

Monthly Investment Update & Net Tangible Assets Report

December 2020



NET TANGIBLE ASSETS (NTA)* as at 31 December 2020		QVE	QV EQUITIES	
NTA before tax		\$1.01	ASX Code	QVE
NTA after tax		\$1.03	Listed	22 Aug 14
			Shares on issue	245.7M
			Benchmark	S&P/ASX 300 Ex20 Accumulation
			Number of stocks	20 – 50
			Dividend Frequency	Quarterly
			Suggested investment time frame	5+ years
			Investment Objective	To provide a rate of return which exceeds the return of its benchmark on a rolling 5-year basis

*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.

PERFORMANCE (as at 31.12.20)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	-0.5%	-0.4%	+0.1%
3 Months	+11.7%	+7.8%	+12.1%
6 Months	+12.3%	+8.8%	+14.7%
1 Year	-5.1%	-2.6%	+2.0%
Since Inception Total Return p.a	+5.0%	+4.6%	+9.7%

The above returns are after fees and assumes all declared dividends are reinvested and excludes tax paid from pre tax NTA. Past performance is not indicative of future performance.

SHAREMARKET COMMENTARY

Global sharemarkets finished a very unpredictable year with another strong month as the MSCI World Index gained +3.9%. This took 2020 gains to +14% for the year, as markets rallied strongly following the sharp falls which occurred across most markets in March as COVID-19 was declared a global pandemic and governments around the world imposed travel bans and shutdowns across many sectors of their economies. To counter the fallout from the pandemic, most central banks, including the Reserve Bank of Australia, cut rates to record lows while also embarking on huge quantitative easing and other measures to ensure their banking systems held up in the face of the enormous economic fallout from the closure of many parts of the economy. Most governments also embarked on massive fiscal programmes designed to cushion their economies from the impact of the shutdowns.

The rollout of COVID-19 vaccines in the US and the UK in December saw all major bourses post positive returns for the month, despite COVID outbreaks in the US and UK. The tech-heavy Nasdaq continued to lead the charge, up +5.7% for the month contributing to the +3.3% gains for the S&P500. Similarly, the UK's FTSE100 index also had a strong month gaining +3.3%, as the UK's trade deal with the EU was finalised. The Stoxx 50 posted a more muted +0.8% as Europe's major economy Germany announced a new COVID-lockdown.

After a volatile year, commodity markets finished the year strongly supporting the AUD which was up a further +5% against the USD in December. Iron ore was up +21% for the month as COVID-related supply issues continued to affect many Brazilian mines and demand from China remains strong. The oil price was up +8% as some economies around the world start to reopen, continuing to recover from its lows earlier in year. Base metals also continued to recover after falling heavily earlier in the year, thanks to a combination of COVID-induced supply disruptions, a weaker US dollar and continued strong demand from China. The gold price also had a strong month up +6% on safe haven buying.

The broader Australian sharemarket, as measured by the ASX300, was more subdued than its global peers in December, posting +1.3%. Investor sentiment was weighed down by a COVID-19 outbreak and lockdowns in Sydney and the ongoing trade stoush between Australia and China which saw the Australian Government refer China to the World Trade Organisation during the month over its 82% tariff on Australian barley and China seeming to formalise its unofficial ban on imports of Australian coal.

The ex-20 segment of the market was flat for the month, gaining just +0.1%. While the ex-20 Resources sector gained +3.9%, supported by buoyant commodity prices, the Industrials segment fell -0.8%. Within the Industrials segment, the Utilities sector shed -5% for the month, primarily due to AGL's -11% decline following its weak outlook for 2021. Healthcare shed -5% as investors favoured more pro-cyclical sectors, and the Financial sector was also down -3% after QBE flagged an expected loss of almost \$2 billion when it reports in February. The Consumer Staples sector was down -2% as investors expressed concern about companies with heavy exposure to China, such as A2 Milk, which was down -17%. On the positive side of the ledger, the Technology sector posted a gain of +6% as stocks like Afterpay and WiseTech continued to capture investors' imaginations, driving the sector higher.

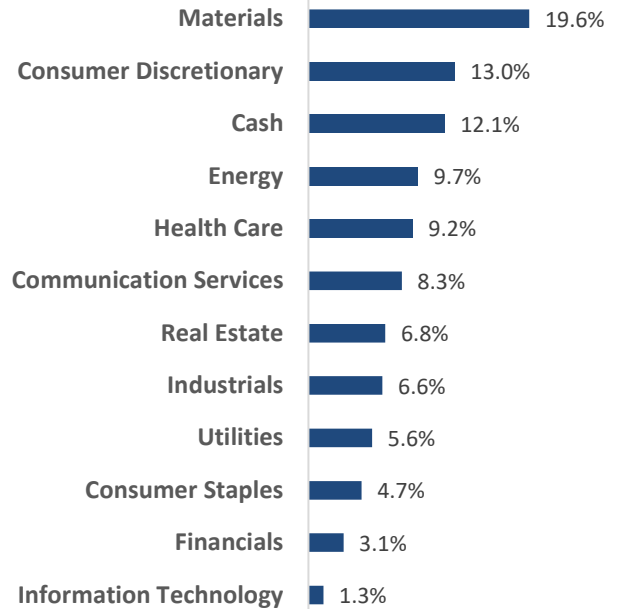
The QVE portfolio finished the calendar year with a strong quarter, although it marginally underperformed the benchmark's return. Our caution to the highly cyclical sectors such as Technology and Resources held back the portfolio's relative performance as these sectors rallied strongly from their March lows. Over the month, we used weakness in the share prices of Aurizon, Orica and AusNet to top up on the portfolio's holdings in these good quality, well-established companies. Companies in the portfolio such as Metcash, Pact and Regis Healthcare all enjoyed a good month. Over the month, we trimmed our holdings in Alumina and Integral Diagnostics into strength as these companies' share prices rallied.

While sharemarkets around the world recovered strongly as the year progressed, thanks to central bank and government actions as well as optimism for an improved economic outlook in 2021, many companies' profitability and dividend outlooks continue to be affected by the economic uncertainty. In light of the mixed economic outlook going forward, we continue to focus on good quality companies that we believe represent good value and which we believe can do well over the next 3 to 5 years.



KEY EQUITY INVESTMENTS	ASX Code	Weight
Amcor	AMC	4.8%
Crown Resorts	CWN	4.6%
Tabcorp	TAH	4.5%
Aurizon	AZJ	4.5%
Pact Group	PGH	4.3%
Orica	ORI	3.8%
Sonic Healthcare	SHL	3.8%
Ampol	ALD	3.7%
AusNet Services	AST	3.5%
Southern Cross Media	SXL	3.0%

SECTOR ALLOCATION



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Release authorised by Company Secretary, Zac Azzi.

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