

**31 August 2021**
**Net Tangible Assets (NTA)\***

|                             |        |
|-----------------------------|--------|
| QVE NTA before tax (ex div) | \$1.13 |
| NTA after tax (ex div)      | \$1.11 |

**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 sharemarkets continued their advance with the MSCI World Index returning +2.7% for August. All major sharemarkets were strong, buoyed by expectations that the global economic recovery would continue to benefit corporate profitability as the world reopens following the rollout of the COVID-19 vaccine. Sharemarkets took their lead from the US, with the S&P500 returning +3.0%, its seventh consecutive monthly advance, following a strong Q2 reporting season. Across the Atlantic, the mood was equally buoyant with sharemarkets cheering a recovery in travel and consumer spending, with Europe's Stoxx50 and the UK's FTSE 100 returning +2.6% and +2.1% respectively.

Late in the month, investors were encouraged following Fed Chairman Jerome Powell's speech at Jackson Hole. Powell intimated that while the Fed would begin tapering its \$120 billion of monthly bond purchases later this year, the recent inflationary surge is viewed as transitory and as such tapering would not be rushed. On the domestic front, the RBA held firm signalling its intent to step down its QE programme in September, which provided support to the AUD. Commodity prices were volatile during the month with the price of Australia's largest export - iron ore - falling -21% over the month. Iron ore is now down -45% since its July high of US\$237/ tonne as investors become increasingly concerned about the trajectory of the Chinese economy, emissions-related production cuts and a pullback in Chinese steel mill production.

The Australian sharemarket, as measured by the ASX300, enjoyed another positive month returning +2.6% led by industrial stocks. The ex-20 index had a very strong month returning +5.1% as the FY21 reporting season hit full swing in August with many companies' results buoyed in the last 12 months by the very accommodative fiscal and monetary stimulus which helped the Australian and global economies recover strongly. In aggregate, net profits rose over +30% from FY20 levels, although a great deal of this was due to strength in the Resource sector thanks to the very strong commodity prices of the past 12 months. The majority of companies were reticent to provide much in terms of guidance for the year ahead, given the uncertain outlook in Australia due to current lockdowns, as well as the volatile commodity outlook.

Across the ex-20 industrials sectors, the performance was generally strong, offsetting weakness in the ex-20 Resources sector which fell in sympathy with softer commodity prices. The Packaging sector performed well as the share prices of stocks such as Amcor, Pact and Pro-Pac Packaging benefited from the release of better-than-expected results and cash flows reflecting strong volumes and margins thanks, in part, to increasing demand for consumer goods. The Communication Services sector also had a strong month with media and advertising companies such as Southern Cross Media and oOh! Media releasing well-received FY21 results. Investors were encouraged by the quick rebound in these companies' respective advertising markets as well as the improvement in their balance sheets as they rapidly reduce their debt. Similarly, HiPages - Australia's leading online platform connecting consumers with tradies - released a strong result, which showed 34,000 tradies are now using the site helping push FY21 revenue well ahead of expectations. The Financials sector also had a good month buoyed by the strong performance of the insurers, notably IAG and Suncorp with their results reflecting a meaningful lift in home premiums through the year, whilst motor vehicle claims dropped courtesy of the lockdowns. On the other side of the ledger, companies that benefited greatly over 2020 as a result of lockdowns and the 'work from home' phenomena corrected during August as consumer spending slowed significantly, with retailers such as JB HiFi, Harvey Norman and Super Retail Group enduring a soft August.

The **QVE Portfolio** enjoyed a very healthy month returning +4.8% thanks to strong performances from many companies in the portfolio. Sonic Healthcare, Amcor and Australian Clinical Labs all had a good month following the release of strong FY21 earnings. Additionally, Ampol's proposed takeover of NZ's Z Energy and the KKR takeover of Spark Infrastructure benefited performance. Over the month, we trimmed our holdings in stocks such as Event Hospitality and Integral Diagnostics as these companies rallied to what we consider fair value. We deployed the proceeds from these sales to add to our positions in good quality companies such as Orica, Bega Cheese and Alumina which were all trading at very attractive valuations at the time of purchase.

The Australian sharemarket continues to trade at close to 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 remain focused on good quality companies which are well-managed, where valuations remain justifiable, and which we believe can do well over the next 3-5 years. To this end we remain very comfortable with how the QVE portfolio is currently positioned.

| Portfolio Performance | 1 month | 3 months | 1 Year | 3 years <sup>^</sup> | 5 Years <sup>^</sup> | Since listing <sup>^</sup><br>22-Aug-2014 |
|-----------------------|---------|----------|--------|----------------------|----------------------|---|
| QVE NTA (pre tax)     | +4.8%   | +5.7%    | +27.0% | +3.0%                | +4.4%                | +6.6%                                     |
| QVE NTA (after tax)   | +3.5%   | +4.4%    | +18.9% | +2.9%                | +4.2%                | +5.7%                                     |
| Benchmark**           | +5.1%   | +9.3%    | +24.7% | +9.5%                | +10.8%               | +11.0%                                    |

<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 from pre-tax NTA. Past performance is not indicative of future performance.

## QVE Company and Portfolio Information

ASX: QVE

|                            |           |  |   |
|----------------------------|-----------|--|---|
| <b>Shares on Issue:</b>    | 238.8 M   | <b>Benchmark:</b>                      | S&P/ASX 300 Ex20 Accumulation   |
| <b>Number of Stocks:</b>   | 20 – 50   | <b>Suggested Investment Timeframe:</b> | 5+ years  |
| <b>Dividend Frequency:</b> | Quarterly | <b>Investment Objective:</b>           | To provide a rate of return which exceeds the return of its benchmark on a rolling 5-year basis |

## Latest QVE News

On 3 September 2021, the final fully franked dividend of 1.1 cents per share was paid for the June quarter 2021.

### Save the Date

The QVE Annual General Meeting will now be a virtual meeting due to current health advice.

Date: Wednesday 27 October 2021

Time: 4.00pm

Details of how to join will be available soon.

## Portfolio Managers

Simon Conn and Anton Tagliaferro



## Key Equity Investments

| ASX Code             | Weight |
|----------------------|--------|
| Pact                 | 4.9%   |
| AusNet               | 4.5%   |
| Orica                | 4.4%   |
| Aurizon              | 4.1%   |
| Sonic                | 4.0%   |
| Crown                | 3.8%   |
| Tabcorp              | 3.6%   |
| Ampol                | 3.5%   |
| Amcor                | 3.5%   |
| Southern Cross Media | 2.9%   |

## Sector Allocation



## Contact Us

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## Release authorised by Company Secretary, Zac Azzi.

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