

QVE Update

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March 2020



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- ❑ Release authorised by the Company Secretary, Zac Azzi.

QV Equities Limited

- ❑ Listed 22 August 2014
- ❑ Managed by Investors Mutual
- ❑ Focused on Ex-20 stocks
- ❑ Experienced Board with independent majority
- ❑ Focus on long-term capital growth & income

Why an Ex 20 managed portfolio?

- ❑ More diverse in terms of industry sectors
- ❑ Less researched opportunities
- ❑ Investors typically not exposed to this segment
- ❑ Often leaders in their field

QVE portfolio

- Around 40 well established companies
- All with a long track records of profitability
- No speculative companies
- Over 20% cash

Periods of stockmarket turmoil are not new

1987: Stockmarket crash

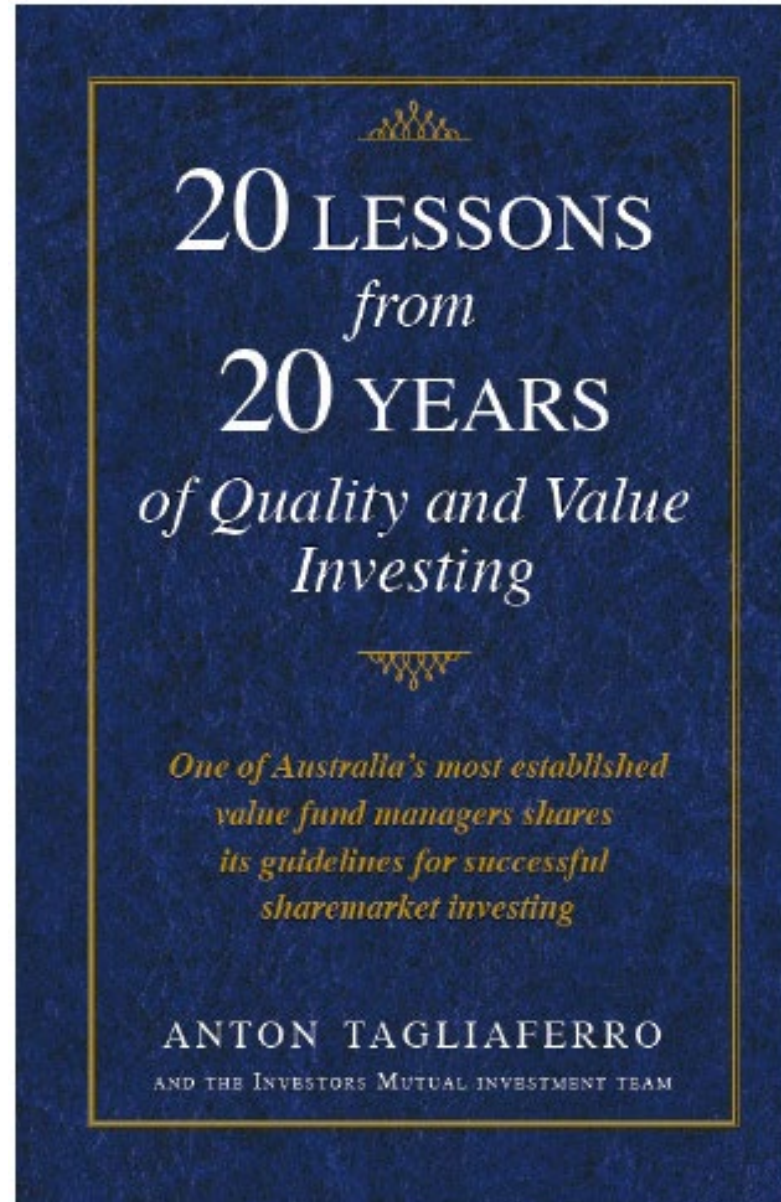
2001: September 11/Tech bust

2008: Financial crisis

2012: Euro crisis

2020: COVID-19

IML: 20 Lessons from 20 Years



Common themes on corrections

- ❑ Always for different reasons
- ❑ Generally follow a market high
- ❑ Often when least expected
- ❑ Proven companies generally recover over time

- ❑ Always understand the companies you own in your portfolio
- ❑ Always keep your leverage low
- ❑ Try and stay calm and avoid 'panic selling'
- ❑ Look for potential opportunities in good quality companies

About Covid-19 and its implications

Anton Tagliaferro

March 2020



What is COVID 19?

- ❑ Coronaviruses are zoonotic: transmitted between animals and people
- ❑ COVID 19 is a type of coronavirus
- ❑ Signs of infection: respiratory symptoms, fever and cough
- ❑ Worst impacts are on the sick and elderly
- ❑ Mortality rate is debateable – 0.6 % to 3 %
- ❑ Being well contained in some countries (e.g. South Korea)
- ❑ Testing kits exist - a vaccine being worked on

Impacts – direct and indirect

- ❑ Travel bans
- ❑ Factory closures
- ❑ Supply disruptions
- ❑ Lock downs
- ❑ Having an impact on every business globally

A complex crisis like no other previously seen

A three pronged impact :

Health

Financial

Economic

Consequences of COV 19 disruption

- ❑ The impact is detrimental to every global economy
- ❑ Corporate profits impacted
- ❑ Commodity prices weak
- ❑ AUD weak
- ❑ Global sharemarket crash

Investment Philosophy: focus on value and quality

We seek to buy and own:

Companies with a **competitive advantage**,

with **recurring earnings**,

run by **capable management**,

that can **grow**,

.....at a **reasonable price**.

The COVID 19 impact :

- Profit impact will vary from company to company
 - Companies directly impacted
 - Companies relatively unaffected

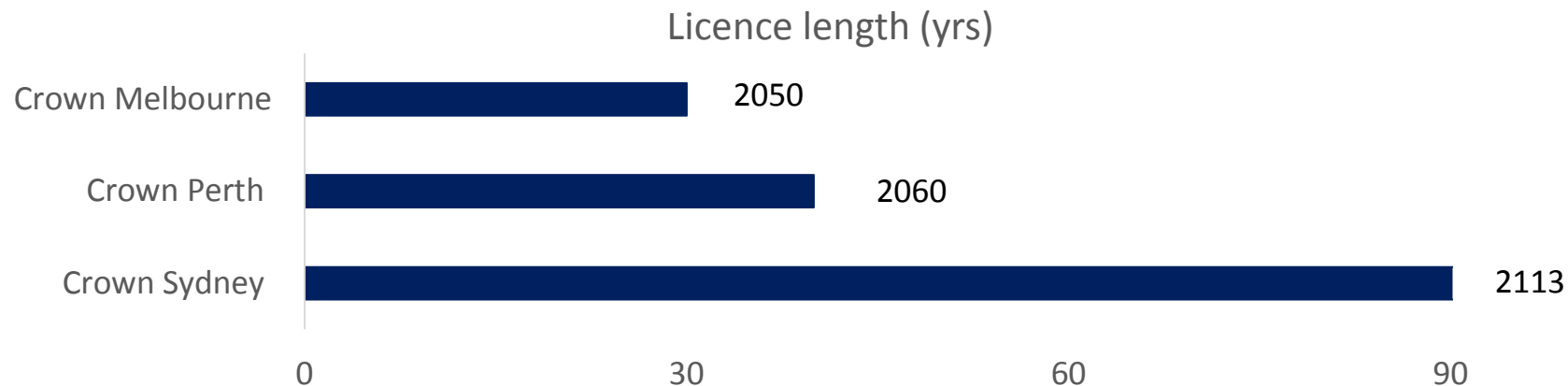
- Have to be mindful of secondary impacts

Current focus

- ❑ Look beyond the daily headlines
- ❑ Company by company review
- ❑ Long duration assets
- ❑ Good balance sheets
- ❑ Have to look beyond FY 2020
- ❑ Understanding the share price vs long term value equation



- ❑ Leading integrated casino and resorts operator in Australia
- ❑ Strong balance sheet
- ❑ Unique assets in Melbourne and Perth
- ❑ New Sydney casino opening in 2021



- ❑ Strong competitive position in global explosive markets
- ❑ High barriers to entry with long term contracts
- ❑ Benefits to flow from Research & Development spending
- ❑ Currently trading on FY20 PE < 15 x



Source: IML; As at 12 March 2020

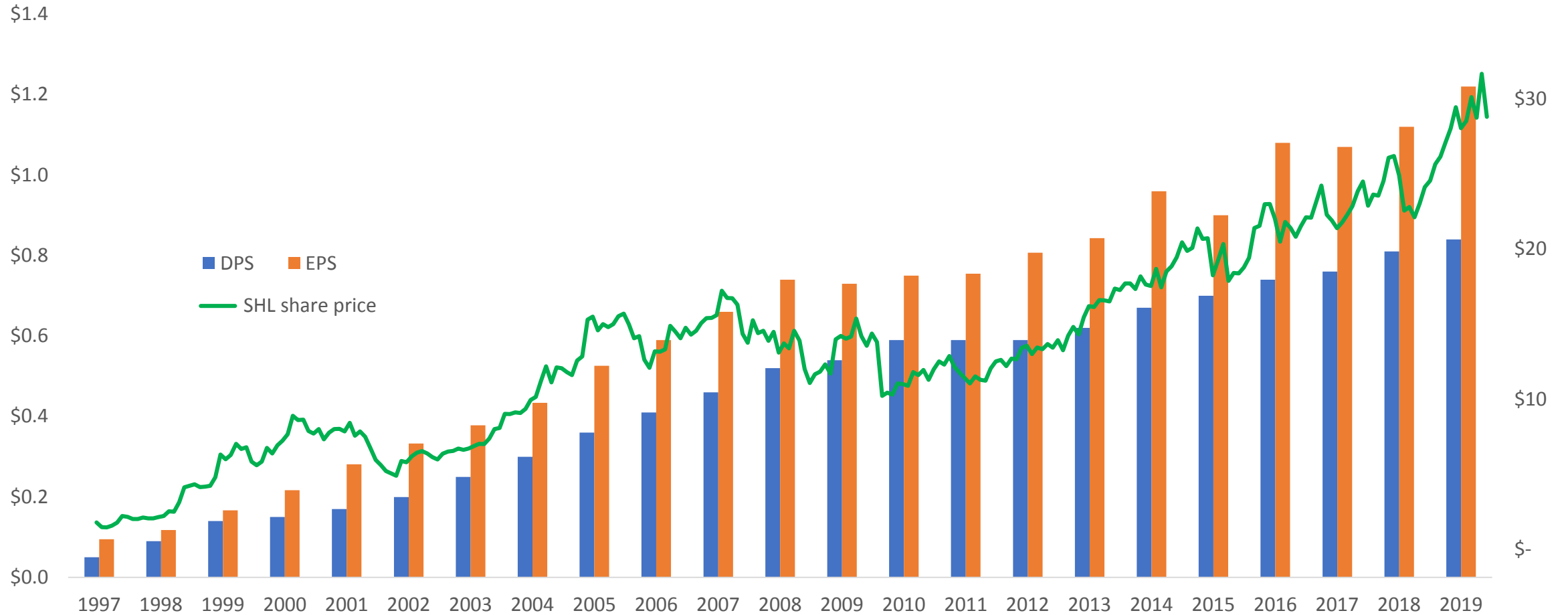
Sonic Healthcare: Long term earnings drivers

- ❑ A global company
- ❑ Aging population
- ❑ New tests constantly developed
- ❑ Opportunities to potentially takeover weaker players



- ❑ No. 1 in Australia
- ❑ No. 1 in Germany
- ❑ No. 1 in Switzerland
- ❑ No. 1 in UK
- ❑ No. 3 in US





Past performance is not a reliable indicator of future performance

Time to buy, sell everything or just panic ??



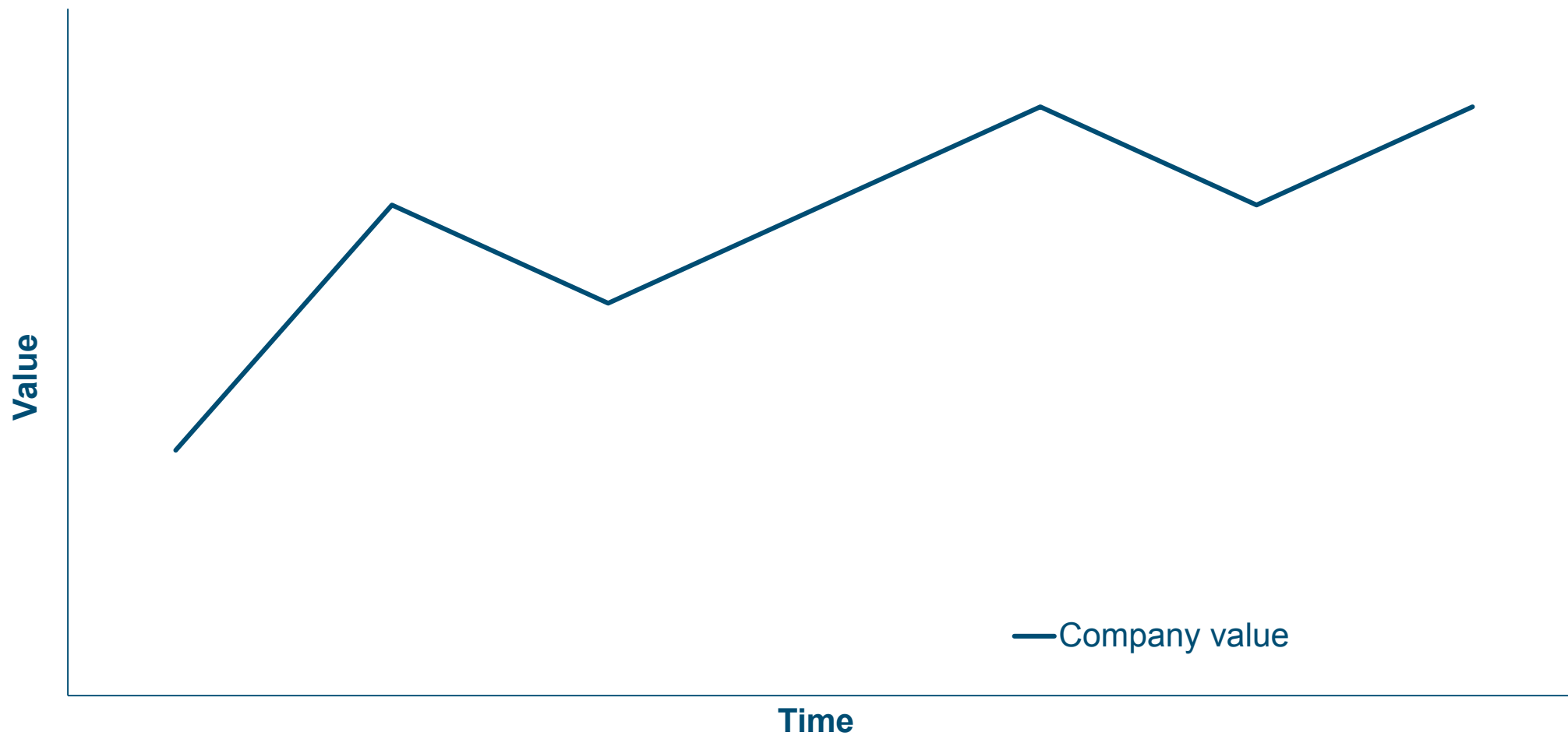
Stocks are businesses

Lesson #6
The Power And Benefits
Of Compounding Over
Time In Equity Portfolios

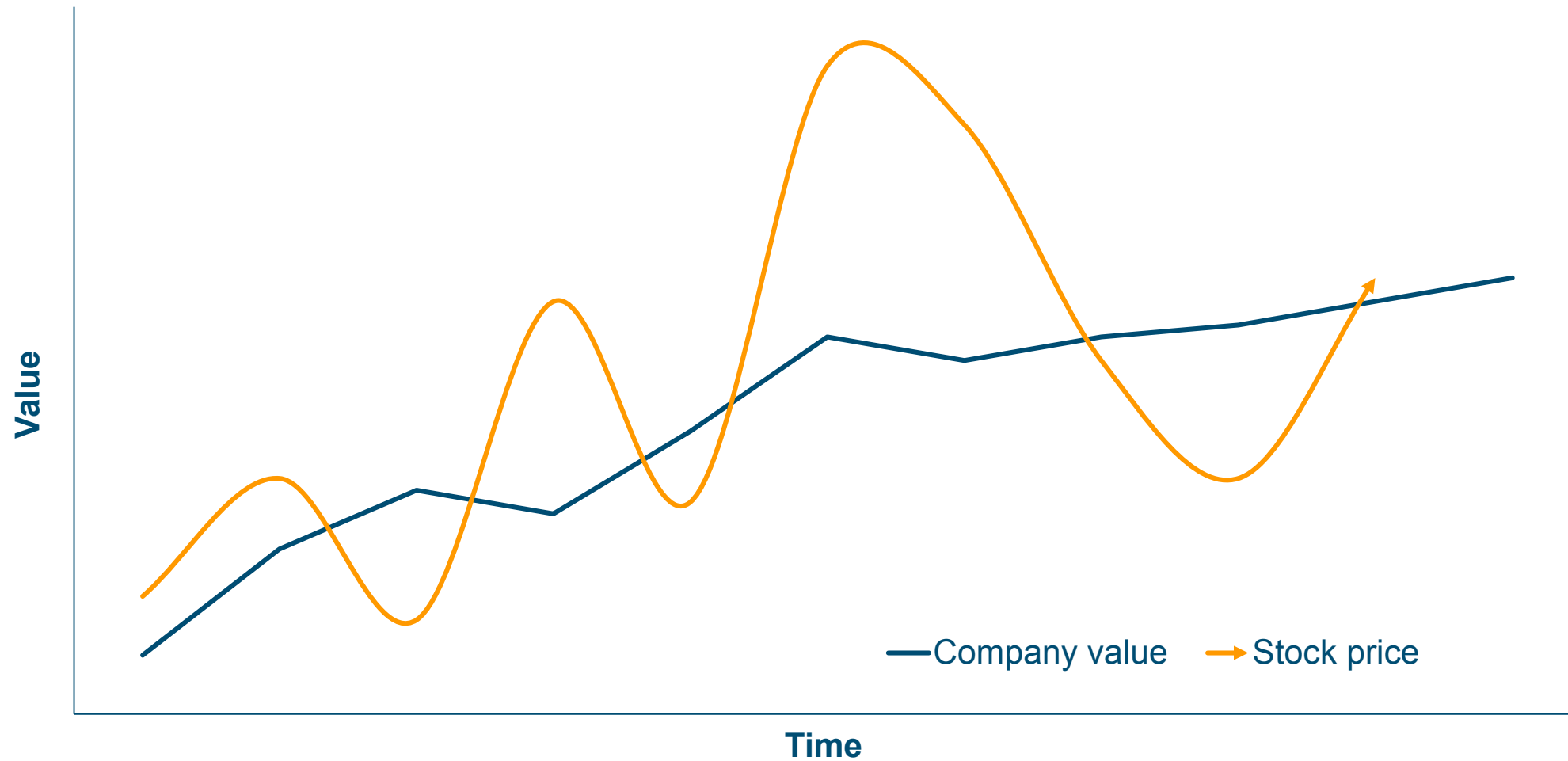
Year	Business assets	Profit (R.O.E)	Dividend	Retained earnings
1	100.00	10.0	5.00	5.00
2	105.00	10.5	5.25	5.25
3	110.25	11.0	5.50	5.50
4	115.75	11.6	5.80	5.80
5	121.55	12.2	6.10	6.10
6	127.65	12.8	6.40	6.40
7	134.05			

Source: IML and Peter Thornhill

Value over time



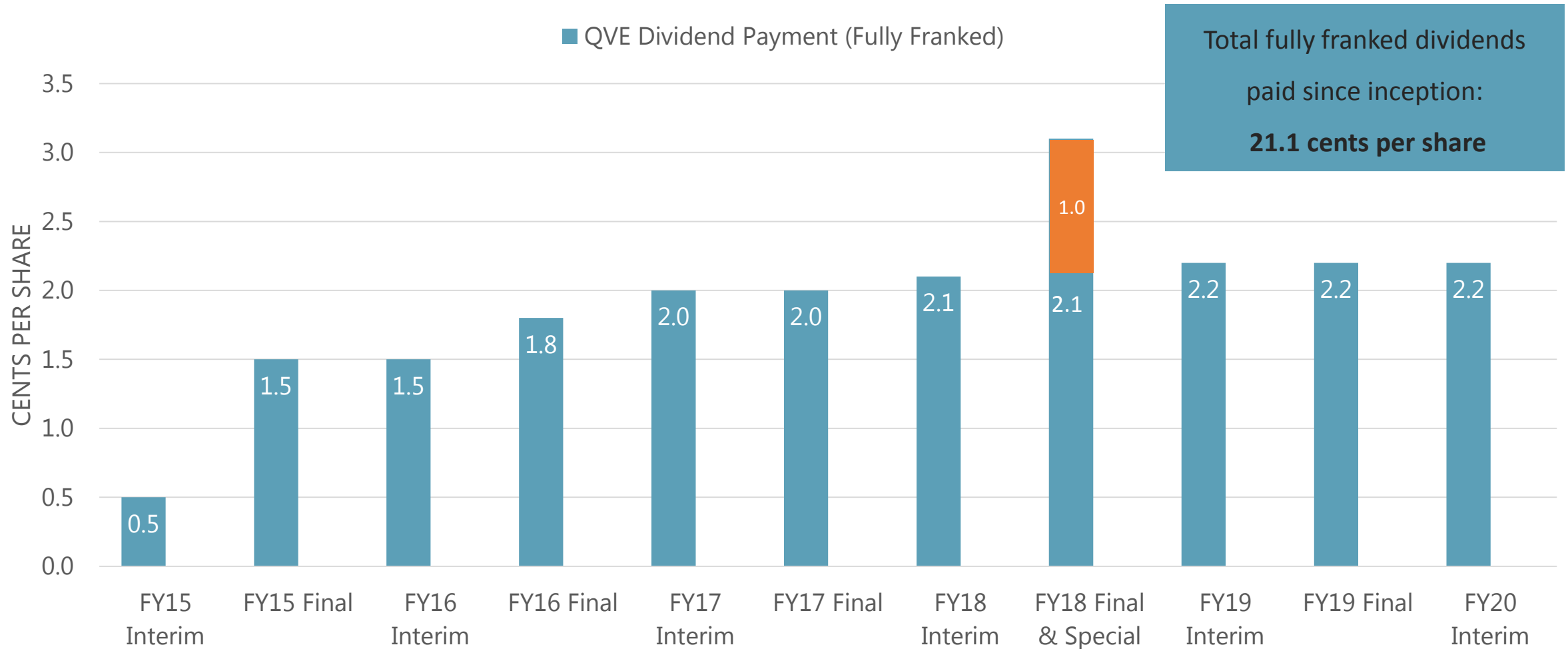
Stock price over time



Why own shares today?

- ❑ The world will keep turning
- ❑ Things will normalise at some stage
- ❑ Quality companies will live to fight another day
- ❑ Strong companies may emerge even stronger

Dividends since listing chart



Past performance is not a reliable indicator of future performance

Source: QVE Annual report as at 30 June 2019 & ASX Announcement



QVE's portfolio focus summary:

- ❑ Staying disciplined is key
- ❑ QVE's portfolio underpinned by solid companies
- ❑ Income will remain important
- ❑ Volatility expected to continue for a while
- ❑ Cash holding of around 20%

Q&A