capital to cover operating expenses. However, there is some risk for Greggs holdings in that the already high levels of debt could be exacerbated by plans to open more stores.

Unlike many of its CD counterparts, Dunelm Group PLC benefitted from the COVID pandemic, with the work-from-home system causing a boom in home improvements and garden renovations. By having an established online eCommerce platform, Dunelm's store closures had little effect on consumers ability to buy their products. Dunelm showed a sharp recovery from the price drops experienced from lockdown measures. However, maintaining the revenues brought on by the home improvement trend could be unsustainable in the future as workplaces, stores, cafes reopen and people spend less time inside their homes.

Intercontinental Hotels Group has proven to be the most volatile over the holding period for our CD holdings. This is a result of it being the most directly impacted from lockdown measures over the period. The substantial impact on tourism during 2020 has meant that the customer base using hotels has vanished. With the vaccination rollouts gaining traction worldwide, we can expect that tourism will recover eventually. The risk lies in when this will happen as national safety and prevention of outbreaks is a priority to federal governments. This could cause a further delayed recovery to the pre-covid customer levels. The share price has only just recently returned to around the pre-covid levels, and volatility is a going concern in the hospitality sector for some time to come.

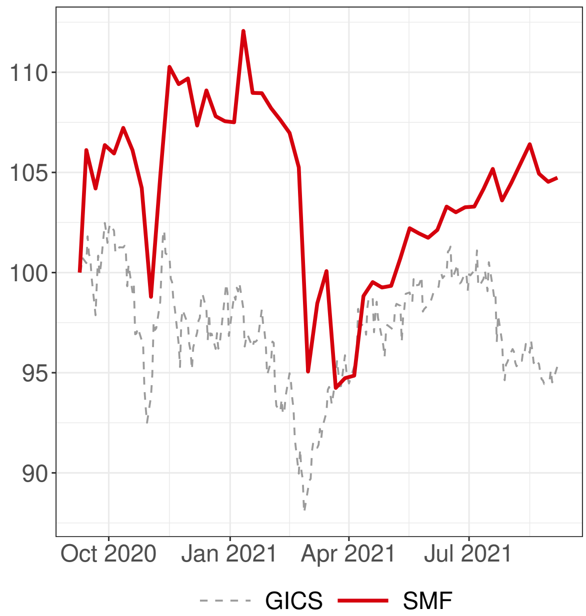
James Gribben, MSc Risk and Investment Management
Maria Mackle, BSc Finance





CONSUMER STAPLES

Sector: ⬇4.86% SMF: ⬆4.74%



Our Consumer Staples stocks have offered welcome stability to the fund given their lower reliance on opening economies in the sector in a year of continual uncertainty as the markets navigate life with the COVID-19 pandemic. Moreover, with markets beginning to reflect an expectation of rising inflation, we believe that our Consumer Staples stocks provide some protection for our fund, as costs will mostly be passed on to consumers, with their portfolios of goods typically having a lower demand sensitivity price increases.

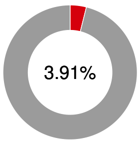
We are delighted with Tesco's underlying business success over the last 52 weeks, with the company benefiting significantly from implementing the Aldi Price Match Guarantee and Clubcard Prices. As a result, Tesco saw a nearly 8% gain in like-for-like sales and boosted its market share in the United Kingdom. In addition, we see value in Tesco's capacity to closely track individual customer behaviour by adding 2 million Clubcard customers. After accounting for the considerable share price dip caused by the special dividend payment following the significant sale of Tesco's Asia operation, the stock has returned about 7% in the previous 52 weeks.

Unlike Tesco, Diageo investors are far more excited to see vaccination rollouts and, as a result, the economy reopening. As a result, Diageo has returned an impressive 26% in the past year with the waves of reopening news. Moreover, as Diageo begins to redeem the pent-up demand for pubs and restaurants worldwide, Diageo stock has almost completely erased its COVID-related losses.

Unilever has continued to aggressively expand its market share in emerging markets such as India and Latin America over the last twelve months, markets with crucially higher birth rates, a positive catalyst for volume growth. Unilever's Beauty sector, with generally more significant margins, also saw a substantial revenue increase. In addition, Unilever announced a £2.6 billion share buyback programme in April due to excellent free cash flow, implying a good value proposition combined with their £3.9 billion annual dividend.

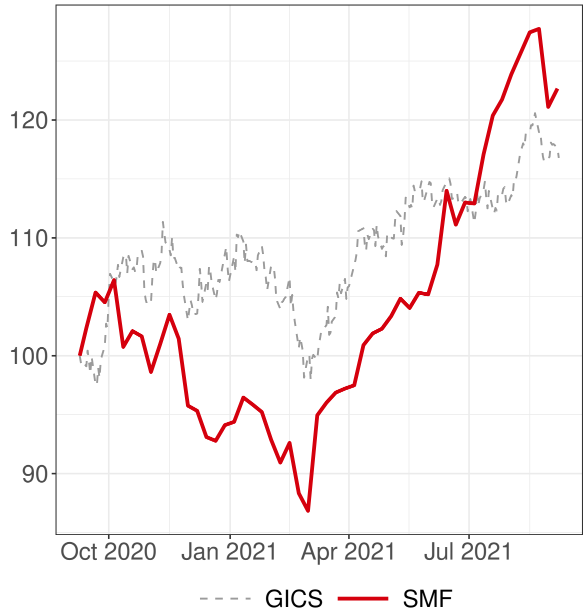
We have kept the Consumer Staples sector's allocation identical for the coming year, given our confidence in the holdings we have already established.

Jordan Wilson, BSc Finance
Zachariah Al-Qaryooti, BSc Finance



UTILITIES

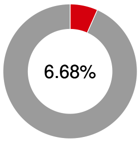
Sector: ⬆16.79% SMF: ⬆22.67%



The utility sector fell sharply amidst the COVID-19 pandemic and struggled to recover as commercial demand for utilities fell by c.20%. This was accompanied by a c.7% rise in household utility consumption. Thus, the net impact of the transition to work-from-home and business closures was strongly negative for the sector. However, Pennon Group fared better than the sector average throughout this tumultuous period. This is, in part, because regulated utilities firms are often viewed as bond-proxies by investors. We observed this property when bond yields fell to historic lows in March 2020, and Pennon Group simultaneously made a sharp recovery from the initial COVID-driven sell-off. This led Pennon to outperform the rest of the sector in early 2020.

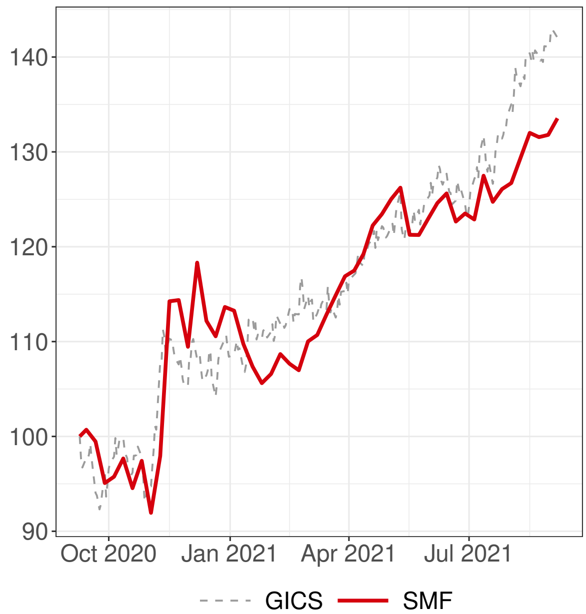
Pennon Group's strong performance in late 2019 and early 2020 (pre-COVID) was driven by the sale of Viridor at a very attractive multiple. The firm's positive performance was then sustained by low-interest rates and their robust and diversified revenue model. However, uncertainty surrounding return on capital plans for £2.7bn remaining from the £4bn sales of the waste management subsidiary saw the share price slump towards the end of 2020 and throughout the first quarter of 2021. The delayed announcement of any plans for using these funds led investors to speculate that the firm would not opt to return this capital to shareholders instead of aiming for the riskier prospect of funding an acquisition. This decision is not inherently wrong, but the lack of communication meant that uncertainty regarding the potential target and the price to be paid was enough to put downward pressure on the share price. However, Pennon Group recently announced the £814m acquisition of Bristol Water, accompanied by a £1.5bn return of capital to shareholders through a special dividend. This is a positive outcome for both the firm and investors and strikes a balance of conservative risk-taking.

Matthew Traszko, BSc Economics



REAL ESTATE

Sector: ⬆41.64% SMF: ⬆33.54%



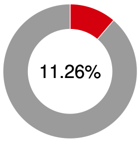
The Real Estate Sector within the QSMF comprised three holdings; Unite Group, British Land and the SPDR Dow Jones Global Real Estate ETF. The beginning of 2020 was devasting for the real estate sector due to the Covid-19 pandemic, which caused share prices to drop sharply in a short period. In addition, there has been a lot of pressure and restraints on this industry because of lockdowns which caused the companies to underperform as many of their revenue-generating assets were out of use for several months.

However, from May 2021, Unite Groups share price has increased the most by a staggering 32.6%, followed by British Land with an increase of 25.3% and thirdly, the SPDR Dow Jones Global Real Estate ETF increased by 15%. The key catalyst for these share prices growing has been the easing of lockdown restrictions. Twelve months ago, the real estate sector was severely struggling as strict lockdowns resulted in stores and offices closing along with the lower demand for student housing as the university was completed by many from home. The massive declines in share prices, for example, from the 21st of February to the 20th of March 2020 Unite Groups share price plummeted by 45.3%. As a large majority of the UK are now vaccinated and with restrictions easing, we are witnessing the sector recovering, as seen by the positive share price increases over the last twelve months. Since firms have been able to reopen, sales have been promising. For example, British Land footfall and sales on their Retail portfolio were 88% and 104% of pre-pandemic levels, respectively.

Unite Group, a leader in student accommodation across the UK, has 73% of rooms reserved for the 2021/22 academic year as of March 2021. This percentage will increase as international travel continues to become more accessible. As a result, the firm anticipates a return to full occupancy and 2-3% rental growth in 2021/22, which is promising for shareholders.

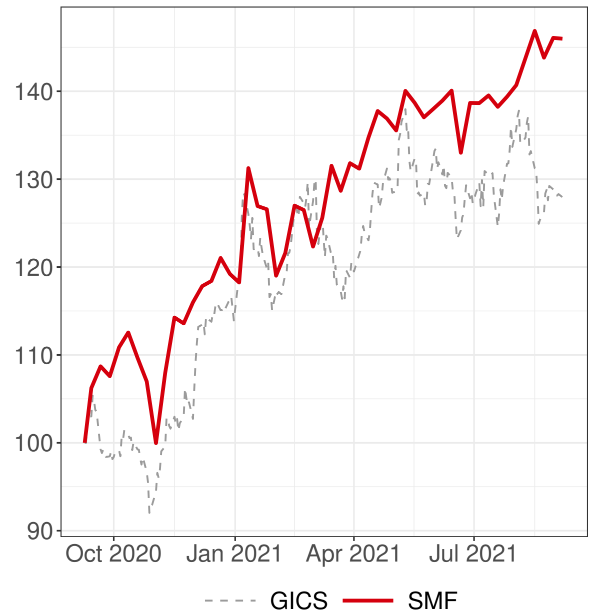
Overall, the start of 2020 caused heartbreak across the Real Estate sector, but despite this, things are looking promising for companies across the industry, and we can see that there is light at the end of the tunnel. Over the next financial year, we will continue to see this sector recover. As a result, long-term shareholders will begin to see a positive yield on their investments, whilst investors who bought the drip post covid crash will already yield substantial returns.

Darragh McCann, BSc Finance



MATERIALS

Sector: ⬆27.76%   SMF: ⬆45.98%

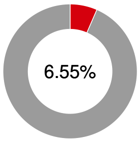


2020/21 has proved challenging for the materials sector throughout the COVID-19 crisis, pausing many production lines for raw materials and ceasing many companies within the copper subindustry. However, this year we have seen the economies and manufacturing of the US and China come back to life, pushing the price of materials such as copper and zinc to record levels - creating a worldwide commodity boom. Our top performer is Glencore, which has shot up by 67% YTD, a significant turnaround from a 40% yearly drop for our last financial period. The mining giant swung back from a considerable loss due to its lack of iron ore production the previous year. However, we are prepared to see their bullish activity drop slightly due to inflation and lack of adaptation to their new volume of demand.

New addition Mondi has presented some reservations throughout the past year with plans for softer pricing methods, resulting in a lower underlying EBITDA and decreased revenue. However, their strong balance sheets and low beta combined with a recent 5-year 750M credit facility contract has pushed them forward in their sustainability targets and provided them with a better economic position, encouraging us to hold.

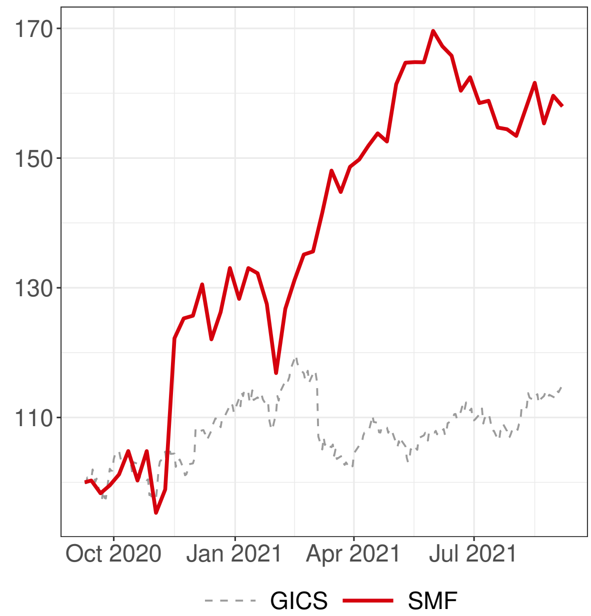
After we liquidated Barrick Gold, we have decided to introduce a gold ETF to add asset diversification and inflation hedging to the sector if our single equities underperform. This certainty of holding GoldGold is stemmed from its inverse relationship with the market and dollar price. As a whole, the materials sector have proven to be a strong performer riding the COVID wave and performing more in line with the market as a whole. However, we can make some projections to see the sector prices restabilise after current COVID-19 supply gaps within the industry have been filled, focusing on the economy's sensitivity to super-cycle prices in the medium and long run.

Chloe McClelland, BSc Finance
Steve McKane, BSc Finance



FINANCIALS

Sector: ↑14.72% SMF: ↑57.97%



Starting this year in September 2020, the fund had holdings in 3 companies: Investec, Prudential, and Lloyds Banking Group.

The turbulent past 14 months led to quick actions from the world's central banks regarding ultra-accommodative monetary policies that negatively impacted Financials. This year, the main catalysts for the Financials Sector were low-interest rates, inflation pressures and high savings rates among British people that were not spending it on the back of government-backed loans and recovery packages.

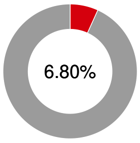
Low-interest rates affected Lloyd's earning abilities as they are solely dependent on retail consumers, with no exposure to other businesses like an investment bank would do. However, as economic growth is present through rising inflation, the Bank of England is expected to roll back the monetary stimulus, increasing interest rates in 2 to 3 years. Moreover, on the back of government support, the housing market is experiencing growth thanks to stamp duty holidays and cheaper mortgages, which Lloyds will capitalise on in the next few years.

Prudential took a dip this year too. However, they are known to have substantial pension funds. We believe this helped prudential not suffer as significant a loss as other companies because investors tend to sell their shares from investments rather than pensions. We are confident that the earning ability of Prudential is more linked with the fees and commissions they charge for managing the funds. On a positive note, the company has plans to enter new emerging markets like Africa and Asia, which will help them consolidate their revenue streams.

Investec, as expected, did not perform well this year either. However, because of their diversified business model by including both retail banking services and wealth and asset management, we believe that this firm complements our positions well in the sector.

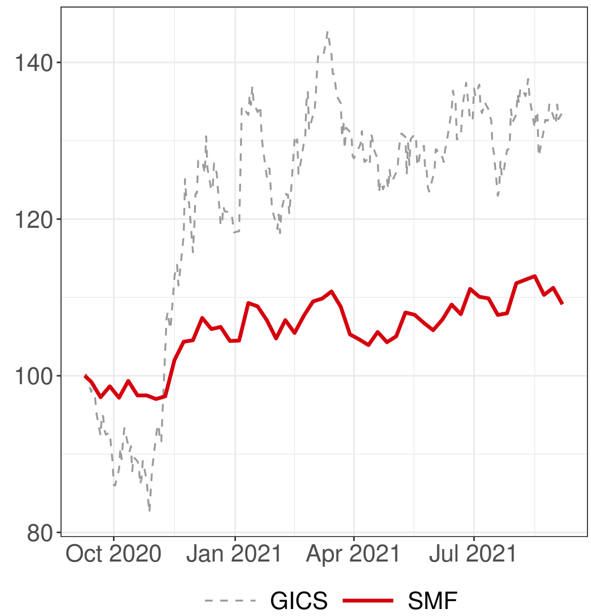
As part of our new diversification strategy, we want to add JPMorgan, a wholesale investment bank, to our portfolio as we already have exposure to the commercial aspect through Lloyds. We believe in the bank's ability to weather adverse shocks. Because of their diversified income streams, we think this holding will give the fund the needed diversification into new geographies and access to investment banking services.

Jonny Evans, BSc Economics with Finance
Ifeoluwa Osakuade, PhD Finance



ENERGY

Sector: ⬆33.58% SMF: ⬆9.13%

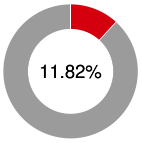


During the pandemic, the energy sector has struggled, sparked by exceptionally depressed oil prices coupled with a broader decrease in demand for fossil fuels throughout 2020 and 2021. As a result, the energy sector was generally one of the worst-performing sectors in the index during the pandemic, but their 2021 gains have offset these losses.

The poor performance was further exacerbated by the growing commitment towards decarbonisation and increased demand for more renewable energy sources. The US and other European countries are taking decarbonisation with the utmost urgency, as evidenced in the G-7 Summit and the COP26 in November 2021. Therefore, the energy sector has had to adapt by becoming more environmentally friendly to aid various climate targets by 2030. As a result, the shell has had to focus more on renewables, including electricity, to maintain a competitive market position and are currently up 11% year to date.

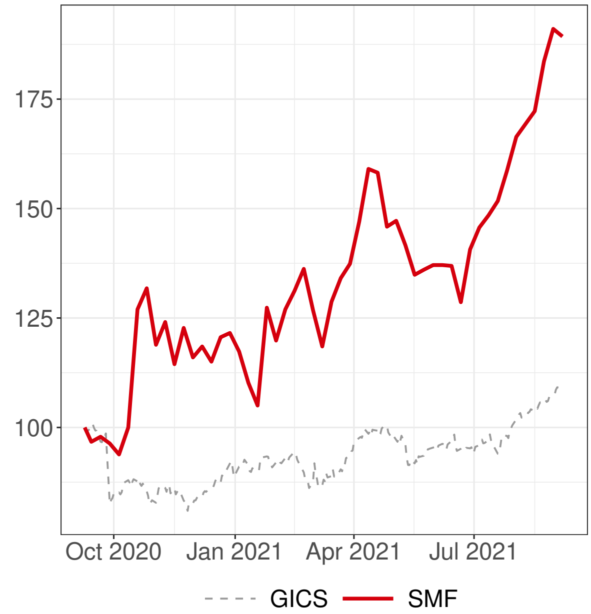
Our holdings in TRIG have also been impacted by the pandemic but are considerably more potent than Shell because they invest in renewables infrastructure. As a result, TRIG should be a reliable investment in the coming year. The Investment into the iShares Global Clean Energy ETF (ICLN) has been one of the best ways to capitalise from the booming renewable energy sector. With increased global agreements and lower renewable electricity costs contributing to the expanding energy movement, COVID-19 has further encouraged ESG-conscious Investment.

Holly Shanno, BSc Economics
Katie Megarry, BSc Finance



INFORMATION TECHNOLOGY

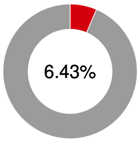
Sector: ↑9.00% SMF: ↑89.31%



The QSMF IT sector consistently outperformed YTD's FTSE 350 IT sector through its singular holding, Kainos. The company, which provides digital technology solutions, was in high demand in 2020 from other companies and organisations (notably the National Health Service) to digitalise their processes as the world shifted further online. This effect can be seen on a larger scale as the FTSE 350 IT sector performed well in a market that took a year to recuperate from the start of the COVID-19 pandemic. It took until July for Kainos, the QSMF IT sector, to consistently outperform the index. In November 2020, it went so far as to reach 80% YTD, 70 percentage points over the FTSE 350 IT sector return. Over the past five years, Kainos' revenues have grown 24% yearly; the analyst forecasts predict that this will slow down next year to a growth rate of around 11%, around the same rate as the other companies in the industry. Despite the predicted reduction in growth rate, mainly due to underwhelming reported statutory earnings as of May 2021, there is no change in investor sentiment towards KNOS, with price targets remaining essentially unchanged and the business performing within earnings per share expectations.

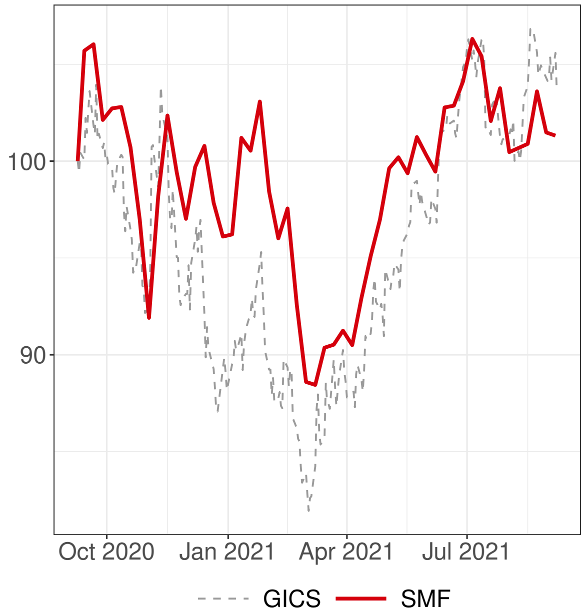
For the 2021/2022 academic year, Kainos will be reduced to take the profits from its performance and reallocate them elsewhere in the SMF. This reallocation is also to mitigate exposure in case of the risk of rising interest rates in the next few years, which will negatively impact the company's valuation. No further action is to be taken regarding the IT sector investments.

Sam Coffre, BSc Economics with Finance
Éanna O'Hara, BSc Economics with Finance



HEALTH CARE

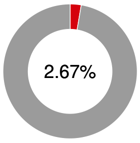
Sector: ⬆3.58% SMF: ⬆1.32%



2021 is an exciting time for the healthcare sector due to the COVID-19 pandemic, highlighting the importance of due diligence when making healthcare investment decisions. The fund's current holdings are Smith & Nephew, AstraZeneca and GlaxoSmithKline. Over the last 12 months, the fund's healthcare investments have made positive returns, notably AstraZeneca assets resulting in a 72% return. Unfortunately, over the same period, Smith & Nephew and GlaxoSmithKline produced a -1.6% and -19.8% return for the fund, respectively.

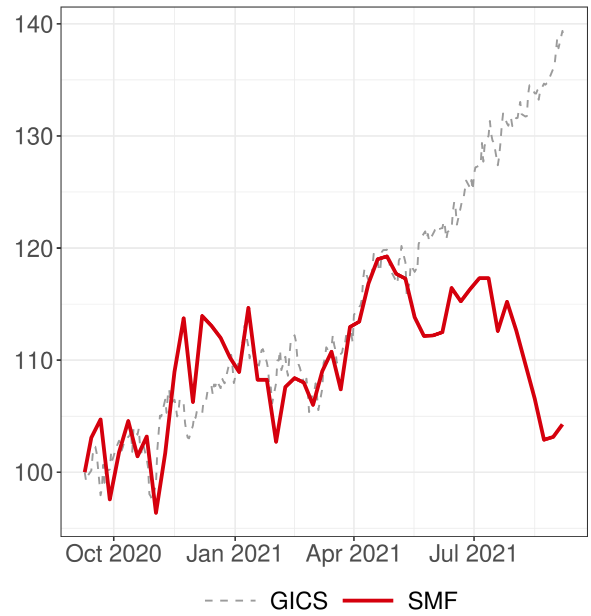
Rebalancing our positions was merely a risk management decision to limit overexposure to one particular Investment. We sold shares of AstraZeneca after phenomenal returns to account for GSK losses over the past year. The fund has trimmed out AstraZeneca position and invested in GlaxoSmithKline. All our holdings represent a sustainable ESG investment in line with the QSMF's goals, highlighted perfectly by AstraZeneca's decision to sell their 'not-for-profit' vaccine. Although this does result in a limited financial upside to vaccine revenues, it does, however, represent an ethical investment that is just as important to the fund.

Oisín Mc Nulty, MSc Quantitative Finance
Wyatt Page, MSc Quantitative Finance



INDUSTRIALS

Sector: ⬆38.62% SMF: ⬆4.27%



The past year has severely hit the industrial sector from the global halt in foreign travel, combined with the production and manufacturing freeze given the 'stay at home' message. The sector wide stand still resulted in extreme cashflow, revenue and liquidity hurdles where most firms are struggling to overcome, e.g., the development and production of goods within the EU reduced by 29 points in April 2020 replicating record lows in the 1990's. Currently the sector as a whole is lagging in terms of economic recovery post the height of the pandemic relative to other sectors within the market.

Smiths Group was amongst this sharp decline, falling by approx. 87% in value from February to March 2020. With the slow recovery of the economy a positive increase of 23.7% over the past 12 months from its inclusion into the portfolio in June 2020, relative to much higher 33.9% increase of UK industrials. Looking short term, Smiths Group has outperformed the FTSE 350 Industrials sector with a return of 4.28% vs 2.57% of the sector. Future revenue and earnings growth shows positive outlook with £3.254bn predicted revenue increase of 6.4% or c.£860m alongside a 21.8% c.£246m predicted earning growth both over the next four years, exceeding the Europe Industrials Industry revenue and Earnings benchmark figures of 16.8% revenue growth and 6.3% earnings increase over the same period.

Looking forward with the rebalance we aim to increase our exposure into the sector, however given current market volatility, cash flow pressures and long-term impacts of COVID looming over firms, we aim to minimise volatility yet advance exposure, through a Vanguard Industrials ETF. Allowing to capitalise on the coming growth due to the vaccine roll out, softening of restrictions and increasing demand for products, yet hedge firm specific firm in the instance of negative performance or further issues down the line.

Claire Hanna, BSc Finance
Oisín McNally, BSc Finance
Peter Hanna, BSc Finance

STUDENT TESTIMONIALS

I joined QSMF in 2019 as a Healthcare Analyst throughout my first year of studies to broaden my financial knowledge. In my second year, I became one of the Energy Sector Heads to gain greater responsibility, something I could refer to when applying for industrial placement programmes.

From my time as Sector Head, my communication and organisational skills have improved due to helping the energy analysts, organising meetings with them, and ensuring they had completed reports for various deadlines. In addition, the events hosted by QSMF throughout the year with multiple industry professionals were fantastic and gave me an idea of the roles I could pursue. This experience has been invaluable, and drawing from my time in the fund; I successfully secured a placement in Morgan Stanley within the Corporate Treasury division.

QSMF has allowed me to connect with an extensive network of like-minded individuals, many of whom have previously completed placements; building relationships with them was beneficial in supporting my placement applications and navigating the assessment process. Therefore, I would recommend QSMF to any student interested in Finance as it is one of the most valuable experiences you can have.

Katie Megarry
BSc Finance
Placement student at Morgan Stanley in Corporate Treasury

I joined the QSMF as an analyst in 2019 and later became a sector head in the Consumer Staples sector. In this time, I was able to gain experience writing equity research reports and managing a team of analysts, which I believe was critical to securing my spot on an industrial placement programme at Morgan Stanley this year.

The skills developed via participation in the fund give students a significant competitive advantage when applying to financial firms. For example, having weekly access to Bloomberg terminals as an analyst is something that few universities can offer, and in my experience, emphasising these technical skills in applications was welcomed by recruiters.

Interviewers frequently evaluated my technical expertise throughout my Morgan Stanley application, and I believe that the fund's recent pivot to examining alternative assets in addition to FTSE 350 shares boosted my broader understanding of financial markets. In addition, the Executive Committee organised webinars with various industry professionals, including some on alternative asset classes like *crypto*, a topic that dominated a recent final technical interview.

Ultimately, I believe that my involvement in the QSMF has played a prominent role in my professional development to this point, and I strongly encourage any interested students to join the team in 2021.

Zachariah Al-Qaryooti
BSc Finance
Placement student at Morgan Stanley in Prime Brokerage

I joined the fund in 2020 as Sector Head of industrials to take a proactive approach to my learning in Finance and network with both like-minded peers and industry professionals. My role included reporting and analysing the Funds current holdings, pre-screening recommended buys and helping 17 analysts in the industrials sector with their reports. The Student Managed Fund equips students with soft skills in communication, teamwork, leadership, and technical equity research, market fundamentals, and valuation. The experience and skills from the fund give students at Queen's an edge when applying to roles in the fiercely competitive industry of Finance. For example, when applying to internships, my experience in the Student Managed Fund interested employers and was instrumental in obtaining my offer within IBD at Bank of America in London.

Within my internship, having previous experience using the Bloomberg Terminal and creating pitch books for the end of year pitching event was a massive help for me to perform well within my role. As I kick start my career in Finance, I can now appreciate how helpful the fund was at developing my confidence and knowledge of Finance, and I would strongly recommend students to join.

I'd like to thank Davy for their continued support and the Executive Committee for organising events throughout the year.

Conor Devlin
BSc Economics
Investment Banking Intern at Bank of America

ACKNOWLEDGEMENTS

We would like to express our gratitude to all those who have supported QSMF in various ways through its development, launch and ongoing operations.

GOLD SPONSORS

DAVY

CITCO

CONNECT

@QUBSMF

http://go.qub.ac.uk/qubsmf

Queen's Student Managed Fund

b.quinn@qub.ac.uk

DISCLAIMER

The material in this presentation has been prepared by students of Queen's Student Managed Fund (QSMF) and provides background information on QSMF activities. The Fund is operated on the basis of philanthropic donations and has an educational focus. Information contained within should not be considered as advice or a recommendation to investors. Past performance is not a reliable indication of future performance.

Queen’s Management School
Riddel Hall, 185 Stranmillis Road, Belfast, Northern Ireland, BT9 5EE
+44 (0)28 9097 4200 | qsmf@qub.ac.uk
http://go.qub.ac.uk/qubsmf | @QUBSMF