

30 June 2021

## Net Tangible Assets (NTA)\*

QVE NTA before tax	\$1.09
NTA after tax	\$1.08

## Trailing 12 month yield on month end share price

Yield	4.42%
Grossed up yield including franking credits	6.32%

\*The before and after tax NTA numbers relate to the provision for tax on net profit in addition to deferred tax on the unrealised gains/losses in the Company's investment portfolio. The Company is a long-term investor and does not intend disposing of its total portfolio. Under current accounting standards, the Company is required to provide for tax on any gains/losses that might arise on such a theoretical disposal, after utilisation of brought forward losses. All figures are unaudited and approximate.

## Sharemarket and Portfolio Commentary

Global equity markets enjoyed another strong month, returning +2.1%, to finish the financial year with a gain of +37% – one of the best 12-month periods on record. US markets led global markets higher in June, the S&P500 Index returning +2.3% and hitting fresh record highs on the final day of the month, led by the technology sector, which also helped the tech-heavy NASDAQ Index to jump +5.5% in June. Across the Atlantic the mood was a little less sanguine, with Europe's Stoxx50 and the UK's FTSE100 Index edging modestly higher, up +0.7% and +0.4% respectively, while Japan's Nikkei Index finished 0.1% lower.

The month was not without its share of volatility. This was in part an outcome of the release of global core inflation data, which reached a quarter of a century high in 1H21. The US Federal Reserve consequently indicated at its June policy meeting that it is becoming increasingly wary of inflation. Because of this, the Fed hinted at the possibility of two interest rate hikes by 2023, one year earlier than most investors had envisioned. The Fed's hawkish tone resulted in a significant flattening of the yield curve (after nearly two years of steepening), with short-term yields rising – reflecting expectations of interest rate hikes potentially happening earlier than expected. Conversely, long-term yields fell, indicating that investors are turning more cautious on the longer-term growth outlook.

Commodity prices were mixed through the month. The Fed's pivot on inflation lifted the \$US, which weighed on copper and gold prices, which both fell over -7%. Conversely, the iron ore price remains well-supported, gaining an additional +7% for the month, despite supply being lifted across the globe and the growing expectation that China will likely normalise policy and look to tighten credit at some stage in the wake of the COVID-19 recovery. The oil price was also buoyant, gaining +8% as global economies continue to reopen.

In line with global peers, the broader S&P/ASX300 Index enjoyed a strong month, gaining +2.3% to round out its best financial year in over three decades. The +29% result over the financial year was led by large gains in the major banks and the iron ore producers.

The ex-20 segment of the market also enjoyed a strong month, returning +3.1%. Performance was mixed sector-wise. The ex-20 Resources finished the month down -1%, beset by significant weakness in the gold and copper miners in sympathy with weakness in their respective commodity prices. Conversely, the Energy sector had a strong month, gaining +5% thanks to strength in the oil price. Within the industrials segment, the more speculatively driven end of town led the gains, with the IT sector rebounding in sympathy with the NASDAQ to finish June up +7%. Similarly, 'concept' stocks such as the 'buy now pay later' providers and 'med-tech' names were also buoyant, courtesy of the rotation back into speculative growth stocks. The Healthcare sector also enjoyed a strong month gaining +8.7%. Sonic Healthcare's share price gained a further +10% in June, the company a direct beneficiary of facilitating and processing COVID-19 tests. The Consumer Staples sector was also buoyant through the month, returning +5.7%, with Metcash rallying +12% courtesy of a robust set of results for the 12 months to April. As a result of the company's robust trading, Metcash announced an increase in its dividend payout ratio and an off-market buyback of approximately \$175m.

The **QVE portfolio** finished the month up +1.1%, lagging the benchmark's strong return of +3.1%. Our caution to much of the speculative fare, such as in the local Tech sector, weighed on relative performance, however we remain very comfortable with this positioning. We continue to invest in companies with more proven business models and which are economically resilient. Over the month, the portfolio benefited from good performances from its holdings in good quality companies such as Sonic Healthcare, Metcash, Home Consortium and Integral Diagnostics. Over the month we trimmed our holdings in stocks such as Event Hospitality, Hipages, and SkyCity Entertainment into strength following rallies in their respective share prices. We used the proceeds to top up in good quality companies such as Incitec Pivot and TPG Telecom, as we believe both companies look cheap and are encouraged by their medium-term outlooks.

Sharemarkets around the world, including Australia's, remain well-supported as economic growth continues to rebound from COVID lows and central banks continue to hold interest rates at record low levels, despite increasing signs of rising inflationary expectations. The Australian sharemarket continues to trade at near record levels, with seemingly very little on the horizon to halt its ongoing rise. Having said this, we continue to steer away from some of the riskier parts of the sharemarket and focus on good quality companies which are well-managed, where valuations remain justifiable and which we firmly believe can do well over the next 3 – 5 years.

Portfolio Performance	1 month	3 months	1 Year	3 years <sup>^</sup>	5 Years <sup>^</sup>	Since listing <sup>^</sup> 22-Aug-2014
QVE NTA (pre tax)	+1.1%	+3.2%	+23.4%	+1.7%	+4.9%	+6.1%
QVE NTA (after tax)	+0.8%	+2.2%	+16.4%	+1.8%	+4.5%	+5.3%
Benchmark**	+3.1%	+7.4%	+24.9%	+8.4%	+10.9%	+10.4%

<sup>^</sup> Performance per annum. \*\* The benchmark is the S&P/ASX 300 Ex20 Accumulation. The above returns are after fees, assume all declared dividends are reinvested, and exclude tax paid pre-tax NTA. Past performance is not indicative of future performance.

QVE Company and Portfolio Information			ASX: QVE
Shares on Issue	242.5 M	Benchmark	S&P/ASX 300 Ex20 Accumulation
Number of Stocks	20 – 50	Suggested Investment Timeframe	5+ years
Dividend Frequency	Quarterly	Investment Objective	To provide a rate of return which exceeds the return of its benchmark on a rolling 5-year basis

### Latest QVE News

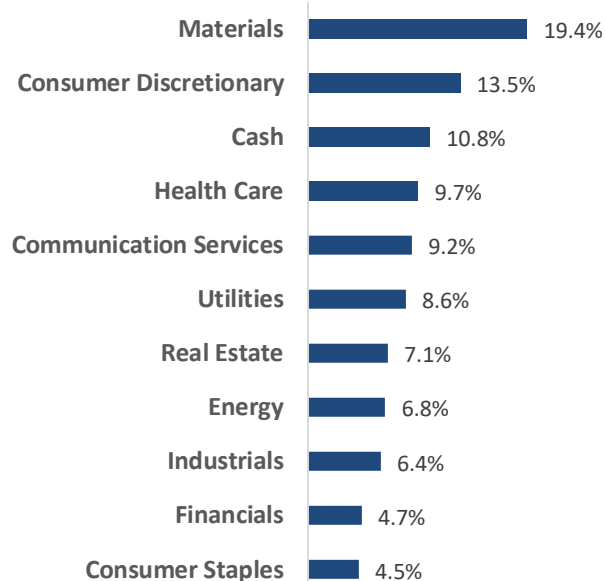
On 4 June 2021, the Company paid shareholders a **fully franked dividend of 1.1 cents per share** for the March quarter 2021.

### Portfolio Managers Simon Conn and Anton Tagliaferro



Key Equity Investments	ASX Code	Weight
Crown Resorts	CWN	5.0%
Pact Group	PGH	4.9%
Ancor	AMC	4.9%
Tabcorp	TAH	4.7%
Aurizon	AZJ	4.2%
AusNet	AST	4.1%
Orica	ORI	3.8%
Sonic Healthcare	SHL	3.6%
Ampol	ALD	3.6%
Southern Cross Media	SXL	3.2%

### Sector Allocation



### Contact Us

**Wayne McGauley** - Head of Retail  
[wayne.mcgale@iml.com.au](mailto:wayne.mcgale@iml.com.au) | M: 0404 012 644

**Paul Voges** - Key Account Manager  
[paul.voges@iml.com.au](mailto:paul.voges@iml.com.au) | M: 0416 059 569

**Justin Brooks** - State Manager VIC & TAS  
[justin.brooks@iml.com.au](mailto:justin.brooks@iml.com.au) | M: 0416 194 633

**Gavin Butt** - State Manager NSW, ACT & NZ  
[gavin.butt@iml.com.au](mailto:gavin.butt@iml.com.au) | M: 0412 485 420

**Jason Guthrie** - State Manager QLD & WA  
[jason.guthrie@iml.com.au](mailto:jason.guthrie@iml.com.au) | M: 0435 690 377

**Bruce Tiver** - State Manager SA  
[bruce.tiver@iml.com.au](mailto:bruce.tiver@iml.com.au) | M: 0418 165 485

Release authorised by Company Secretary, Zac Azzi.

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Level 24, 25 Blich Street, Sydney NSW 2000 | PO Box H104, Australia Square, Sydney NSW 1215 | ACN 169 154 858  
 Contact QV Equities Ltd. for further information: [qvequities.com](http://qvequities.com) | [info@qvequities.com](mailto:info@qvequities.com) | 1300 551 132  
 Shareholder Services (Link Market Services): 1800 868 464