

31 MARCH 2024

QVE Equities (QVE) is a Listed Investment Company (LIC) managed by Australian equities asset manager IML. It invests in high-quality, good value companies listed on the ASX outside the top 20, aiming to provide a rate of return which exceeds the return of its benchmark on a rolling 5+ year basis. QVE aims to deliver a consistent quarterly income stream for shareholders, while also growing capital gradually over time.

QVE COMPANY NEWS

- The formal evaluation of strategic options for QVE (Strategic Review) which was announced to the market on 31 January 2024 has been concluded. QVE announced on 12 March 2024 jointly with WAM Leaders Limited (ASX: WLE) that the parties have entered into a Scheme Implementation Agreement (SIA) to merge the two entities through a Scheme of Arrangement (Proposed Transaction). Per the announcement, QVE shareholders will be given the opportunity to vote on the Proposed Transaction and detailed information relating to the Proposed Transaction will be provided to QVE shareholders in due course. [Read the full announcement here.](#)

QVE HISTORICAL DIVIDENDS (FULLY FRANKED)



Total fully franked dividends paid since inception

40.3 CENTS PER SHARE

Source: QV Equities. Past performance is not a reliable indicator of future performance. As a result, past dividends are not indicative of future dividends.

COMPANY SNAPSHOT

ASX code	QVE
NTA ¹ before tax	1.06
NTA ¹ after tax	1.09
Dividend frequency	Quarterly
Yield ²	5.23%
Grossed up yield ³	7.47%
FY23 dividends ⁴	5.2 cps
Management fee	0.90% p.a. of the NAV up to \$150m 0.75% p.a. over \$150m
Performance fee	Nil
Shares on issue	227M
Portfolio Managers	Simon Conn Marc Whittaker
Listing date	22 August 2014

SHAREHOLDER BENEFITS

What should you expect when you invest with QVE?

Consistent income, growing over time*

QVE aims to pay quarterly, fully-franked dividends, giving Australian investors additional income through tax offsets or refunds.

Portfolio diversification

QVE invests outside the ASX Top20, providing diversification benefits for investors who hold shares in the largest Australian companies.

Experienced Board and Investment Manager with a 25-year track record.

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*Refers to dividend income. See QVE historical dividends chart above.

1. 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. 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. 2. Trailing 12 month yield on month end share price 3. Includes franking credits 4. Dividends paid for the financial year 2023 reporting period. Past performance is not a reliable indicator of future performance.

UPDATE FROM THE INVESTMENT MANAGER

MARKET CONTEXT

- The rally in global markets continued over Q1 2024 as investors grew increasingly comfortable that global interest rates had peaked, with expectations growing that cash rates will be reduced later this year. The AI thematic also boosted returns, as did a resurgent Japanese market where the Bank of Japan raised interest rates for the first time in 17 years.
- The Nikkei was the strongest global market, up +21.5% for the quarter, as investors re-allocated from a troubled China. The MSCI, S&P 500 and Nasdaq were also strong, up around 10%, with Europe's Stoxx 50 up +12.9%. Australian markets performed well but lagged their global peers, with the ASX 300 up +5.4%. All ex-20 sectors climbed with Technology the standout, up +23.6% due to takeover activity and in sympathy with the Nasdaq.

PORTFOLIO COMMENTARY

- The **QVE Portfolio** had a strong quarter, up +5.9%, however lagging the benchmark's gain of +8.3% mainly due to our caution towards the richly-priced technology sector. Given the strong gains recorded by many stocks we have been trimming company positions to lock in gains, and will prudently redeploy cash given the pending SIA vote.
- Many of the portfolio's stocks performed well over the quarter including recent additions SG Fleet and Sigma Healthcare, while long-term holdings Virgin UK, Mayne Pharma, Integral Diagnostics, SkyCity, Orica and Aurizon also performed strongly. Sigma Healthcare rose as investor knowledge grew regarding the merger with Chemist Warehouse (CW), with the result late in the quarter highlighting the strength of the CW performance while Virgin Money UK soared after announcing it would be acquired by Nationwide, the UK's largest building society.
- Orica (ORI), the leading global explosives company, was up +12.4% for the quarter following a positive trading update and the acquisition of a leading sodium cyanide manufacturer, Cyanco for US\$640m. To fund the acquisition Orica raised A\$400m in an institutional placement at \$15.84, in which QVE participated. Cyanco complements Orica's existing sodium cyanide business and makes Orica the clear global leader, with significant synergies to be derived from combining these businesses.
- Aurizon (AZJ), Australia's largest rail freight operator, was up +7.8% for the quarter following a solid H1'24 result with all divisions delivering improved results. Coal volumes recovered from last year's weather induced softness with NSW and QLD year-on-year revenues up +9% for the quarter, while the regulated network division gained on the back of a higher allowed rate of return following the increase in bond rates. The Bulk division also delivered an improved result on the back of new contracts and a volume recovery by customers. Going forward the recently won contract with Team Global Express (TGE) is likely to further bolster the bulk, non-coal haulage business.
- Sonic Healthcare (SHL), the global pathology leader, fell -7.0% over the quarter largely due to a non-operational issue in the H1'24 result with a higher-than-expected interest expense leading to a downgrade in market forecasts. Sonic continued to redeploy its cash generated during the Covid period acquiring a Swiss lab group, 'Dr Risch', for c\$200m, enhancing its existing operational footprint in Switzerland. We believe Sonic's competitive position across key markets has it well placed for long-term growth, as many smaller competitors struggle post Covid.
- During the quarter we trimmed our positions in A2B Australia, Sigma Healthcare, Metcash, Medibank, IAG, Aurizon and Suncorp and exited Resmed and Regis Healthcare locking in gains while increasing our positions in APA, Origin, Sonic Healthcare, Integral Diagnostics and SG Fleet at what we believe to be attractive valuations.

OUTLOOK

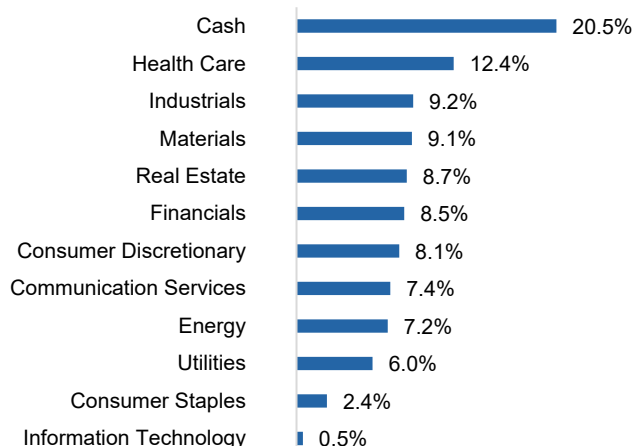
- We expect market volatility to persist and meaningful revenue growth to continue to be hard for companies to generate in 2024 as cost pressures remain a challenge for businesses and cost-of-living pressures weigh on the consumer.
- We continue to focus on well-established companies with strong competitive advantages and recurring earnings that are reasonably priced and likely to perform well in a range of economic conditions, while we continue to actively look for new opportunities.

PERFORMANCE	1 MONTH	3 MONTHS	1 YEAR	3 YEARS^	5 YEARS^	SINCE LISTING^ 22 AUG 2014
QVE NTA (pre-tax)	+3.9%	+5.9%	+11.1%	+6.5%	+4.7%	+6.0%
Benchmark**	+4.3%	+8.3%	+15.3%	+8.0%	+8.2%	+9.1%

^ 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 a reliable indicator of future performance.

PORTFOLIO DATA*

SECTOR WEIGHTS



TOP 10 HOLDINGS

TOP 10 HOLDINGS	ASX CODE	WEIGHT
Aurizon	AZJ	4.9%
APA	APA	4.2%
Sonic Healthcare	SHL	4.1%
Amcor PLC	AMC	3.7%
Orica	ORI	3.7%
Suncorp	SUN	2.8%
Skycity Entertainment	SKC	2.7%
Charter Hall Retail REIT	CQR	2.5%
Brambles	BXB	2.3%
Santos	STO	2.2%

PORTFOLIO INFORMATION

Benchmark	S&P/ASX 300 Ex20 Accumulation
No. of stocks	47
Cash weight	21%

Important note: Shares of Listed Investment Companies (including QVE) can trade at a discount or a premium to the Net Tangible Assets (NTA) per share of the Company. The share price of any company is based on demand for the shares, compared to the supply of the shares.

* Numbers may not add up to 100% due to rounding.

Release authorised by Company Secretary, Zac Azzi.



qvequities.com



info@qvequities.com



1300 551 132

Level 24, 25 Bligh Street, Sydney NSW 2000 | PO Box H104, Australia Square, Sydney NSW 1215 | ACN 169 154 858

Shareholder Services (Link Market Services): 1800 868 464

Please direct distribution enquiries to your representative from [Natixis Investment Managers](#)

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