Queen's Student Managed Fund

Annual Report 2021/22

QUEEN'S UNIVERSITY BELFAST | MANAGEMENT SCHOOL

FOREWORD

With 2021-22 representing the first academic year in the post-pandemic world, we saw immense potential for the Fund in encouraging students back onto campus and re-establishing vital in-person networking and educational opportunity for those who are passionate about finance and capital markets. Having reaped significant gains from strong performances in equities since 2020, we believed this year to be a pivotal moment for the Fund in focusing on developing its professional recognition, its reach across the university, and in cementing its role in empowering students from all backgrounds to succeed in stepping into the finance industry.

Last year, we added the goal of diversifying the Fund's holdings into asset classes that go beyond the constraints of the FTSE 350. This year we made the decision to invest further into US equities, to diversify our exposure to the UK and tap into higher risk-reward opportunity in other markets. With our portfolio surpassing the £50,000 mark, this year it was important to us to focus on securing our progress in much more challenging market conditions.

As the Fund receives hundreds of applications each year, we believed it had a special role in supporting students returning to campus after a very challenging few years. For this reason, we worked hard to improve the student experience, establishing new initiatives to encourage participation, progression and innovation in the Fund, and to ensure that a clear set of goals are in place for the future. It was key for us as the Executive Committee to connect with each and every student on an individual level, supporting their learning and development in any way we would. We hosted a range of fantastic hybrid events, including deep-dive teach-ins, speaker sessions and networking evenings. We were also able to offer a wealth of online material to members including educational decks, recordings and our live portfolio performance tracker, which future cohorts will too be able to benefit from.

On a more personal note, the opportunity to take on the role of CEO of Fund has enabled me to pass on the instrumental lessons that my time as an analyst and as a sector head instilled in me. I strongly believe that my experience in the QSMF gave me the confidence and skills beyond the scope of my degree that I needed to enter the highly competitive industry, as well as access to a network of inspiring students and alumni that will last the duration of my career. The platform that a leadership role in the Fund has given me to help other young students who may feel they lack the necessary confidence or experience for such a competitive industry, has truly been a rewarding one. I am extremely proud of the students who I have seen come through the Fund this year, with hugely improved skills in networking, presenting, research, and who have really developed a passion for finance, many of whom who have successfully secured industry positions.

This year we also welcomed our second gold sponsor, Citco. Each year, the Fund and its members hugely benefit from the time and engagement it has with sponsors, and we are very excited for what the future will bring as they continue to impart instrumental guidance and help the Fund to grow. I would also like to personally thank the Academic Oversight Committee for their support and encouragement in helping us reach our goals for the Fund this year, as well as my fellow current and former Executive Committee members for their commitment and instrumental contribution, and finally the Fund members for the constant stream of innovative ideas they produced and their overall dedication to the Fund.

Kerry Shaw (CEO)
MSc Finance

FUND GOALS & PROGRESS

This year's Executive Committee set out the follow goals at the start of their tenure:

- Outperform our benchmark through sustainable investing
- Provide students from a variety of degree backgrounds with hands-on learning and experience with investing
- Increase the student engagement by providing additional learning workshops, guest speakers, and alumni events
- Commit to improving our overall ESG rating by emphasizing ESG performance in our decision making
- Increase DEI and inclusion within the Fund

Throughout the 2021/22 academic year, the fund has remained committed to outperforming the benchmark through sustainable and responsible investing whilst providing an enriching learning experience for students from a variety of degree backgrounds. The year has proven to be a pivotal learning experience for students who have had to navigate capital allocation through geopolitical turmoil, supply-chain disruptions, and inflationary pressures. We have managed these challenges through diversifying capital across different regions and asset classes such as gold to help combat inflationary pressures along with increasing student engagement through additional learning workshops, seminars, and alumni events throughout the year. We have improved student engagement through strong participation in more interactive trading room sessions and networking events.

Increasing our ESG performance has been another primary goal this year: we have increased emphasis in ESG ratings and analysis in pitching events and reports which improved overall ESG performance in 2022. This year has also seen the introduction of a female focus group led by our CEO which encourages and promotes female progression through the fund. Now that the fund has reached a sustainable level of sponsorship, we intend to keep donating additional alpha above our benchmark to local charities going forward.

Conor Devlin (CTO)
BSc Economics

ECONOMIC OUTLOOK

Geopolitical conflicts, energy crisis, persistent high inflation, competitive central banks rate hikes, economic recessions. It is not the 1970's that I am referring to, instead, it is 2022, the very moment we are living in. And such conditions may last for a while, if not deteriorate further.

From the ECB to the Fed, almost all major central banks have promised to unhesitatingly fight against inflation – but this is not what they sounded like a year ago, not even 6 months ago. About the same time last year, the favorite word of Powell was 'transitory'. Back then, most economists, central bank officials, and even traders stated that 5% of inflation was temporary. Unfortunately, no one had foreseen the upcoming omicron outbreak, Russia's invasion of Ukraine and another round of massive lockdowns in China. The global supply chain has therefore been disrupted repeatedly during the past year, plus major central banks failed to intervene in time – now, consequently, US inflation hit a 40-year high of 9.1%, and the UK has been suffering from the above 9% inflation for over 3 months.

Aside from inflation, recession is another topic that the market has been recently intensely debating about. Despite Powell's personal view of 'I do not believe US economy is in recession right now', US has officially slipped into technical recession in July. The market has also priced in about 50bps of Fed's rate cuts during the next year, after they aggressively hiked to a terminal rate of 3.5%. Similarly for the ECB, the market does not seem confident in their newly launched Transmission Protection Tool (TPT) and thinks that the ECB's rate hikes will be followed by cuts later.

What is even worse is that not every major central banks is fighting against inflation. Bank of Japan is still very determined to maintain a negative interest rate of -0.1% and control their 10y JGB yield at zero. People's Bank of China is even taking an easing monetary policy stance, to support the economy from massive lockdowns and a real estate crisis. Such divergence in global monetary policy makes it even harder to push global inflation back to normal.

Looking ahead, slipping into a global recession is just a matter of time; what central bank can do is just to reduce the severity of the recession. There have been clear signs of credit deterioration during the past months. On the public side, a strong US dollar has wiped billions off US corporate earnings. On the private side, UK consumers borrowing has doubled from May to June as the cost of living bites. However, due to the pressure of fighting inflation, central banks will bring comprehensive credit tightening, making the situation even worse. Over the next months, we may frequently see news of distressed financial situations, debt rollover, restructuring, haircuts or even defaults. And following those would be the bankruptcies of corporates, rebound of the unemployment rate and a weakening of demand, until the weakened demand matches the shortage in the supply side and the global economy reaches the new balance – a full-scale and long-lasting recession.

Due to the uncertainty of financial markets and negative global economy outlook, QSMF has rebalanced our portfolio and taken a more defensive play. We increased our weights in the sectors of healthcare, macros, consumer staples and energy to protect our portfolio from economic downturns. We also increased our positions within the technology sector since they have more appropriate values in the wake of the recent sell off and limited further upside to yields, and possess strong resilient margins owing to pricing power and market share.

Tianchen Peng
(Chief Economist)
BSc Finance

FUND ACTIVITIES

During the year, we ran a series of weekly events and aimed to continue to offer members the flexibility of online/recorded meetings while encouraging as much in person participation as possible. The QSMF has an important role in helping its members develop industry relevant skills such as presenting and networking, and for this reason we held as many in-person events as possible. We were delighted by the continued dedication of members to engaging in our events series throughout the semester.

To kick-off the year, we hosted a hybrid careers teach-in event to assist members in navigating the application process and in leveraging their experience in the Fund. We discussed the numerous pathways that can be taken in entering the industry, including spring weeks and internships, as well as interview and assessment centre tips and tricks from the Exco, and more. Members were able to access our guide to the application process online which proved essential to many throughout the application season. This was followed by our annual welcome social during which members had the chance to get to know their sector teams and the ExCo, as well as to network across the cohort.

We also held four masterclasses in equity research, specifically on macro analysis, micro fundamentals, financials and valuation, and ESG. Our final masterclass was led by special guest speaker Muiris O'Dwyer (co-founder of Top River Partners and a certified bank director) who has held multiple senior pre-approved control function roles including COO and interim CEO at Wells Fargo International. This session provided members with a unique insight into how ESG is factored into investment decisions, the key signs of greenwashing and the importance of the arguably lesser understood "S and G". As the Fund aims to continue to improve its ESG profile and to integrate ESG into the investment decision making process, the success of this special guest event highlights we are moving in the right direction toward achieving this goal.

Across the year we were excited to work with AmplifyME in offering two finance accelerator simulation experiences to members. This presented the opportunity to gain insight into the roles of sales and trading and asset management, and for members to receive performance-based incentives and certificates of participation which could then be added to their CV. It was extremely important to us to deliver the necessary training members would require to produce an industry standard equity research report, and we also decided to run Bloomberg terminal training sessions for those who required some extra support in using the platform.

Through our new sponsorship with Citco we were also delighted to welcome Peter Quinn to campus to provide a special insight into the work the company does and the career opportunities they offer to students and graduates. Our second guest speaker, Declan Breslin also rejoined us virtually this year for an evening of industry insights, career tips and thematic discussion.

As the Fund has a unique network of alumni, we believed this to be an under utilised source of insight and inspiration for current members. Excitingly, we hosted the first alumni panel event, inviting seven past members of the QSMF working across the finance industry, from roles in quant, to venture capital and hedge funds, to asset management. We hope that this interaction between the current cohort and the alumni network can continue into future years to form an established relationship.

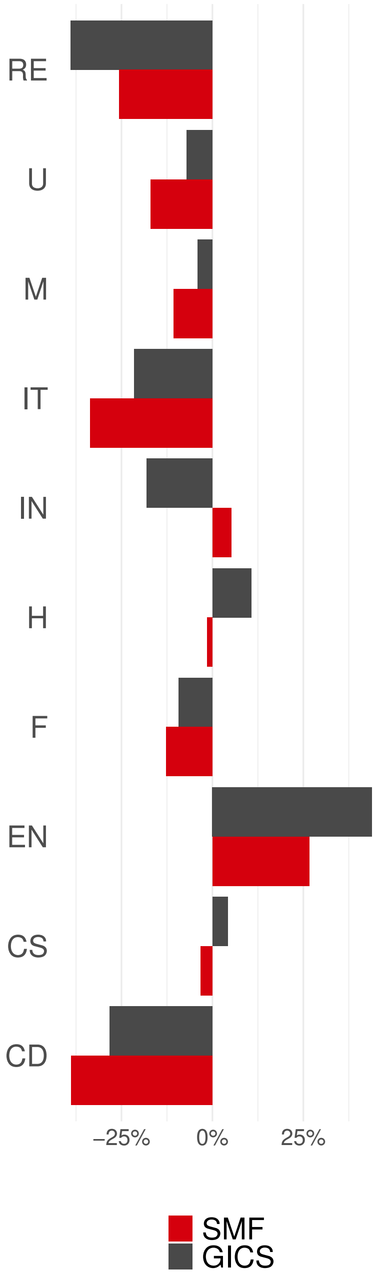
Our second biggest event of the year is the AGM and with public health restrictions in place at the time we decided to come together as the ExCo on campus and host the event virtually, with both sponsors dialling in remotely. This proved an ever-successful evening, where we debated topical issues including inflation, macroeconomic policy making, energy, the China slowdown and the outlook for the markets. We also provided an update on the Fund's performance and key goals for the Fund, which we have outlined in the Fund Goals section of this report.

On completion of the analyst reports, we wanted to provide members with as much feedback and opportunity to practice as possible. For this reason, we held three pitching sessions, the first in front of the members and the ExCo, where we provided individual advice based on the presentations delivered by the analysts. Those who were successful progressed to pitch to Citco at our virtual pitching event, where Citco offered their expertise in helping members develop their presentational skills. We believe that the experience members have in the Fund should be a close as possible to that experienced in industry, so we hosted this session virtually to give members a chance to learn how to pitch both at in person and in virtual meeting settings. Our final event of the year was the Davy pitching event, and we were very pleased to return to the Davy offices in person. This is always a fantastic culmination of the year, during which members can showcase the skills and knowledge of their selected stock and learn first hand from professional representatives of our sponsors.

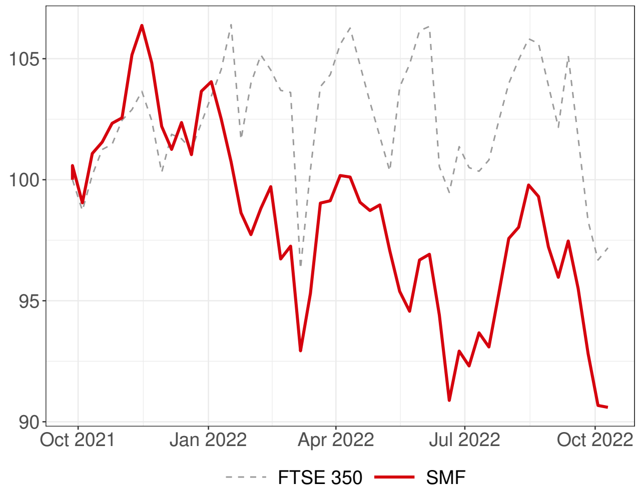
In summary, we are very pleased to have delivered a wide range of special events and informative sessions to members, to assist them in developing a unique skill set and in establishing a life long network of like-minded, passionate individuals who are also interested in the world of finance.

PORTFOLIO PERFORMANCE

The 2021 rebalance took the place, with the view and eventuality of Fiscal insertion of capital directly into the hands of households, and the scale at which it took place, coupled with ultra-accommodative monetary policy, would broaden the inflationary pressures beyond those observed in the wake of the GFC. From this, a shift towards energy, materials and industrials, as well as a bolstering of the utilities sector, and away from that of duration heavy technology sector, was implemented.



Diversification away from UK assets and equities took place with the addition of JPM and Gold, given the relative political instability, less favourable longer-term secular trends, and the stretched level of global equity market valuations in the wake of the previously mentioned factors. As can be observed, in regard to performance attribution, our overweight position within energy, utilities and consumer staples, as well as the relative stability of the gold price in spite of a tightening of financial conditions led by increasingly hawkish monetary policy, has been the main driver of performance.



Portfolio performance has however been weighed upon by our technology holdings, primarily as a consequence of our concentrated position within the FT Cloud computing ETF and KainosWe continue to build upon an ESG focussed investment approach as part of our holdings, therefore must ensure our companies perform on a financial basis for the fund but subsequently meet their targets and have further room for growth on a ESG standpoint.

Peter Hanna (CFO)
MSc Quantitative Finance

INVESTMENT PROCESS & REBALANCING

Our rebalancing process, as a 'top down' fund, began with an appraisal of the macro landscape relative to the viewpoints outlined in 2021. Since our previous rebalance, our views on a more persistent inflationary environment associated with structural mismatches in commodity markets and the extent of the fiscal and monetary impetus provided in the wake of the COVID-19 pandemic, materialized. These were then compounded by the unforeseen Russian invasion of Ukraine and the well-documented, additional supply constraints that resulted, supporting our bullish views on the energy sector, and in combination with an extended, dovish monetary stance, gold position. The latter hareas continued to perform resiliently in spite of the increase in real rates since the new year. Our longer-term views that price pressures would result in demand constraints more broadly within the economy, are also seen in our overweight positions within the utilities sector perform strongly. We continue to express this bearish view on risk assets through 2022/23.

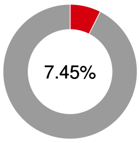
Our 2022/23 outlook focused on an extension of these views. With a focus on balancing risks, our view represented a core thesis that the peak in inflation may have been reached by H2 22, however a spill-over of the contributing factors beyond non-core components driven higher by geopolitical tensions into sticker price measures, will see pressures elevated well above the 2% target over the coming 18-24m, beyond that of market pricing, which has softened significantly in July to 2.9% by 2024 (US). This view prompted our continued bullish stance on energy over the period, remaining overweight, however to the same extent, acknowledging that while a significant rally has taken place in the sector, free cashflows at current prices, should be supported by continued supply constraints which have the potential to worsen further. These should continue to be monitored especially in the wake of various indicators suggesting a weakening demand backdrop and in turn sentiment across other sectors.

Other significant alterations to the portfolio include a redistribution of our technology holdings into individual, quality names, again reflecting our view that cashflows are likely to be constrained, with a focus on firms with large margins and significant market share. This also enables us to capitalize on the sell-off to date and is supported by the increasing levels of clarity regarding terminal rates both in the UK and US, which has led the sell off within the duration heavy sector, while offsetting a persistent inflationary view, with positive exposure to a dovish policy pivot, either led by or separate to a sharp decline in commodity prices. Our generally bearish view on risk assets were further highlighted by a bolstering of our utilities (as aforementioned), healthcare and consumer staples sectors, with an international focus in the case of the former, given the regulatory headwinds for utilities firms within the UK moving forward.

A final, notable view expressed was done so via a bolstering of our gold position and USD holdings. The former should be supported if persistent inflationary pressure is met by a dovish monetary response, or 'pivot', in the wake of the negative impact on demand and in turn a recession, by tighter financial conditions. USD meanwhile can capture the opposing risk, that terminal rates are revised upwards as a consequence of inflation becoming more broad-based. In turn persistent than market pricing currently indicates, which Given the structurally favourable demand dynamics in the US, this should support a further widening of sovereign spreads, while performance should also be more robust than in energy, in the context of a recession.

Craig McAuley (CIO)
BSc Economics with Finance

SECTOR OVERVIEW & INVESTMENT DECISIONS



CONSUMER DISCRETIONARY

Sector: ⬇-28.25% SMF: ⬇-38.77%

The consumer discretionary sector is a cyclical sector, and the sharp rise in raw material costs due to global macroeconomic events such as Russia's invasion of Ukraine and central banks hiking rates have proved challenging for our holdings, with most of our equities underperforming compared to the previous cycle. However, as markets stabilise and economic activity picks up, we believe the worst is behind us and it's time to start looking forward with confidence.

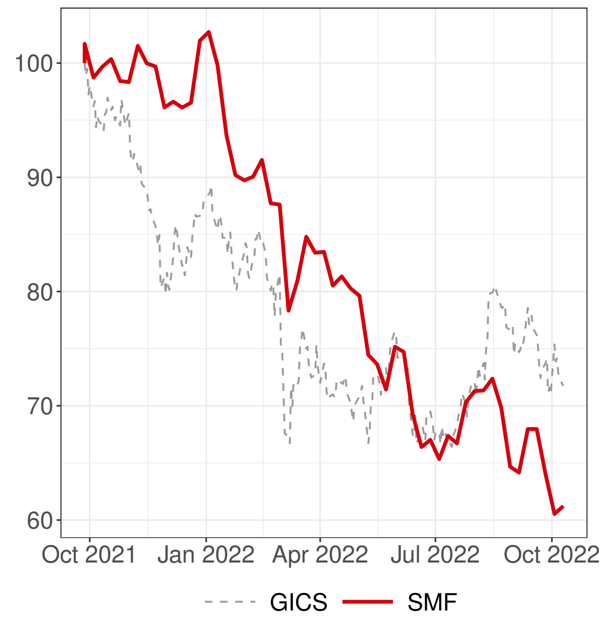
Games Workshop Group's earnings are expected to grow 24% over the next few years, presenting a positive outlook which should lead to stronger cash flow and share price growth and we see public market news pointing to insider buying which gives us confidence to hold on to the stock. As people took to the high streets again, this could be expected to reduce demand for the company's products with the company having seen continued growth in both EPS and dividends per share despite the pandemic. We believe the company can see a return to value as investors' trading momentum shifts from COVID-19 towards earnings per share.

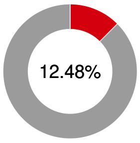
Gregg's success in recent years has enabled them to achieve a 5% share of the food-on-the-go market. However, due to the supply problem of raw materials and the reduced rate of VAT returning to normal, the company has been forced to raise the prices of their products, meaning consumers may seek cheaper alternatives. Greggs share price has fallen back to the level seen in February 2020 as of the end of July 2022, erasing the pandemic gains, but we believe it is appropriate to take a positive outlook on the high street as people return to working in person. The fact that Greggs is a strong brand, that the company has ample cash flow and management's ambitious goal of doubling revenue in 2026 mean that we have a positive outlook for the holding going forward.

As for Dunelm, we cannot be optimistic about its share price performance, having lost most of its pandemic gains since the beginning of 2022, nor can we find effective catalysts to support a future price increase. The reopening of social activities has enabled people to spend less time at home, and soaring food and energy prices have led families to cut back discretionary spending, reducing demand for home and garden decorating decisions. However, the company has been serious about sharing profits with shareholders for nearly a decade, and both EPS and dividends per share have seen continuous growth of the past few years.

InterContinental Hotels Group is the only holding we haven't been frustrated with, having recovered losses sustained during the pandemic. The group has nearly 6,000 hotels in more than 100 countries and territories, which means that the stability of operating income does not vary significantly based on policies in specific countries and regions. With tourism and hospitality being one of the most heavily affected sectors during the pandemic, we expect a steady increase in performance as tourism fully recovers. We will continue to monitor the recovery of the travel sector.

Nathaniel Bailie (BSc Economics)
Runzhou Zheng (BSc Finance)





CONSUMER STAPLES

Sector: ↑4.24% SMF: ↓3.19%

The Consumer Staples sector in general has suffered somewhat from the onset of 2022. As this sector has its focus primarily on the consumer, the inflation seen during this year has eaten into corporate profits in real terms but also dampened consumer demand considerably. This can be attributed to the aftershock that follows any economic boom when demand is not reined in quick enough. Indeed, many people familiar with these matters would now question how Jerome Powell could have ever thought this bout of inflation during its infancy could have been deemed as “transitory” considering the mammoth amount of liquidity that was pumped into most western economies during 2020 and 2021. Russia’s invasion of Ukraine has also contributed to rising inflation by bringing previously unforeseen geopolitical uncertainties, which have consequently sent oil prices rocketing, along with headline CPI points. This uncertainty is not limited to geopolitics, with recent earnings season announcements also demonstrating the lack of corporate foresight. With several major companies unable to provide forward profits guidance.

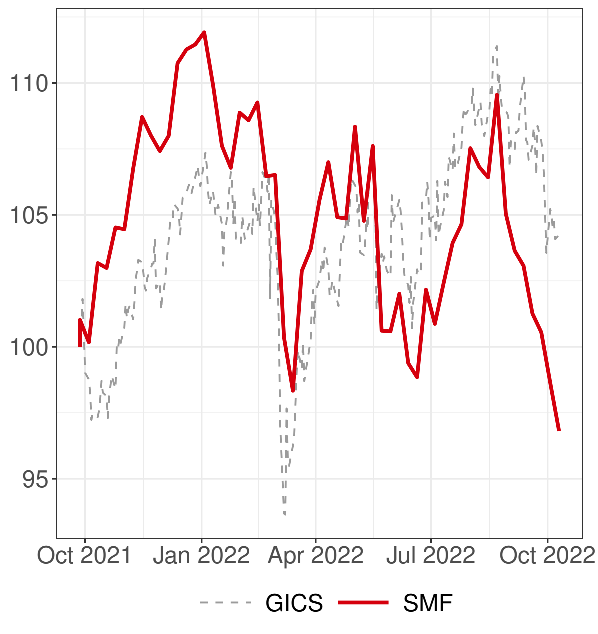
For Tesco, 2021-22 was a strong year, with a 65.5% increase in operating profit. However, in the last few months price disputes with suppliers due to inflation have caused supply chain issues. Most recently, Mars and Heinz stopped supplying to the supermarket giant after they refused to raise prices. Another strain on the supply chain has been the war in Ukraine, with the price of grain imports being increased. This have been seen by the consumer in a physical way, with quotas being placed on items such as cooking oil. With these factors in mind, it is looking unlikely that Tesco will be able to replicate the strong performance of last year, which has contributed to the fall in share price seen.

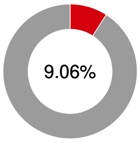
The removal of all restrictions has been instrumental in Diageo enjoying significant success, with full year sales increasing by around 20%. Approximately 57% of net sales in this respect were in luxury drinks, with pre-tax profit rising 18.4% to £4.4 billion. Even as the company has passed on rising costs to the consumer, spirits have remained undampened, with a 10% increase in sales. One reason for an increase in sales is the removal of restrictions, which has stimulated demand for these high-end drinks for consumers to enjoy fully special occasions. Yet, going forward, with worries of recession and the current inflationary period, Diageo may see a slight slowdown in operational strength.

Unilever has soldiered on throughout the year despite the UK’s inflationary pressure but as of late the company has had to tackle its woes head on. The company has raised prices by 11.2% in a bid to tackle its increased operational costs. During the first half of 2022, Unilever enjoyed sales growth of 8.1%. The incoming half-year presents a challenge for Unilever as consumers have been forced to tighten their belts and as a result may choose to shy away from premium brands.

We have recommended increased the weighting of the consumer staples sector as it tends to be more resilient to inflationary pressure, with the fund’s view that the Fed’s stance will remain hawkish.

Natalie Gass (BSc Economics)
James Ballentine (BSc Economics and Accounting)





UTILITIES

Sector: ⬇7.03% SMF: ⬇16.98%

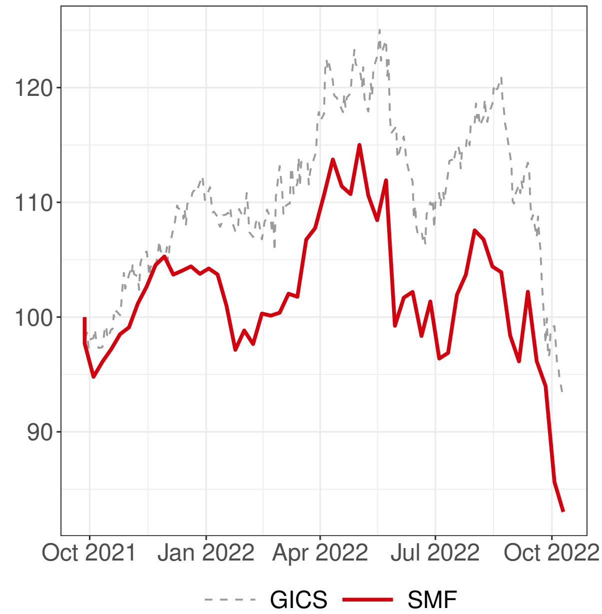
The elevated oil and gas price environment has significantly boosted the renewable energy sector, as pressure for policymakers to increase the pace of the renewable transition and reduce global dependencies on oil and gas has intensified.

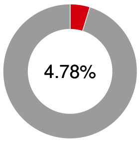
Drax was our strongest performing stock in the sector across the year, as it reaped good earnings growth on the back of increased demand for biomass energy. The company significantly expanded its wood pellet production capacity as the UK government, a market in which the majority of Drax's operations are based, has set out its intention to develop the market for biomass. We attribute this government action to the unique negative emission benefits of biomass energy, through BECCS (Bio Energy with Carbon Capture and Storage). In June of this year, £37m of government funding was awarded to UK biomass projects, and we expect this to continue to represent a tailwind to Drax as the renewable transition progresses.

The Renewables Infrastructure Group (TRIG) also delivered attractive shareholder return, as the energy trilemma environment proved supportive to the sector alongside the move to more defensive plays. TRIG has received a £212m boost to its portfolio valuation in the first six months to June 2022, driven by higher power prices on the back of gas price elevation. The higher inflationary environment also drove an increase in NAV per share for TRIG in 1H22, representing a £124m increase to the portfolio on the back of future cashflow compounding. Under the UK's CfD contract (which we expect to incentivise renewables investment) and the review of the electricity market, we expect TRIG's well-diversified portfolio to continue to benefit from a widespread move toward renewables.

The year was not as strong for Pennon Group, which is down 26.3% YTD as the macroeconomic environment compressed margins through higher than expect cost inflation and drove profits down. Wider market concern around the company's environmental performance and the recent wastewater treatment investigation for South West Water (SWW) also weighed on shares. However, we believe the outlook for the company on the back of the completed integration of Bristol Water and increased capex into replacement of two SWW treatment works will drive stronger near-term returns.

Kerry Shaw (MSc Finance)





REAL ESTATE

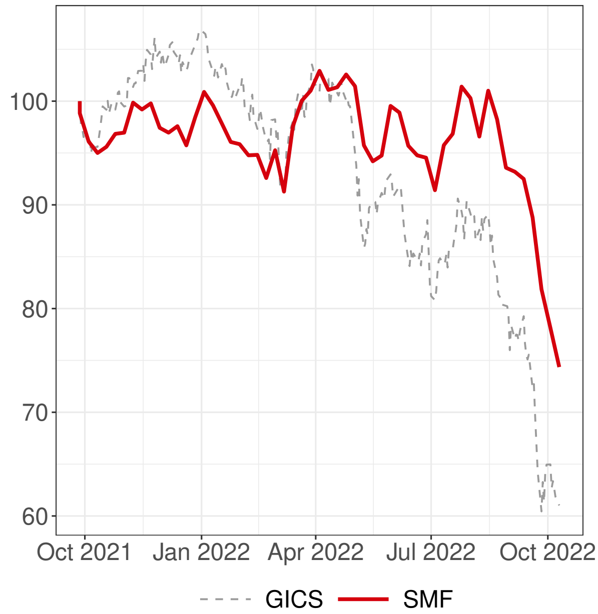
Sector: ⬇38.98% SMF: ⬇25.64%

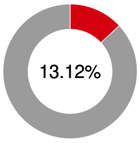
Recessionary fears have taken a toll on the Real Estate sector this year as the market increasingly anticipates a looming house price correction. With real wages falling, and higher interest rates likely to translate to increasing affordability pressures within the sector, the outlook for Real Estate over the past year has been negative and performance has been poor. Supportive policy that has been in place since the pandemic is also nearing its end, whilst supply of properties in the market is still constrained, and the market is pricing a challenging few years ahead, as we have seen from the weak performance of our SPDR Dow Jones Global Real Estate ETF over the past 12 months.

For Unite Group, market concern around interest rates has been a headwind for shares, while on a company level Unite is increasing underlying profits. The rising value of student housing has driven higher portfolio valuations, and Unite has seen record levels of demand for rooms as non-UK students, who represent more than 35% of renters, return to the UK. However, we think that the market is pricing a more challenging environment for construction and development on top of the macro uncertainty within the sector. Despite weaker performance for Unite this year, we remain confident in the company's ability to pass on higher energy costs to students, as it has stated it expects full occupancy levels this academic year.

For our British Land holding, the REIT's exposure to commercial office space and retail outlets is a significant risk when more companies are adopting remote working models and given the impact of the rise of e-commerce on brick-and-mortar stores. Negative earnings are forecast for the next 3 years along with declining dividends.

Kerry Shaw (MSc Finance)





MATERIALS

Sector: ⬇4.07% SMF: ⬇10.71%

The materials sector has had an extremely volatile year; stimulus initially provided an outsized effect on commodities, geopolitical premiums and operational disruptions arose, followed by recession fears and industrial metal prices plummeting.

As the balance sheet of the Fed approached $9 trillion and lockdown restrictions were loosened, demand continued to outpace supply growth. The cyclically sensitive nature of the sector and its general reliance on higher orders of production led to multiplied gains from QE and near zero interest rates. Profits in the sector rose sharply through 2021 as commodities such as copper rose more than 40% and energy prices climbed steadily.

Materials have contrarily suffered from this sensitivity in 2022 as industrial materials have seen large drawdowns with the end of QE4. Inflation expectations have cooled, and growth has begun to roll over.

Materials is likely to continue to have a volatile period through 2022/2023, with tensions from the Ukraine conflict, economic contraction, and inflation expectations all providing further volatility to the sector.

The invasion of Ukraine temporarily revitalised commodity prices and led to operational disruptions across the sector. Producers across resource-rich Russia have shut or scaled back production, leading to considerable reductions in volumes across exposed companies.

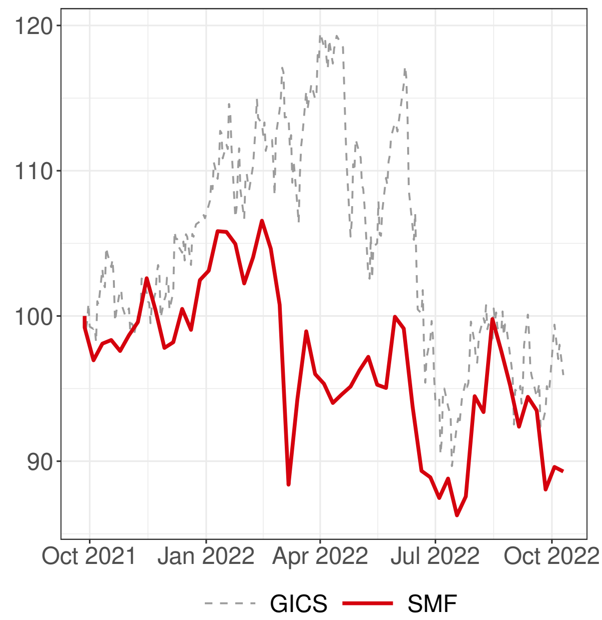
Glencore has performed well rising 14.1% YTD. Growth was driven largely by higher coal prices, rising by 220% from December 2020. The mining company benefitted from the nickel short squeeze with little option exposure and the metal comprising 12% of revenues. Similarly, elevated prices for copper and zinc also benefited Glencore. As industrial metals began a drawdown with copper erasing most of its 2021 gain, the key question for Glencore is whether growth will continue to roll over and if industrial metals will continue to be hurt by slowing growth.

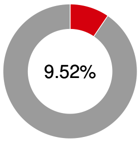
The iShares Physical Gold ETF has risen 6.4% YTD with geopolitical premiums and persistently high inflation driving gold prices above $2,000/oz before recession fears drove inflation expectations and gold prices below $1,7000/oz. So far gold has done its job hedging risk, future CPI prints, and terminal rate expectations are paramount to the ETF's performance going forward.

Mondi had a particularly weak period with a 20.3% drawdown YTD. The packaging company faced a three-pronged challenge through 2021/2022; higher input costs as paper prices have risen by nearly 50% from 2020; geopolitical issues with five production facilities and over 5,000 employees in Russia and Ukraine, Mondi has been directly exposed to Western sanctions; and a potential slowing of industrial demand is putting further downward pressure on the company's share price. A positive takeaway has been that Mondi has continued to pay down its debt and improve its balance sheet position.

Cement Roadstone Holdings (CRH) has also performed poorly falling 30.1% YTD despite a $0.6bn share buyback program, strong revenue and earnings growth. CRH has locked up its Ukrainian facilities constituting about 1% of its revenues. The main challenges the company has faced have been within aggregates and ready-mix concrete, although these volume reduction have been offset with asphalt volume growth.

Jason Smyth (BSc Finance)
Matthew Patterson (BSc Economics with Finance)





INFORMATION TECHNOLOGY

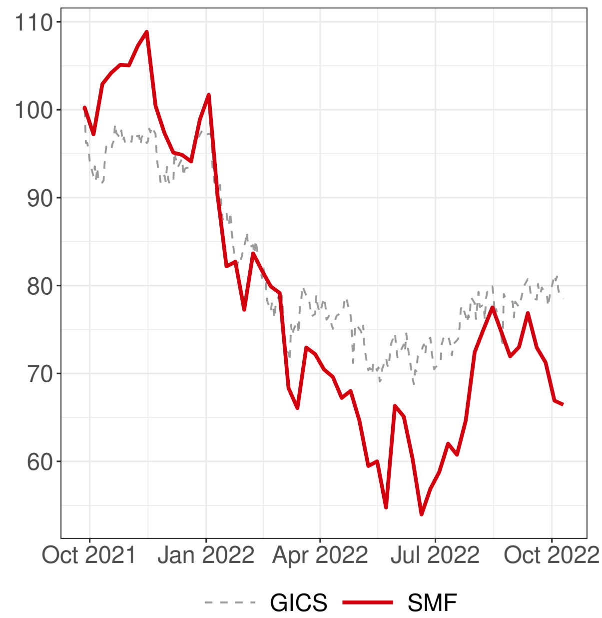
Sector: ⬇21.51% SMF: ⬇33.56%

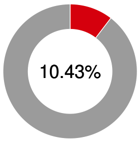
The QSMF IT sector has been badly hit by inflation and a rise in bank rate this year. Kainos Group PLC was the only IT sector holding of QSMF which dropped by 27.28% YTD with compared to 27.35% decline in FTSE 350 IT sector from October 2021. The stock price of Kainos tracked the FTSE 350 IT sector throughout the period. This company provides information technology services operating across two divisions (digital services and workday practice) which was in high demand in 2020 notably due to demand created by the National Health Service to digitalize their processes. Despite the pandemic, which was disruptive for most of the businesses, Kainos was able to accelerate the move toward digitalisation. However, in November 2021, the stock price dropped by 10% in the following trading week after their interim results, where the revenue grew by a whopping 33% but profit before tax increased by only 3%. Profitability is squeezed due to increased salary and elevated use of contract staff. The reversal of non-recurring cost savings from the equivalent period 12 months ago also impacted profit. Investors considered it as richly valued as the profit growth is only 3% against forward P/E 47.4x and full-year earning per share growth is forecast at 2%.

As of June 2022, the stock has seen an absolute return of -13.7% in the last year. Despite the recent poor performance, it has a remarkable five year return. Over this time, the share price has soared some 398% higher and EPS grew by 23% a year. However, this EPS growth is slower than the share price growth of 38% per year, over the same period. So, it looks like the market has a higher opinion of the business than it did five years ago. So, it seems to be right time to realize a profit from this stock after good performance. Kainos is expensive based on its P/E Ratio 47.4x compared to the peer average 35.5x. Its current year profit margin is 11.8% which is lower than last year's 16.9%. It has negative earning growth of -9.7% over the past year, so it can't be compared to its 5-year average.

For the 2022/23 academic year, portfolio concentration on Kainos will be diversified to other companies by exploring the tech sector outside the UK market. This reallocation is also to mitigate exposure in case of the risk of rising inflation, interest rate, and weak currency in the coming year, which will negatively affect the company's valuation.

Samit Raj Shilakar
(MSc in Risk and Investment Management)





HEALTH CARE

Sector: ⬆10.68% SMF: ⬇1.40%

We consider the Healthcare sector to be one which offers significant potential for growth, given the ever-increasing life expectancy globally and how fundamentally essential it is, even during adverse economic conditions. The impact of the COVID-19 pandemic has directly or indirectly created several new avenues for growth within the sector, which did not previously exist.

The inherently more defensive nature of the Healthcare sector, offers welcomed stability during a period of sustained economic uncertainty. We believe that in an era of high inflation, Healthcare equities provide security, which other sectors may not offer. Historically, demand for Healthcare products has been relatively price inelastic and given our research, we trust this trend will continue to prosper; allowing increased expenditures to be transferred to consumers. Thus, we have boosted our holdings of Healthcare equities significantly.

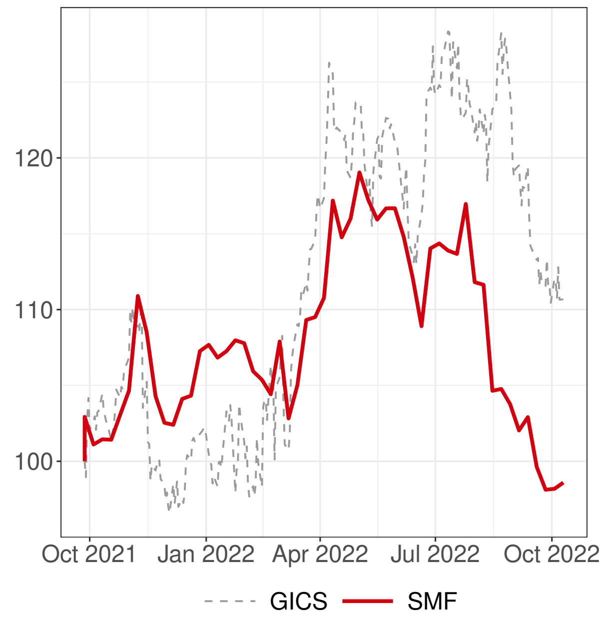
After underperforming for the preceding two years, GSK exhibited an outstanding performance, which was enriched through Xevudy; the COVID-19 antibody treatment which received emergency approval last year. Sales of Xevudy and Shingrix (their shingles vaccines) reached £1.3 billion and more than doubled to £731 million respectively. Sanofi, GSK's COVID-19 vaccine has proven to be 93.2% effective against infections caused by the Omicron variant for individuals who have previously contracted COVID-19. GSK outperformed analysts' expectations, reflected by an increase in share price by 23% and adjusted earnings per share of 34.7p.

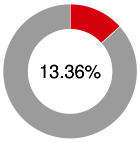
AstraZeneca's not-for-profit COVID-19 vaccine achieved double-digit revenue growth, likely due to boosted brand recognition. AstraZeneca announced sales of $11.4 billion, outperforming average analyst sales estimations of $10.9 billion. These strong sales were largely due to $1.1 billion in revenue from the COVID-19 vaccine and $1.7 billion in revenue from the drugs received as part of the $39 billion Alexion deal. High demand for its long-acting antibody treatment, Evusheld; which protects the immunosuppressed cohort is an additional reason for AstraZeneca's strong performance in the post-pandemic period.

Despite hits to underlying revenue, Smith & Nephew have demonstrated a strong ability to recover from adverse economic conditions. In 2021, revenue grew in all segments of their business except from Orthopaedics. In their pursuit of achieving increased revenue growth in this segment, they purchased the Orthopaedics and Sports Medicine franchises under one leadership umbrella. In 2022, they will open their Digital Surgery and Robotics Innovation Centre in Munich, Germany. Prior acquisitions, have facilitated the research and development of a next generation shoulder replacement system. The strong leadership and innovation principles of Smith & Nephew offer a strong base, giving it enhanced potential to be a positive investment.

We have increased our position in all of our current holdings, reflecting our continued confidence in the future performance of these companies and underlying equities.

Jesselyn Angky (BSc Actuarial Science)
Oliver Guette (BSc Actuarial Science)
Oliver Schumann (BSc Actuarial Science)





MACRO

SMF: ⬇12.23%

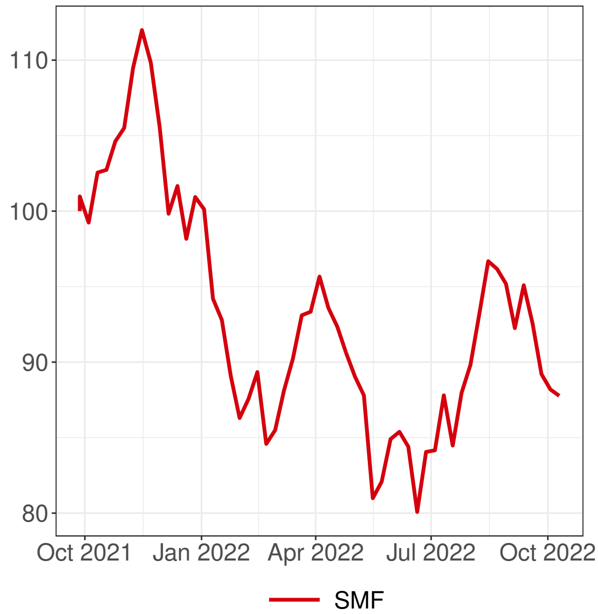
The world's economy and financial system have seen tremendously dramatic events in the past year including the spiralling inflation, geopolitical tensions and monetary tightening stand taken by the central banks to control the inflation caused by supply chain disruptions, rise in commodity prices and slower post-pandemic economic recovery.

Taking into consideration the global events and the economic stance, the QSMF Macro sector advised holding current positions and also adding more positions to its ETF funds pool such as iShare Global Clean Energy ETF and VanEck Semiconductor ETF.

In the past year, iShare Global Clean Energy ETF (Ticker: INRG) has delivered a return of nearly 9% as compared to a -6% in S&P 500 and 1.4% in FTSE 350 index. The ETF provides exposure to the corporations that produce and finance clean energy such as solar, wind, and other renewable sources. As reported, the ETF has given a return of nearly 19% in the past five years and 12.5% in the past 10 years, beating the major stock benchmarks by a notable margin. The ETF fund touches the equipment manufacturing, energy production and semiconductor companies and invests the proportion given in the S&P Global Clean Energy Index. The geographical headquarters of major corporations in the ETF are concentrated in the United States, China and Denmark region.

In light of the outlook, this ETF becomes compulsive and tailor-made since the majority of G-20 nations especially the North American and European nations have delivered the outlook for switching their main source of renewable production. From the QSMF Macro sector's view standpoint, the global economic uncertainty would have a short-term impact but in long term, as the economies progress toward the production, manufacturing and supply of renewable energy, the underlying industries in the ETF will thrive across geographies.

Manpreet Singh (MSc Finance)



STUDENT TESTIMONIALS

Entering the SMF as a first-year student, I had limited knowledge of finance and economics, let alone the perplexity of yield curves and more complex financial modelling. Yet this was no barrier to entry, with students from a range of both finance and non-finance related courses all joining the SMF in 2021. Weekly in-person and online meetings endowed me with knowledge on both the basic concepts and the more advanced nuances of equity research. Information-packed pitch decks are presented by experienced peers within the executive committee along with industry professionals from outside the fund. I found these meetings presented me with an understanding greater than even that of an entire semester of my specialised finance course, all within an easy to digest format.

Creating and presenting my own investment pitches in the Davy Belfast office provided me with unparalleled practical experience in the important soft skills of communication, teamworking, and general confidence in public speaking, as well as the specific hard skills of financial modelling, economic forecasting, and knowledge of Bloomberg terminals. Each of these make QSMF analysts stand out among peers within the ultra-competitive field of finance.

My role as Sector Head of Materials came with additional responsibilities ranging from disseminating information reported by the executive committee and organising weekly slots in the Fintru trading room to guiding analysts through and shortlisting their reports. The role has a strong emphasis on communication and organisation within a more intimate, small team setting. The relevance of the leadership experience has allowed me to gain additional leverage in internship and placement applications.

QSMF directly exposed me to both job and career development opportunities. The CFA Research Challenge 2022, hosted in Dublin by the Chartered Financial Analyst Institute, was an intense extension of the fund's report creation and pitching process with the potential to progress to international and world level competitions. The opportunity to compete and network with professionals and top students from participating universities accelerating my learning and experience in finance and economics beyond any level I could have hoped to achieve without being a member of the fund. After a thoroughly packed first year, I am progressing to my second with a repertoire of in-depth knowledge relating to each sector, an invaluable network of connections, and a set of experiences that would be unattainable without the contributions of the QSMF.

Jason Smyth
BSc Finance

As an international student one of the reasons to join Queen's University Belfast and choose MSc Quantitative Finance is the Student Managed Fund. I joined QSMF in 2021 as an analyst in the industrials sector. With a background in mechanical engineering, I lacked financial skills. Through joining QSMF I not only contributed to managing a £50,000 portfolio but also gained numerous finance skills which helped me to get a job. At the beginning, I was challenged to complete the Bloomberg Market Certification course which is essential training and valued in industry. After that we were given freedom to choose a company with respect to our sector and make an analyst report. The fund provided various seminars regarding each section of an analyst report such as the investment summary, business description, valuation, and investment risks. A highlight was a seminar from a highly experienced industry professional, Mr Declan Breslin, on the topic of ESG.

In addition to this, QSMF has also taught us how to write a good resume and cover letter and equipped us with different skills such as the STAR technique for answering competency questions for interviews. The fund also held the Annual General Meeting with our respective sponsors Davy and Citco where I was chosen to pitch an equity research report on easyJet and respective feedback was given. I also had a chance to pitch another asset class with my team members and we pitched Harmony which is an open and fast blockchain platform that is used to scale Ethereum transactions.

An alumni panel provided a further opportunity to build a good network with industry professionals and gain insights into the financial sector and what it expects from you. I would highly recommend joining QSMF as it will equip you with specific skills needed to join industry. I want to thank all my all my colleagues and especially our CEO Kerry Shaw for maintaining a good decorum and managing our fund across the entire year.

Hemant Tiwari
MSc Quantitative Finance

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.

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