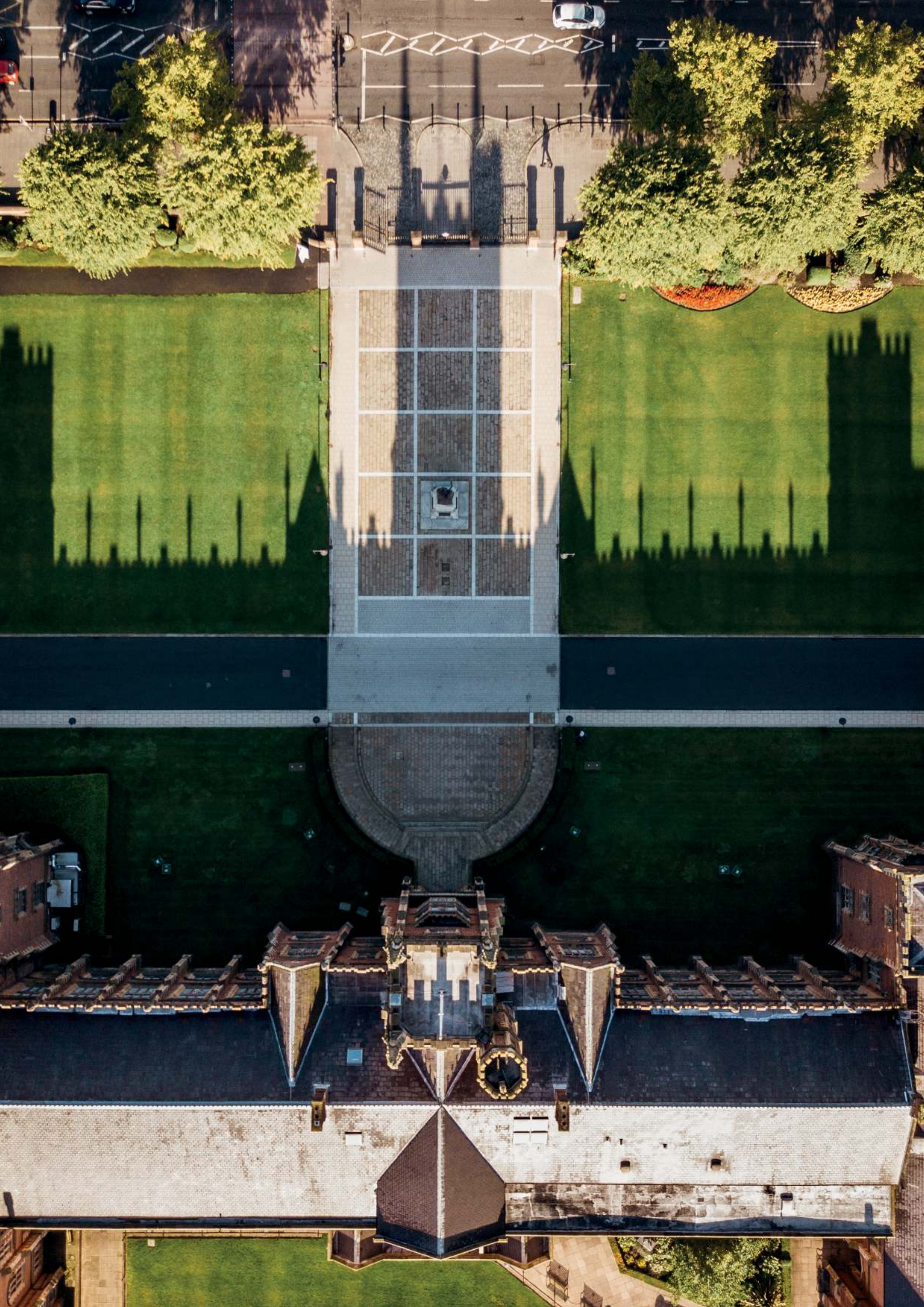
Queen's Student Managed Fund

Annual Report 2022/23

QUEEN'S UNIVERSITY BELFAST | MANAGEMENT SCHOOL



FOREWORD

The year 2022 marked ten years since the fund's creation with many significant milestones along the way, I am delighted to have been involved in the fund during my four years studying Finance at Queen's University Belfast.

The Queen's Student Managed Fund provides students with exceptional exposure to financial markets and investments. Guided by our experienced oversight committee and alumni, members acquire essential knowledge and make crucial investment decisions using the fund's assets. The QSMF equips members with skills that advance their careers, with many successfully securing positions at top financial firms globally.

We had various goals over the course of the year, three of which I have outlined below:

1. Financial education
To ensure that the SMF members are well equipped to understand the fundamentals of investing, to understand the overall fund and what we really do in this society. We accomplished this by hosting masterclass sessions and focusing on the development of skills in first semester, which were utilised in second semester as the Analysts and Sector Heads completed their equity and fund reports.

2. Increased networking:
We found it was important to increase the amount of in-person networking since so much of this had been lost in the previous years due to COVID. It has been beneficial for the fund and its members to come back to in-person events, providing opportunities to network with likeminded individuals and industry professionals.

3. Talent network:
We wanted to ensure the QSMF members were truly prepared for interviews, placements, graduate jobs, and their lives after University. At the beginning of the year we spent time going through CVs, cover letter's, interview prep, and assessment centres, to ensure the QSMF members had the best opportunity and advice they can get when it comes to securing a job at a top firm.

Looking forward our priority is to ensure strong portfolio growth, and with nearly £60,000 currently invested, our student managed fund ranks among the largest within the UK and Ireland. Our goal is to increase our assets under management to £100,000 over the next ten years, and I am confident that the Executive members who follow will be able to accomplish this goal.

To celebrate the progress of the fund over the last year, we have decided to donate annually to charities and initiatives close to our hearts at the QSMF. In 2023 we have donated £1000 to the PIPS charity; a Suicide Prevention Charity in Ireland who provide counselling and befriending support to individuals who are experiencing or have experienced suicidal thoughts or mental unwellness. PIPS Charity also provides support to families and friends who have been touched by suicide.

Lastly, I would like to express my special thanks to the members of the QSMF Oversight Committee for their invaluable advice. I would also like to thank both Davy and Citco, our fund's ongoing sponsors, for their unwavering support and guidance. Furthermore, thanks to the other Executive Committee members for their significant contributions, our Sector Heads for their tireless efforts to engage our Analysts, and the student Analysts for their hard work over the year.

Katie Megarry (CEO)
Final year BSc Finance
Incoming Treasury Graduate Analyst at Morgan Stanley, London

ECONOMIC OUTLOOK

Inflation remains high across western nations and central banks have been forced to tighten aggressively over the past year as a result. The major concerns for investors looking ahead boil down to two questions - how will demand be affected by the aggressive rise in rates (and tightening liquidity) and will inflation return to 2%?

Regarding the first question, the Federal Reserve, ECB, and Bank of England have already signalled a slowdown in rate rises as they move to 'data dependent' actions. Alongside this, both leading and lagging indicators such as ISM manufacturing, the Yield curve, Consumer confidence surveys and housing data are showing that the higher interest rate environment is taking a toll on the economy. The recent bankruptcy of several financial institutions on both sides of the pond further confirms to us that there will be no bull market anytime soon. Although this banking crisis was mainly driven by a lack of liquidity, it does convey the inherent risks in the financial system following a correlation flip between bonds and equities. This is something to keep a close eye on going forward.

Regarding the latter part of the question, once CPI has risen above 5% it has never come down without Fed Funds going above CPI. Also, once it has risen above 5%, it has never come down without a recession. The soft-landing narrative may be possible, but it doesn't seem likely. With OPEC+ supporting oil prices, liquidity injections by the CCP and increased demand through the Chinese reopening (at least in the first half of this year), a second bout of inflation could arrive, which would seriously damage asset prices. This is evident in the recent acceleration where UK CPI to rose by 8.7% in the 12 months to April 2023.

Equities have performed poorly through 2022 and this is likely to continue as the economic slowdown is reflected in company earnings. Therefore a rotation into quality companies in Healthcare, consumer staples and other sectors that can pass higher costs onto customers is likely the best place to hide. Although the fund is looking for new asset classes to add, fixed income has performed dreadfully and we believe it is prudent to continue to be cautious about this asset class. With inflation still far from the target 2%, there is significant uncertainty around the terminal interest rate and if inflation will return to 2%. If this does not return to 2% as priced by markets today, we could see continued falls in bond prices. Bonds are not hedging equity risk, and never do when monetary policy is restrictive, so we don't see an allocation to fixed income as prudent at this time.

Peter McMullan (CRO)
Final year BSc Actuarial Science & Risk Management
Incoming Equity Research Intern at Susquehanna International Group, Dublin

PORTFOLIO PERFORMANCE AND INVESTMENT REBALANCING

Throughout the year, QSMF has remained dedicated to optimising portfolio performance and as part of this ongoing commitment, we recently completed the annual portfolio rebalancing process following an in-depth portfolio review.

As a team, we employed a top-down investment approach, involving a thorough examination of macro forecasts provided by Peter, which served as the foundation for determining sector allocations. To further refine our decisions, we sought insights from our Sector Heads who performed comprehensive evaluations of their respective sectors. Informed by their recommendations, we conducted fundamental analysis with inputs from QSMF Analyst reports and pitches at our annual event with Davy.

Recognising the need to increase our exposure to Consumer Staples, we increased its portfolio weighting by 5%, driven by the addition of Kroger, a stock pitched by Olivia Otley at the Davy event. With a favourable P/E ratio of around 15 and a strong track record of delivering returns to shareholders, Kroger's inclusion increases our US staples exposure at a good entry price.

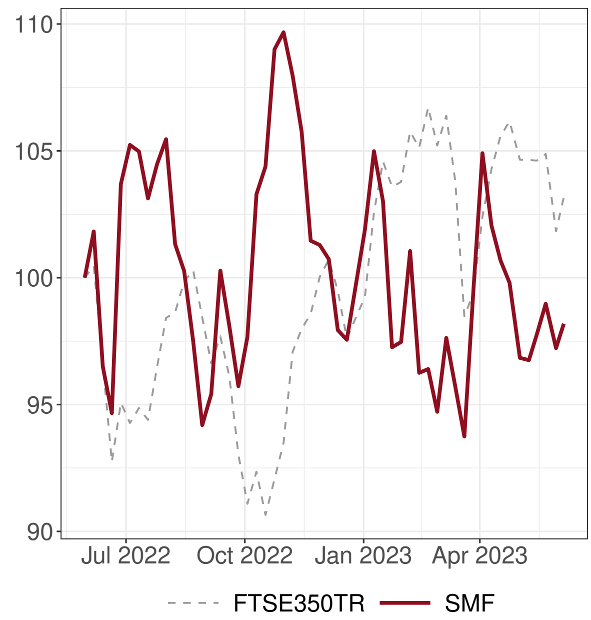
We increased our macro positions by over 4%, with the new addition of the iShares Global Infrastructure ETF and an increase to our gold position. The Global Infrastructure ETF was another strong pitch at the Davy pitching event by Daniel Sharpe and Lucinda Hudson, while the team is bullish on gold as our view of sticky stagflation and central bank pivots could decrease real rates, further increasing gold demand.

We increased our Healthcare weighting by 3% following Dean Young's pitch of Spire Healthcare at the Davy event. QSMF believes that the continued post-COVID elevation of NHS wait times for hip and knee replacements and the increase in workplace private healthcare insurance are positive catalysts for Spire's business. We also decided to this year allocate 4% of the fund to money markets, with its roughly 4% yield beating many blue-chip stocks in a market where we anticipate high volatility amid poor economic conditions.

To effectively manage risk and align with our macro strategy, we strategically reduced exposure in specific sectors while maintaining a focused portfolio composition.

Based on risk calls and poor prior performance, we decided to decrease our exposure to the Materials and Utilities sectors. This adjustment was also motivated by overlapping investments with our newly introduced Global Infrastructure ETF, aiming to enhance portfolio efficiency and minimize further downside risks.

In-line with our macro strategy, we reduced our exposure to the Consumer Discretionary sector. This allowed us to sell Amazon, mitigating the risk of breaching the fund's risk requirements. Our decision reflects our prudent approach to risk management, ensuring portfolio stability and alignment with our investment objectives. Continuing last year's strategy of concentrated Technology holdings, we strategically reduced our overall exposure in the sector. This included divesting the remainder of our Cloud Computing ETF, positioning our portfolio with a more concentrated approach to Technology investments with individual companies whose value relies less on future uncertain cash flows.



While not significantly adjusting our exposure, we believe that we improved the quality of holdings in Energy and Financials. Reinforcing our ESG commitment, we reinvested capital gains from Shell into clean energy alternatives. Within the Financials sector, we concentrated our holdings by selling Prudential and Lloyds, while introducing Legal and General, a dominant player in the insurance and asset management industries, with a quality management team and a strong capital return program.

We believe the QSMF is now strategically positioned to successfully navigate one of the most uncertain economic environments of our lifetimes and that our top-down approach, supported by thorough analysis, will enable us to outperform in the year ahead. By optimizing sector allocations, strengthening key positions, and actively managing risk, we are confident in our ability to deliver favourable results for the fund's investors.

Zachariah Al-Qaryooti (CIO)
Final year BSc Finance
Incoming Equity Research Summer Analyst at Morgan Stanley, London

PORTFOLIO COMPOSITION

2022

2023

RISK OVERVIEW

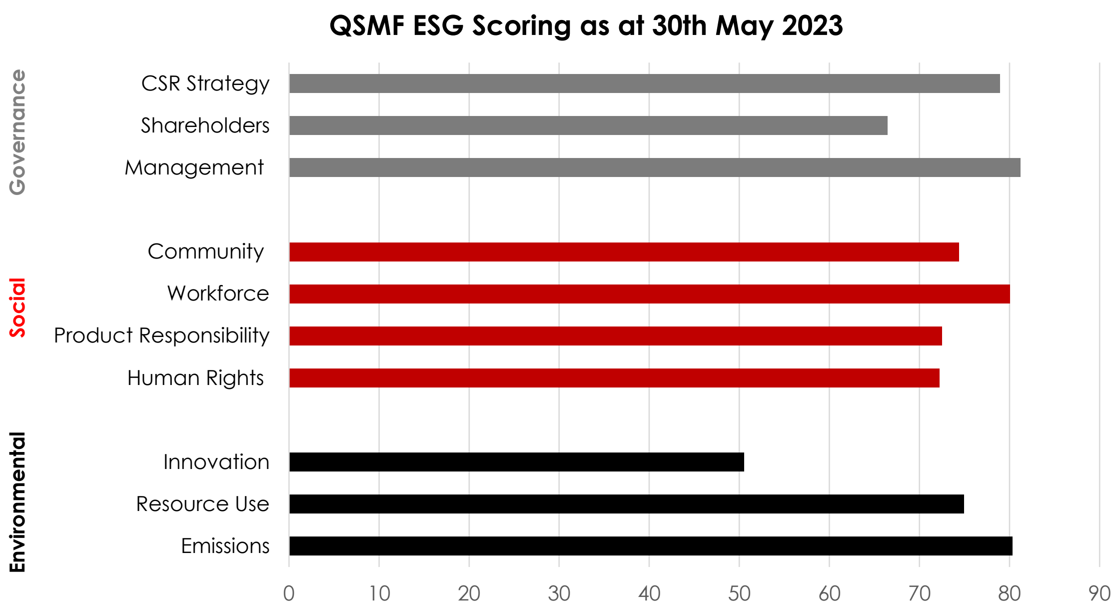
The equity risk of our portfolio has remained at a high level this year following heightened recessionary expectations, inflation, and interest rate hikes. We continue to mitigate our downside potential through our gold positioning as an inflation hedge and strong diversification through an introduction of a new ETF, combined with reducing our exposure to the poorer performing sectors.

An exciting development is the introduction of a Risk Management Policy and Portfolio Analytics. Our Risk Management policy provides a structured framework addressing risk identification, assessment, monitoring, and decision-making processes. The policy also incorporates risk metrics around security losses, asset class and sector diversification, ESG, liquidity, leverage, and Value at Risk. The addition of this framework provides enhanced oversight, introducing a regulatory aspect to the fund management and providing solid risk management principles.

The next exciting update for the fund is the extension of our portfolio analytics dashboard – a product of work from previous committees alongside Dr Barry Quinn and Dr Colm Kelly. This year, we have seen the introduction of a Value at Risk model, which will work to help us calculate, assess, and monitor the expected future losses of our portfolio. A parametric linear VaR model is being used with a 99% confidence interval and 250-day lookback period. In addition to portfolio VaR, developments are in progress for VaR overshoot analysis to trial the robustness of the model, Marginal VaR calculations for each sector, Standalone VaR for each of our individual securities and benchmark analysis.

Looking forward, we will develop analytics for portfolio optimisation to help visualise our investment process in regards to risk management.

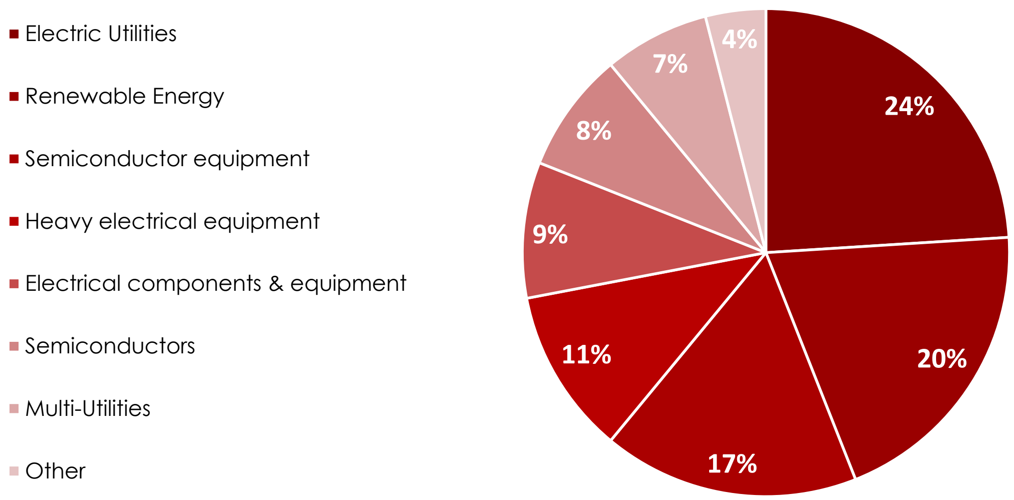
POST REBALANCE ESG SCORING



To visualise our overall ESG performance, a profile for the fund has been constructed using corporate ESG scores retrieved from Refinitiv and Morningstar for our Macro/ETF positions, weighted to each risk factor. The fund maintains a strong overall ESG position with minimal risk and a high corporate sustainability contribution. QSMF's strongest position sits on the governance side, with our best performers for ESG disclosure including GlaxoSmithKline, Microsoft, and AstraZeneca. Improvement can be made on the innovation aspect of environmental sustainability, of which the fund is acting through the focus on clean energy and renewable alternatives. Going forward, limits have been set in place within our stock selection process to reject companies under a certain ESG threshold provided by our data providers which will help us maintain our strong profile.

Chloe McClelland (CRO)
Final year BSc Finance
Incoming Graduate at Waystone, Dublin

iShares Global Clean Energy ETF holdings by sub-industry



The Investment into the iShares Global Clean Energy ETF (ICLN) presents the fund with exposure to companies that produce energy from solar, wind, and other renewable sources. It generated a 9.15% return over the last year as compared with the 4.96% return from the FTSE 350 and 9.23% return from the S&P 500. China, Denmark, and the United States are where most of the underlying securities are domiciled (61%).

As clean energy is a very fast-growing industry, it is becoming increasingly popular as more investors are looking to make a difference. Clean energy securities are not only good for the environment, but they are often more stable than traditional stocks. However, with energy transition currently off-track, the International Renewable Energy Agency (IRENA) has warned that an investment of $35 trillion is needed to fuel an urgent energy transition away from fossil fuels. At the end of 2022, the US government passed a bill which appropriates $46.5 billion to the Department of Energy for FY23. This is a 4% increase from the previous fiscal year. The office for Energy Efficiency and Renewable Energy received a record-high $3.46 billion for FY23, a 6% increase from FY22, for the R&D of clean vehicle technology, renewable energy grid integration and clean hydrogen production.

The current global energy crisis has added new urgency to accelerate clean energy transitions and, once again, highlighted the key role of renewable energy. For renewable electricity, pre-crisis policies lead to faster growth. Notably, wind and solar have the potential to reduce the EU's power sector dependence on Russia's natural gas. Due to sharp increases in natural gas and coal prices, the competitiveness of solar and wind costs has actually improved.

With the recent US Bank failures and interest rate hikes, energy ETFs are now performing better after poor results due to Russia-Ukraine tensions. Though funds plunged in March 2023, investors are expecting volatility to cool down with a banking sector rebound. Large inflows into ETFs are creating imbalances and broadening of the index in the long run, with increases in holdings and green investments, energy ETFs are a good pick.

Overall, the QSMF ESG team recommends a hold on the existing position. The clean energy space is an exciting and rapidly growing industry with significant potential for growth and innovation. While there are challenges, such as intermittency issues and the need for energy storage solutions, the overall trend towards renewable energy sources is expected to continue. Stock Example: Orsted. This European energy company, which historically relied on fossil fuels, now gets more than 75% of its revenue from offshore wind. By 2025, the corporation aims to produce almost all of its energy from clean sources.

Jordan Wilson (BSc Finance)
Jocelyn John (MSc Finance)
Rory Campbell (MSc Quantitative Finance)

FUND ACTIVITIES AND OPERATIONS

We are excited to announce significant changes and advancements to the fund's activities and operations this year. We continue to believe that the QSMF offers a unique differentiator for its members' graduate and placement aspirations.

This year, we began the term with valuation and economic fundamentals masterclasses rather than jumping straight into report creation, building a foundation of knowledge, and demonstrating industry-standard research reports. This resulted in much higher quality reports and pitches in the second semester. For those interested in investment banking and corporate finance positions, we held a banking-specific CV construction and interview preparation masterclass prior to the application deadlines for major banks.

Members' understanding of buy and sell-side institutions was also boosted through a Morgan Stanley-sponsored AmplifyME trading simulation in November. Top performers here are referred directly to Bank of America, Credit Suisse, Citi, and RBS, among others.

Finally, Sector Heads and the Executive Committee met with Declan Breslin, Former Global Head of Client Service and Solutions for JP Morgan, who gave sound advice and insight into his career in investment banking. Leveraging these opportunities and advice has been fundamental in securing many of our graduate and placement roles at interview. We were fully booked for speakers and events this year with 18 events overall and had plenty of networking and learning opportunities for the fund's members.

Jason Smyth (COO)
Second year BSc Finance
Incoming Placement at Clarendon Fund Managers as a Venture Capital Intern, Belfast

Maria Mackle (CFO)
Final year BSc Finance
Incoming Graduate Analyst at Options, Belfast

2022/2023 EVENTS

2022

- Introduction to the QSMF
- Bloomberg Market Concepts Course
- Analysis and Fundamentals Series: Macro, ESG and Risk
- Analysis and Fundamentals Series: Valuation methods
- Abbey Capital Masterclass
- AmplifyME Trading Simulator
- Bloomberg Trading room sessions
- CV and Interview Masterclass

2023

- HNH Group Masterclass
- AGM with Keynote speakers from Davy
- Citco Careers Workshop with Chief of Staff Peter Quinn
- CFA Research Challenge
- JP Morgan Careers Workshop
- SMIF UK23 Conference in York
- Masterclass with Declan Breslin
- Funds Axis Masterclass
- Davy Pitching Event
- Meeting with the Financial Conduct Authority

QSMF alumni Chris Hayes and Lucas Batchelor talk to the current students about their own experiences in the fund and their work at HNH.

Davy Pitching Event. In March, our Gold Sponsor Davy hosted our pitching event in their Belfast Office. Seven fund members were chosen to pitch their stock to a panel of Davy Professionals Q&A on each pitch followed by refreshments and networking.

AGM in February, with Davy keynote speakers Chris Power, Head of UK Wealth Management, and David Finn, Chairman of UK Investment Committee from the Belfast and Dublin offices.

CFA Research Challenge 2023. Left to right: Euan McNicholl (Sector Head), Aaron Brown (Analyst), Maria Mackle (CFO), Zach Al-Qaryooti (CIO), and Yuqing Ye (Analyst). Completed a pitch on their 20-page equity report on Flutter Entertainment at the event in Dublin.

Masterclass with Declan Breslin. We met with Declan, Former Head of Global Client Service and Solutions at JP Morgan, multiple times over the year. Declan shared about his upbringing and extensive financial career.

In May, Claire and Katie from the QSMF presented to members of the Financial Conduct Authority including CEO Nikhil Rathi about the fund from a student's perspective.

SMIF UK23 Conference in York. In March, 7 members from the fund flew to York to attend the 2-day SMIF conference. The members collaborated with other UK student managed funds, participated in workshops and placed 2nd in the poster competition.

STUDENT TESTIMONIALS

When applying for Universities in 2021, the QSMF was the differentiator which led me to accept an offer at Queen's. I joined the QSMF in 2021 as a Financials sector Analyst and during this time, I was tasked with writing an equity report on a current holding in the sector, as well as given the opportunity to pitch a new holding in my second semester to one of our sponsors, Citco. As an Analyst, I secured access to Bloomberg terminals, as well as attended weekly masterclasses which covered topics such as ESG, macro, and valuation.

In my second year of studies, I secured the role of Sector Head in the Financials sector, and with this title came more responsibility as I now had a team of Analysts which I had to manage. I believe this position greatly improved my management and leadership skills, and I was still learning myself while attending masterclasses and helping Analysts with their equity reports. Also, I was delighted to be given the opportunity to attend the Student Managed Fund Convention hosted by the University of York, where 6 other QSMF representatives and myself spent two days listening to talks from industry professionals as well as networking with other like-minded students from UK universities. I utilised my Sector Head position hugely in my interviews in my search for a placement position, and I believe that my involvement in the QSMF was the reason I secured a 12-month placement at MUFG Investor Services as a Junior Associate.

The experience I have gained in the QSMF has undoubtedly improved my interpersonal, networking, communicative and organisational skills, as well as given me an insight into the financial and corporate world, which has led me to narrow down my job search as I now know what I am interested in pursuing a career in. I would highly recommend to students, from any course or discipline who have an interest in finance, to join the QSMF as it is an invaluable experience which they should take advantage of now while they can.

Conor Devenney
(Sector Head)
BSc Economics with Finance
Incoming Placement Student at MUFG Investor Services in Client Operations, Dublin

I joined the Queen's Student Managed Fund in 2019 in an aim to get an insight into what it was like to manage a stock portfolio and simply the reasoning behind buying and selling positions. In my first year I had a keen interest in investing in stocks I liked, but I had a very limited understanding of whether the stocks I was buying were actually under or overvalued. Within my first year at the fund, working in the consumer staples sector, I developed an industry style equity research report on Ocado PLC, which I was invited to present to Davy Group, but the event was unfortunately cancelled due to COVID, (Bad news for me but great news for Ocado that boomed during COVID!).

The insight and skills I learnt were invaluable in securing my placement year with quantitative trading firm SIG in Dublin. I was able to discuss my QSMF experiences of analysing equities and market related news during interviews, as well as carrying them through to my work. Throughout my placement year I was using the Bloomberg terminals, so having the experience of using them with the QSMF on a weekly basis was a huge advantage. I am now a Sector Head for the Energy sector in my final year where I have been able to provide insight into sector related news and provide guidance to a team of Analysts to help with their reports.

QSMF kickstarted my passion for equity research and since then I enjoy writing equity reports for a student run newsletter, and I'm delighted to be returning to SIG in the summer as part of their Equity Research program. I would strongly recommend anybody who has an interest in financial markets and wants to meet likeminded people to sign up to the fund!

Euan McNicholl
(Sector Head)
BSc Finance
Incoming Equity Research Analyst at SIG, Dublin

STUDENT TESTIMONIALS

From joining QSMF as an Analyst in the financial sector in my first year, with little prior knowledge of markets, valuations, and economic consequences, to becoming Sector Head of the macro sector, and guiding Analysts' knowledge, has expanded my understanding of fundamentals which I have used throughout my modules and in securing a placement with Morgan Stanley.

Building my network with like-minded peers has supported my progression and navigation of long placement applications. Learning from their experiences has allowed me to determine the technical and soft skills needed to succeed in applications, internships, and placements, providing me with guidance, opportunities and opening doors to many industry leaders and experts.

The opportunity to pitch twice at the Davy events, in-front of successful industry professionals, has provided the ultimate learning experience and one I credit for furthering my understanding in financial markets and fundamentals.

During both my years within the fund, I have progressed both academically and professionally, gaining crucial knowledge as I go into my placement year and an experience I would encourage others to have.

Lucinda Hudson
(Sector Head)
BSc Finance
Incoming Industrial Placement at Morgan Stanley in ISG, London

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I joined the fund in 2022 during my final year of Software and Electronic Systems Engineering as an IT Analyst. When I heard about the QSMF I just had to join. A student led fund that manages over £50,000 in real assets was something I couldn't pass on. Having completed my placement year with a FinTech company I had a basic knowledge of finance that I wanted to develop further. Joining the fund was the perfect way to do so.

During the 1st semester members of the Executive Committee presented important topics in finance. These included from DCF Analysis, Macro and Risk. No prior knowledge was assumed, and each topic was taught from the ground up. These presentations came in handy when writing my equity report. There was also many external speakers throughout the year from Davy, Funds Axis, Abbey Capital, and Citco. These individuals have had long and successful careers and were great to approach for advice.

I have greatly enjoyed and benefitted from being a part of the QSMF. It is a unique experience that is unlike any other university society. Being able to join the fund regardless of degree pathway is not allowed by some other university managed funds. I would highly recommend anyone from a non-finance background to avail of this fantastic opportunity.

Venkatesh Kamath
(Senior Analyst)
MEng Software and Electronic Systems Engineering

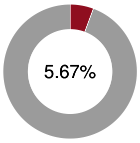
I joined QSMF in my first year in 2021 as an analyst in the Financials sector, then progressing to become a sector head in the Consumer Staples sector in my second year. From these roles, I was able to gain valuable skills and experience in a variety of areas - from creating equity research reports and stock pitching, to honing teamwork and communication skills, and managing a team of analysts.

QSMF's resources, including access to Bloomberg terminals, allowed me to stay updated with real-time financial data and further develop practical technical expertise. Additionally, a range of events take place including the annual QSMF stock pitching event at Davy, which I have been able to take part in twice. These skills and experiences strengthen any CV and can set you apart from other candidates. I believe my involvement in QSMF played an important role in securing a financial placement with Davy.

Overall, My journey with QSMF has been an invaluable experience, equipping me with practical skills and knowledge to provide a competitive edge in the financial industry, and I would strongly recommend any interested students to join.

Olivia Otley
(Sector Head)
BSc Finance
Incoming Placement Student at Davy Group, Belfast

SECTOR PERFORMANCE OVERVIEW FROM SECTOR HEADS



CONSUMER DISCRETIONARY

Sector: ⬆37.60% SMF: ⬆1.99%

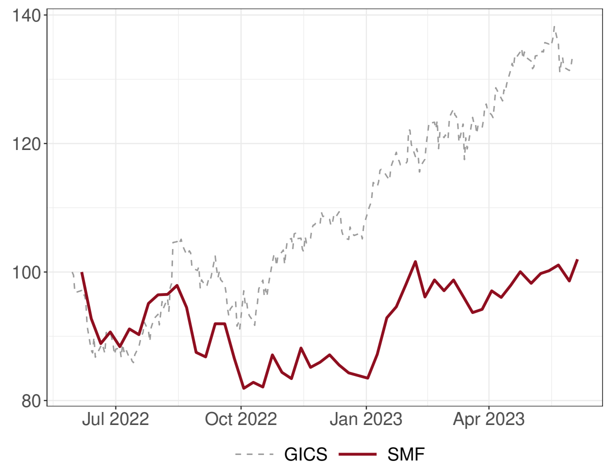
The consumer discretionary sector is a cyclical sector, our current holdings include Greggs, Dunelm, and InterContinental Hotels Group.

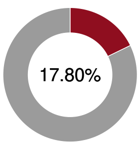
The sector has been hit with rising costs of raw material costs due to global macroeconomic events such as the continued war in Ukraine. Central banks hiking rates and inflation have also proved challenging. However, from the 2022 rebalance to April 2023 the consumer discretionary holdings have performed well as Greggs, Dunelm, and InterContinental Hotels Group have returned; 23.3%, 82.8% and 40.1% respectively.

Greggs have had an impressive year, reporting rising sales in 2022 of 23%. Dunelm's growing market share in homewares and furniture shows conviction, as it shows the conglomerate's drive in growing its business efficiently. This is backed by a growing number of active customers (+5.7%). InterContinental Hotels Group also seen significant growth in 2022, total revenues were up 34% as the tourism industry continues to bounce back post pandemic.

Despite macroeconomic turmoil our holdings have remained strong, although it is necessary to monitor performance.

Claire Hanna (BSc Finance)
Niamh Corrigan (BSc Finance)





CONSUMER STAPLES

Sector: ⬆5.19% SMF: ⬆0.19%

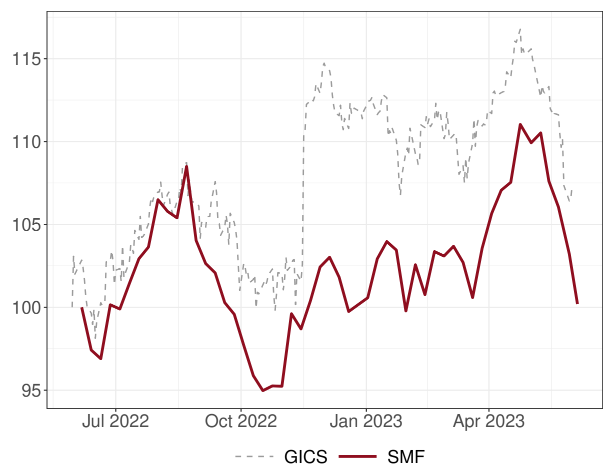
Our Consumer Staples sector continues to provide stability and resilience in the face of economic uncertainty. Despite 40-year high inflation and rising interest rates, the sector has remained relatively steady over the past year.

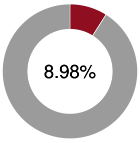
Diageo has seen consistently strong financial performance with net sales up 18.4% fuelled by organic growth and favourable foreign exchange impacts, with premium spirits driving 65% of growth. Despite cost-of-living pressures, customers are opting for high-value, low-volume drinks as indulgent treats, supporting the overall industry trend of premiumisation. Diageo is augmenting this strategy by acquiring high-growth premium brands.

Tesco has faced a number of strains due to widespread continuing supply chain issues and inflationary pressures which has led to a fall in operating profit margins. Despite this, 2022/23 interim sales have risen by around 3%, driven by a focus on providing customer value through Clubcard Prices, Aldi Price Match, and Low Everyday Prices to alleviate cost-of-living pressures. Tesco is the only full-line grocer to increase its market share compared to pre-pandemic levels. In addition, the company announced a £750m share buyback programme to be completed in April 2023.

Unilever has returned an impressive 20% over the year, despite facing cost-price increases due to inflation, which has led to prices being raised by 13%. However, the company's strong brand loyalty has helped mitigate the impact of inflation on sales volumes. Unilever has achieved a strong 9% underlying sales growth in FY 2022, driven by all business groups and a reorganised, simplified operational structure for more efficient decision making.

Olivia Otley (BSc Finance)
Nathan McNally (BSc Finance)





ENERGY

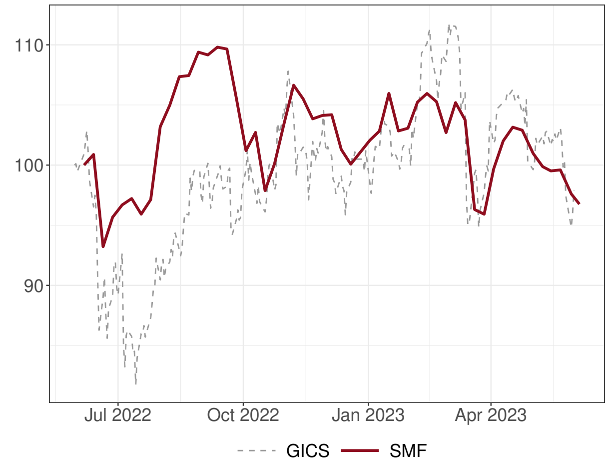
Sector: ⬇1.53%   SMF: ⬇3.24%

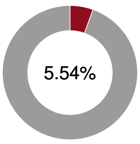
Contrary to general market trends the energy sector boomed in 2022, despite a tail off into early 2023. The war in Ukraine caused a huge supply chain squeeze on Oil and Gas leading to oil prices trading at over $100 a barrel from February to July, whilst gas prices peaked in Summer 22 with US natural gas futures trading at over $9.95/MMBtu. Despite this blistering rise in energy prices, there has been a steep drop in late 2022 to early 2023, with gas futures now trading at 78% lower than the summer highs and oil trading at 35% lower than the levels of the previous year.

These reversions have come as a result of perceived changes in future energy demand. With the Fed continuing their hiking cycle until such times as there is a change in the labour market and easing of inflation, the probability of a recession in the US is rising. An economic slowdown will result in a reduction in energy demands, has caused the perceived risk of a recession to steeply rise and in response Shell's stock price dropped 13% in the week of the 6-13th March 2023.

The main driver of the energy sector for the future appears to be the renewable energy sector, especially given improved government targets and technological advances over recent years. President Biden's bill that aims to have 80% of the US energy as renewables by 2030 aligned with the US incentives that global greenhouse gas emissions for all countries must reduce 43% by 2030. New renewable technologies such as hydrogen fuel cell energy are attempting to improve the efficiency and variability of clean fuel options for countries and as investment and technologies continue to advance the iShares Global Clean Energy ETF appears to be an exciting investment for the fund.

Euan McNicholl (BSc Finance)
Brandon Cochrane (BSc Finance)





FINANCIALS

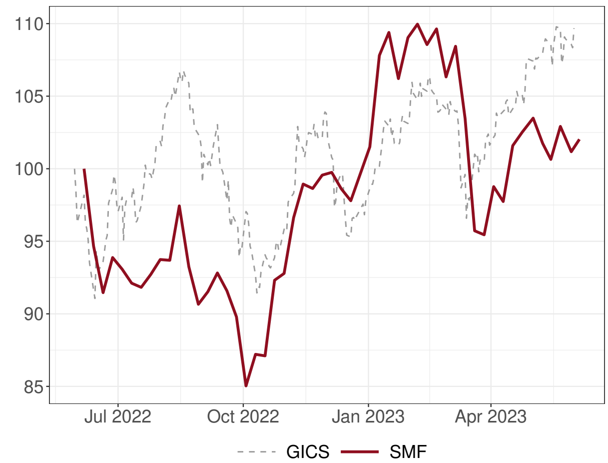
Sector: ⬆13.94%   SMF: ⬆2.03%

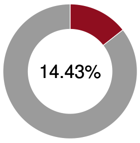
Since the 2022 rebalance, QSMF has held positions in four Financials sector securities: JP Morgan, Investec, Prudential, and Lloyds. The QSMF financials sector has outperformed the benchmark, the FTSE 350 Financials, with the QSMF yielding 30.77% in the sector and the FTSE 350 Financials only yielding 10.59%. Although, the QSMF financials sector only accounted for 11% of the fund, whereas the FTSE 350 has a 21% weighting in its Financials sector.

The financial sector performance since the rebalance has been one similar to the markets as a whole: sensitive and unpredictable. The turbulence which has plagued the global markets has been felt by JP Morgan due to its decrease in revenue from its investment banking division, as well as the fact it has been stockpiling cash in anticipation for a mild recession, which they hope to utilise in the near future by accumulating under-priced assets in their forecasted late-2023 deflationary period.

In the months since the 2022 rebalance, there has been a plethora of market uncertainty and scepticism, with volatility stemming from Fed rate hikes, the Russia-Ukraine war which has caused supply chain disruptions, and the aftermath of the Covid-19 pandemic. Even with all these contributing factors, the QSMF has managed to outperform its benchmark significantly. Moving forward, especially with the next rebalance in mind, I believe a greater weighting in the Financials sector with more diversified securities in the banking industry will not only diversify the funds best performing sector in recent months, but also provide stability and hedging for our more volatile holdings.

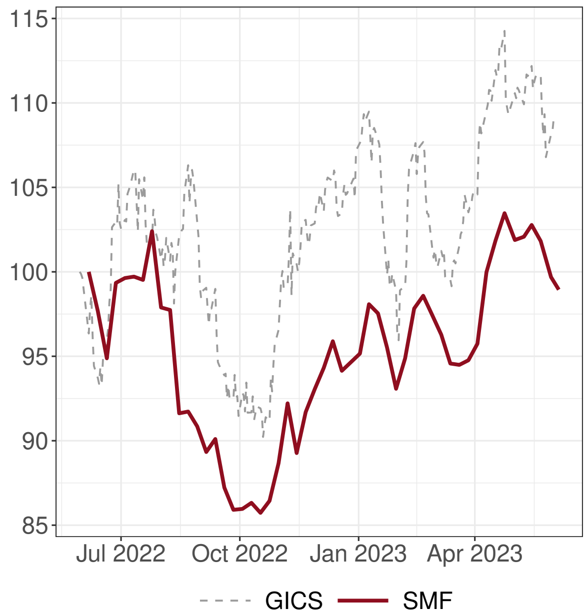
Conor Devenney (BSc Economics with Finance)





HEALTH CARE

Sector: ⬆9.42% SMF: ⬇1.06%



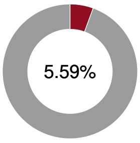
The healthcare sector provides sufficient potential for growth given the increasing developments in technological advancements, enabling the healthcare industry to evolve. The macro environment has had a significant impact on the operations and financial performance of the health-care industry ranging from war, supply chain issues and COVID-19. COVID-19 has affected the companies in our portfolio in different ways. Smith & Nephew is a medical technology company, specializing in orthopaedics, sports medicine, and wound treatment. The company's earnings have been negatively impacted due to the decrease in elective surgery rates caused by the pandemic. AstraZeneca is another pharmaceutical company that has been working on a COVID-19 vaccine. Its vaccine has been authorized by many countries and has played a significant role in global vaccination efforts.

Overall, it is apparent that the QSMF healthcare holdings are significantly lagging the FTSE 350 benchmark.

When diving deeper into the holdings we can see that Smith & Nephew (SN) return-to-date has been significantly underperforming its counterparts. During the three years that the share price fell, Smith & Nephew's earnings per share (EPS) dropped by 11% each year. Some good news is that the share price decline of 16% is actually steeper than the EPS slippage, highlighting a potential overreaction in the market. Additionally, the price-to-earnings (P/E) ratio is relatively high at 53.4, potentially explaining the reason for the recent dip in its price. Another thing to note is the company's relatively high debt-to-equity ratio of 44.2%, alongside the debt-to-equity ratio, which has increased from 31.3% to 50.9% over the past 5 years. Nevertheless, the interest payments on its debt are well covered by EBIT (10.1x coverage). The firms' FY21 revenue has also exceeded the FY19 high of $5.14bn to $5.21bn, showing signs of recovery.

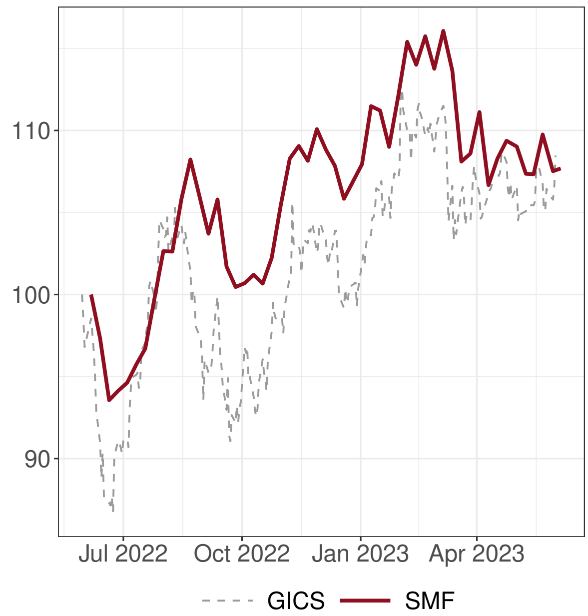
AstraZeneca (AZN) is a strong performer in the QSMF healthcare portfolio, returning 40% to date. However, AZNs P/E ratio is relatively high at 65.1, highlighting that it may potentially be overvalued. Additionally, gross profit margin has dropped from 80.29% in FY20 to 73.81% in FY21. Nonetheless, the firms' revenue has increased sharply from $26.6bn in FY20 to $37.4bn in FY21. This was primarily driven by a successful COVID-19 vaccine effort, hitting $4bn in vaccine sales.

Edgars Vuskans (MSc Quantitative Finance)
Soison Soy (BSc Actuarial Science & Risk Mgt)



INDUSTRIALS

Sector: ⬆12.05%   SMF: ⬆7.69%

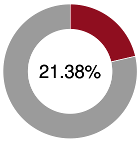


Despite supply chain issues, economic slowdown, rising inflation and interest rates, the industrials sector has rebounded in H2 2022 following several months of declines proceeding the invasion of Ukraine.

Looking at the performance of our own holdings against the FTSE 350 Index over the last year, the sector outperformed by 6.87% and 4.15%, respectively, with its Smiths Group Plc and the iShares S&P Industrials index holdings.

Looking forward, this year the sector will likely be impacted by the increasing risk of a recession in the US. Industrials is a cyclically leveraged sector meaning that macro conditions are pivotal to its performance. However, most companies in the sector and held by the fund are long established and have survived several economic crises with strong business track records. Despite recessionary headwinds, the rising tension between China and the west may see higher levels of domestic manufacturing return to the US and Europe requiring industrial investment. If this is the case, then western governments are likely to demand a transition to cleaner energy from Industrials companies. This means that companies that can quickly implement more sustainable strategies into their domestic production plans may be the best performers in the sector over the next few years. A growing middle class in emerging markets and increasing demand for food increases the need for additional farming and construction equipment, creating a strong, secular tailwind.

Hansel Bryan Lie (BSc Finance)
Patrick Bateson (BSc Finance)



MACRO

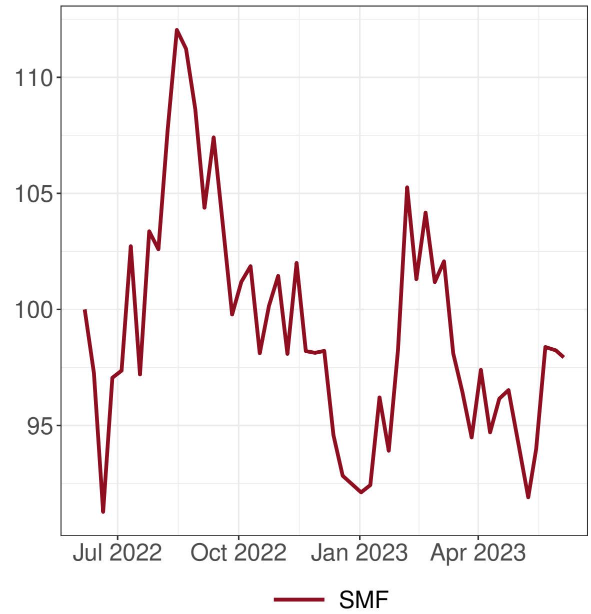
SMF: ⬇2.07%

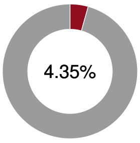
Over the last year, the Macro Sector has been underperforming compared to the benchmark FTSE 350. Coming into 2023, the global energy crisis and War in Ukraine ended low energy and commodity prices, while inflation, currency fluctuations and fears of recession made for challenging investments, in many asset classes and sectors globally.

One of our best-performing ETFs is the iShares Global Clean Energy ETF, with a Return to Date of 61.8%. Investing in companies that provide clean energy through equipment and technology from both developed and emerging markets, has provided a substantial return. 2022 saw an overwhelming pivot of focus to ESG and clean energy resources as an alternative to increasingly expensive and harmful carbon sources. This influx of investment from governments and global companies alike has driven further advancements in this area that have been welcomed globally. SPDR Dow Jones Global Real Estate ETF has shown a negative return to date with -22.5%. Real estate markets have faced increasing costs of debt and production that have overall decreased both supply and demand for new properties. As growth has slowed and unemployment has increased many Analysts see a housing price crash on the horizon in their long-term strategies despite hope for a recovery excepted by 2024 with economic growth returning and falling inflation.

The S&P500 Industrials sector ETF has held up well over the last year despite downside pressures that have curtailed the growth phase seen in the sector in recent years. A comparable situation occurred for the Russell 2000 Small Cap ETF which has unfortunately seen a downturn over the last year, with the price continuing to fluctuate over the last few months. We believe this recent volatility stems from the small-cap nature of the ETF making the price more sensitive to macro news over a more balanced ETF with a variety of sized constituents. Despite this, the ETF remained above its pre-pandemic level and has still supplied a positive return of 28.5% to date.

Lucinda Hudson (BSc Finance)
Daniel Sharpe (BSc Actuarial Science & Risk Management)





MATERIALS

Sector: ↓11.05%   SMF: ↓4.00%

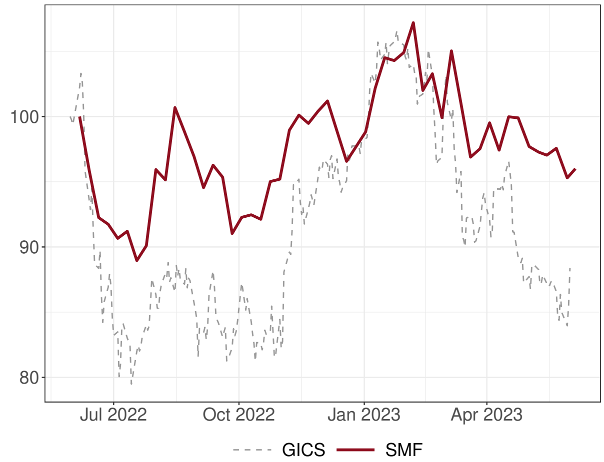
Materials vastly outperformed its FTSE All Basic Materials benchmark this year generating an alpha of 20.7%. The sector continued to generate a positive return of 3.3%, despite higher input costs and depressive commodity prices. Performance was largely driven by relative strength in construction demand with CRH returning 26.3% YoY.

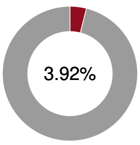
Despite basic materials headwinds, Glencore only fell by 8% YoY. The effect of faltering industrial metal prices was partially offset by good cost control and increased revenues from Glencore's energy business, with margins rising to 66% in this segment. Despite bleak economic outlook for the sector, Glencore continues to be a quality name with a diversified product offering. As such, we have reaffirmed our view on Glencore by maintaining the position.

The iShares Gold ETF was added to the portfolio for diversification of inflation risk in the face of a hugely different macro-outlook. Despite not serving this purpose as well as we may have hoped, the holding has supplied a positive return to date of 17.8% and performed well compared to more drastic moves in fixed-income and equity markets.

Going forward, the sector will continue to face major headwinds as demand for commodities is depressed by recession and input costs remain elevated. The sector will continue to be defined by structural supply deficits in industrial metals, particularly copper. We remain hopeful that these will drive excess returns in the long run, in the face of a challenging short-medium term economic outlook.

Jason Smyth (COO) (BSc Finance)
Samuel Greer (BSc Finance)





REAL ESTATE

Sector: ↓21.42%   SMF: ↓18.24%

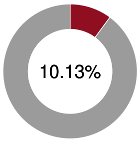
The real estate sector suffered during COVID-19 with stringent lockdowns impacting cash flow on revenue-generating assets. As a consequence, share prices dropped significantly. Since 2021, real estate appears to be reviving and is anticipated to produce positive returns.

Since September 2022, investors have gained 36.9% on Unite Group PLC, 26% on British Land Company PLC, and 9% on SPDR Dow Jones Global Real Estate ETF. The COVID-19 pandemic has had a significant effect on the commercial real estate industry, with many businesses and industries shifting to remote work and online operations. Universities conducted lessons online, causing students to stay at home rather than in student housing. While the universities reopened in 2022, we expect a steeper recovery due to a rise in student housing occupancy.

Environmental sustainability has become an increasingly important issue in the real estate sector, with buyers and investors placing a higher value on properties that are energy-efficient and environmentally friendly. This trend is likely to continue in 2023, with a growing number of companies adopting green building practices and technologies. The real estate sector has been slow to adopt technology, but this is changing rapidly. In the next year, we can expect to see continued emphasis on technology, such as artificial intelligence, virtual and augmented reality, and blockchain, to improve the efficiency and transparency of real estate transactions. Environmental, social, and governance (ESG) considerations have become increasingly important for investors and consumers in recent years, and this trend is likely to continue in the real estate sector. Companies that prioritize ESG factors are likely to be more attractive to investors and customers, leading to higher demand for their properties.

Overall, the real estate sector is expected to continue to evolve and adapt to changing market conditions in 2023. While there are likely to be challenges and uncertainties, such as supply constraints and economic volatility, the sector is also poised for growth and innovation.

Peter McMullan (CE)
(BSc Actuarial Science and Risk Management)



TECHNOLOGY

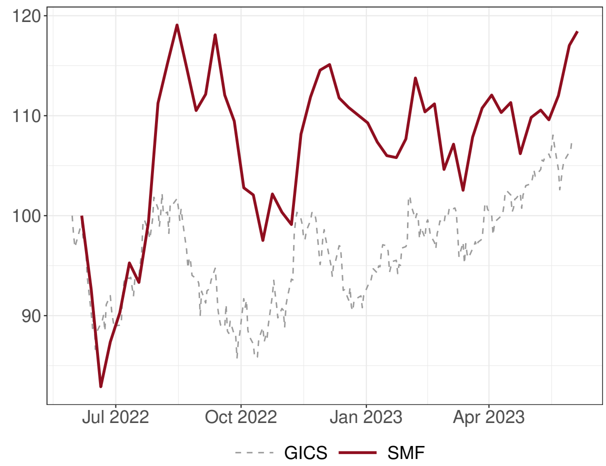
Sector: ⬆11.23% SMF: ⬆18.45%

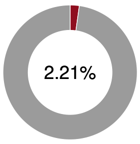
Kainos Group plc is a UK-based company that offers digital technology services and platforms to various sectors. The company's revenue has consistently increased in recent years, reaching £340.2 million in the last twelve months. Kainos Group plc has a strong gross profit margin of 45.9%, indicating effective cost management. The company has also maintained positive net income of £37.6 million, highlighting profitability. While operating expenses have increased, the company still achieved an operating income of £48.4 million. Overall, Kainos Group plc has been performing well financially, maintaining consistent revenue growth and profitability.

Microsoft has delivered a strong performance since the start of 2023 with YTD returns reaching 20.34%, outpacing the broader market and generating solid returns for its investors. The company's cloud computing business, Azure, has been a major driver of growth, as more and more companies turn to the cloud to support their digital operations. Additionally, Microsoft's productivity and business processes segment, which includes products like Office 365 and LinkedIn, has also seen strong growth. The company's ongoing investment in innovative technologies such as artificial intelligence and machine learning has helped to fuel growth across its various business segments. There are several factors that could impact Microsoft's performance and stock price in the coming months and years.

One key trend is the ongoing shift towards remote work and digital collaboration, which has accelerated due to the COVID-19 pandemic. Microsoft's cloud-based products and services, such as Microsoft Teams and Azure, are well-positioned to benefit from this trend, and this could help to fuel the company's growth in the coming years along with the rapid growth of the Artificial Intelligence sector. Overall, Microsoft remains a strong and innovative player in the technology industry, with a diverse portfolio of products and services that are well-positioned to meet the evolving needs of businesses and consumers in a rapidly changing digital landscape.

Darragh McCann (BSc Finance)
Vijay Malliah Arunan (MSc Risk & Investment Mgt)





UTILITIES

Sector: ⬇1.79% SMF: ⬇24.86%

Following the 2022 rebalance, QSMF has had holdings in two utilities: Next Era and Pennon Group.

The share price of the Pennon Group has declined following the release of a report by the Environment Agency, which criticised the excessive water pollution levels in Southwest Water, a subsidiary of the Pennon Group. The water industry, including the Pennon Group, has been accused of placing greater emphasis on generating large dividends instead of investing in infrastructure, resulting in mounting debt. Currently Pennon Group return to date is -26.7%, which has triggered a sell action from the portfolio.

Operating revenue of NextEra energy grew just over $1billion dollars in the past year to $6.16 billion narrowly missing Analyst expectations for $6.3 billion in revenue. NextEra energy has a strong focus on sustainability and has set ambitious goals to reduce its carbon dioxide emissions rate by 67% by 2025, compared to its 2005 levels which aims to further improve the companies ESG rating. Despite this, Next Era return to date is more than -22%.

We propose the introduction of a new electrical company with steady dividends that will allow the fund to generate a positive return, allowing us to compete with our FTSE350 benchmark and mitigate the risk of a volatile macro-outlook and have recommended a position in National Grid as part of the rebalance.

Fearghal McKenna (BSc Finance)
Josh McMillan (BSc Business Economics)

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