

31 May 2022

Net Tangible Assets (NTA)*	
QVE NTA before tax	\$1.11
NTA after tax	\$1.11

Trailing 12 month yield on month end share price	
Yield	4.63%
Grossed up yield including franking credits	6.62%

\*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

World markets continued to be volatile during May as investors sought to assess and understand the impact on world economic growth of the world's central banks' new tightening policies in response to higher inflation, as well as how the many other uncertainties – such as the Ukraine-Russia war and the Covid restrictions in China – are also affecting the global economy.

The MSCI World Index finished virtually unchanged for the month, down -0.2%, with a rally late in the month by the S&P 500 enabling the US markets to eke out a gain of +0.2%, despite the Nasdaq continuing its downward trajectory and recording a loss of -1.9% for May. The Nasdaq is now down -22% since the start of 2022 as investors continue to sell out of more speculative or highly priced stocks. Markets outside the US had a more positive month with the Nikkei 225 up +1.6%, the Euro Stoxx 50 up +1.3% and the FTSE 100 up +1.1%, although the mood remains relatively cautious reflecting the many prevailing uncertainties.

Commodity markets were also mixed in May with energy and agricultural commodity prices continuing to strengthen with the sanctions on Russia causing significant supply disruptions that have resulted in higher gas and grain prices. The oil price ended the month up +12% while metals and industrial commodities were negatively affected by rising interest rates and concerns about the direction of the global economy. Thus, aluminium and nickel prices were down -7.3% and -11.5% respectively, while copper fell -3.3%, iron ore -2.5% and gold -3.8%.

The Australian sharemarket (S&P/ASX 300) had a difficult month and was down -2.8% in May. The ASX ex-20 Index was harder hit, down -4.3% with falls across most sectors. The Information Technology sector continued to slide, falling -8%, while the Communication Services sector fell -9.8% mostly due to economic concerns and large falls in internet-related stocks such as realestate.com. The Consumer Discretionary sector dropped -8.3% with the share prices of many retailers and media companies falling heavily on concerns that consumer and business spending patterns would be detrimentally impacted by rising inflation and interest rates. The REIT sector also fell heavily, closing down -6.8% for the month, as investors reassessed the sector in light of higher bond rates. The only sector to post a rise in May was the Energy sector, which eked out a gain of +0.3%.

**The QVE portfolio** had a difficult month, down -2.9% in May, which, while disappointing, was ahead of the benchmark's fall of -4.3%. The QVE portfolio's relatively strong performance in recent times has been due to our continued focus on profitable, well-established and well-managed companies that we believe represent good value - such as Amcor, Aurizon and Orica. We believe the outlook for these companies remains positive for the next 3 to 5 years, despite the many economic uncertainties. Having said this, the share prices of our holdings in good quality companies such as Nine Network and Ooh Media fell heavily as investors began to factor in a large drop in advertising revenues due to an anticipated slowdown in the Australian economy later in the year.

The Tabcorp demerger occurred in May splitting the company into two businesses – a wagering and gaming services business, which will continue to be called Tabcorp (TAH), and a lotteries business – The Lottery Corporation (TLC). Our overall investment in these stocks appreciated strongly over the month, allowing us to take advantage of the increased price to trim our holdings.

Over the month we used the significant weakness in the REIT sector to buy into Abacus Property Trust at a discount to its NTA (Net Tangible Assets) whilst also topping up on Charter Hall Retail and Shopping Centres Australasia. In addition, we took advantage of the drop in Sky City's share price to increase our holding as we expect Sky's earnings to recover strongly from the Covid-induced lockdowns. We used strength in the share price of Cleanaway to sell out of the company as it reached our price target and we also used recent strength in the share prices of Orica and New Hope to trim our holdings.

We expect continuing sharemarket volatility in the months ahead, reflecting the continued economic uncertainty due to the pick-up in inflation and central banks reversing their loose monetary policies by increasing their cash rate and ending their quantitative easing. The QVE portfolio continues to perform relatively well against this volatility, and we believe our portfolio of well-established companies with strong recurrent earnings remains reasonably well positioned to ride out current uncertainties.

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)	-2.9%	+2.6%	+9.7%	+4.8%	+4.1%	+6.5%
QVE NTA (after tax)	-1.9%	+2.1%	+8.0%	+4.4%	+3.8%	+5.6%
Benchmark**	-4.3%	+0.3%	+4.5%	+7.3%	+8.5%	+9.3%

<sup>^</sup> Performance per annum. <sup>\*\*</sup> 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 a reliable indicator of future performance.

## QVE Company and Portfolio Information

ASX: QVE

Shares on Issue:	229.3M	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

**Dividend:** The March quarter dividend of 1.2 cents per share had been declared and payments have been made on 3 June 2022. Click [here](#) for more information.

**Webinar recording:** The recording of QVE portfolio update is now available [here](#).

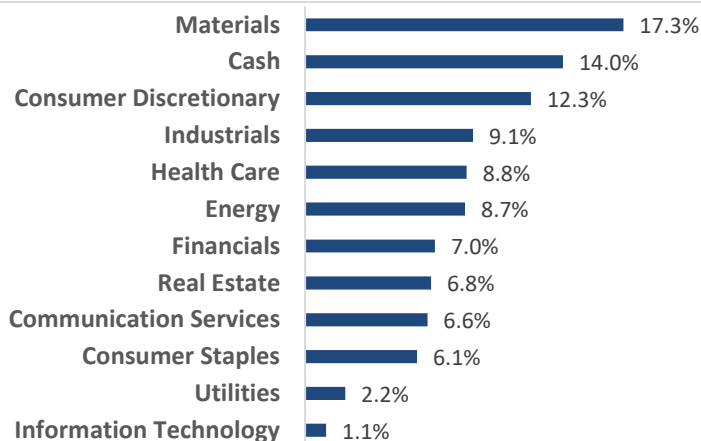
## Portfolio Managers Simon Conn and Anton Tagliaferro



## Key Equity Investments

	ASX Code	Weight
Aurizon	AZJ	5.7%
Orica	ORI	5.1%
Ampol	ALD	4.8%
Amcor	AMC	4.5%
Pact Group	PGH	4.1%
The Lottery Corporation	TLC	3.3%
Sonic Healthcare	SHL	3.2%
Crown Resorts	CWN	2.8%
Brambles	BXB	2.6%
SkyCity Entertainment	SKC	2.4%

## Sector Allocation



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Release authorised by Company Secretary, Zac Azzi.

*Investors Mutual Limited AFSL 229988 has prepared the information in this announcement, as the Investment manager for, and on behalf of, QV Equities Limited ACN 169 154 858 (QVE). This announcement has been prepared for the purposes of providing general information only and does not constitute an offer, solicitation or recommendation with respect to the purchase or sale of any securities in QVE nor does it constitute financial product or investment advice nor take into account your investment objectives, taxation situation, financial situation or needs. An investor must not act on the basis of any matter contained in this announcement in making an investment decision but must make their own assessment of QVE and conduct their own investigations and analysis. Sharemarkets can move up and down and this may adversely impact your investment return. Past performance is not a reliable indicator of future performance.*

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