

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

QVE NTA before tax	\$1.13
NTA after tax	\$1.13

**Trailing 12 month yield on month end share price**

Yield	4.37%
Grossed up yield including franking credits	6.24%

\*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 closed 2021 strongly with the MSCI World Index returning +4% in December, leading to a third consecutive year of double-digit gains, with the MSCI returning +21% for the calendar year. Investors shook off the threat of the omicron variant as medical data showed the risk of hospitalisation to be extremely low which negated the need for any further lockdowns. US indices were buoyant through December with the S&P500 and the Dow returning +5% apiece although the tech heavy NASDAQ index posted a lacklustre +0.7% as investors rotated out of riskier names as the spectre of rising interest rates loomed large for investors. Across the Atlantic the mood was equally positive with Europe's Stoxx 50 index returning +5.8% as investors looked through the short-term imposition of some lockdowns in a few countries.

In December the US Federal Reserve signalled an end to its pandemic-era bond purchases in March 2022 while also implying that it would raise rates by 0.25% three times during 2022 in a bid to normalise interest rates given the Fed's expectation of continued healthy economic growth in 2022 as well as growing inflationary concerns. Forcing the Fed's hand was November's US CPI which increased at its fastest pace in over 40 years, rising 7% from one year ago. In the UK, the CPI rose at the fastest pace in 10 years, prompting the Bank of England to be the first major central bank to raise interest rates.

Commodity prices also enjoyed a buoyant month. The iron ore price gained +16% fuelled by restocking from Chinese steel producers, despite Government overtures on pollution as the country readies itself for the 2022 Winter Games. The oil price gained +10% over the month while base metals were also strong with the likes of copper, aluminium and nickel all enjoying a solid month.

The Australian sharemarket as measured by the ASX300 capped a strong year returning +18% over 2021, with the index posting fresh record highs throughout. The ex-20 segment of the market was similarly strong, returning +17.8 in CY21. The market finished the year strongly as it rose +2.5% in the month of December, although sector performance was mixed. The ex-20 Resources sector enjoyed a strong month returning +6.5%, with many of the junior iron ore and base metal companies rising in line with stronger commodity prices. Also supporting Resource sector returns were strong rises for anything 'EV' related as speculators pushed many lithium, nickel and cobalt plays to unseen levels. The Technology sector continued to come under pressure as the looming threat of rising interest rates weighed on the more speculative end of town. Payments and 'BNPL' companies fell in sympathy with Afterpay's ongoing struggles, with the company shedding nearly half of its market value over the course of 2021. The Financials sector was also weak, weighed by Magellan's -36% share price slide following the loss of key mandates and the departure of its CEO. The Consumer Discretionary sector also fell as the threat of new lockdown measures weighed on the physical retailer sector, as well as travel related companies. Crown Resorts rose +8% as Blackstone continued to pursue the company, and with the prospect of the new Sydney casino likely commencing operations in the first quarter of 2022. On the positive side of the ledger, the Healthcare sector enjoyed a solid month with the likes of Sonic Healthcare, Mayne Pharma and Australian Pharmaceutical Industries (API) up strongly. The Consumer Staples sector was also strong, primarily driven by Metcash, with the company releasing a very positive 1H trading update showing strong growth in all divisions – food, liquor and hardware. Finally, the Utilities sector was also buoyant with both Origin and AGL higher reflecting many investors' expectations for an improvement in electricity prices through 2022.

The **QVE Portfolio** enjoyed a strong month, returning +2.5% and in line with the benchmark's return. Many of the portfolio's core holdings enjoyed a strong month with the likes of Australian Clinical Labs, HomeCo Daily Needs REIT, Crown Resorts, Origin, Bega Cheese and Sonic Healthcare all performing well. Over the month we took advantage of strong share price performances to take part profits in Australian Clinical Labs, Incitec Pivot, Sonic Healthcare and Tabcorp. We used the proceeds to top up our holdings in IAG, Pact and TPG, which in our opinion are good quality businesses, that are well positioned in their respective industries, and which are trading on very attractive valuations on a 3-to-5-year view.

As we head into 2022, we believe sharemarkets will be primarily influenced by the direction of interest rates as central banks continue to mull over whether current inflationary trends are transitional or becoming embedded. Given that interest rates remain set at zero and with inflation on the rise and economic growth strong, we expect central banks to raise interest rates fairly sharply over the next 18 months to more 'normal' levels. As such, we continue to steer away from the riskier parts of the sharemarket and remain focused on identifying and holding what we assess to be good quality companies, that we believe are well managed, which offer sound value, and which we believe can grow their earnings and 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)	+2.5%	+0.9%	+18.9%	+7.4%	+4.7%	+6.8%
QVE NTA (after tax)	+1.8%	+0.7%	+13.8%	+6.1%	+4.4%	+5.8%
Benchmark**	+2.5%	+3.3%	+17.8%	+15.3%	+11.2%	+10.8%

<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

Shares on Issue:	231.2M	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

### December Quarter 2021 Interim Dividend Key Dates:

QV Equities Limited advises the following proposed dates for the December quarter 2021 fully franked dividend of 1.2 cents per share\* (as announced to the ASX on 21 Oct 2021).

Please note that these dates may be subject to change and the dividend payment is subject to Board approval:

- Ex-Dividend Date: 14 February 2022
- Dividend Record Date: 15 February 2022
- Dividend Payment Date: 4 March 2022

## Portfolio Managers

### Simon Conn and Anton Tagliaferro



## Key Equity Investments

ASX Code	Weight
AusNet	5.9%
Orica	5.0%
Aurizon	4.7%
Crown	4.6%
Ampol	4.1%
Amcor	4.1%
Pact	4.1%
Sonic Healthcare	3.7%
Tabcorp	3.1%
Origin Energy	3.0%

## Sector Allocation

Materials	17.1%
Consumer Discretionary	11.2%
Cash	10.9%
Health Care	10.4%
Utilities	8.9%
Communication Services	8.7%
Energy	8.1%
Financials	6.8%
Industrials	6.7%
Real Estate	5.9%
Consumer Staples	5.3%

## Contact Us

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Release authorised by Company Secretary, Zac Azzi.

*\*subject to the Company maintaining sufficient profit reserves and there being no material impacts, changes or unforeseen events.*

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