

Monthly Investment Update & Net Tangible Assets Report

January 2021



NET TANGIBLE ASSETS (NTA)* as at 31 January 2021		QVE	QV EQUITIES	
NTA before tax (cum div)		\$1.00	ASX Code	QVE
NTA after tax (cum div)		\$1.02	Listed	22 Aug 14
			Shares on issue	245.3M
			Benchmark	S&P/ASX 300 Ex20 Accumulation Index
			Number of stocks	20 – 50
			Dividend Frequency	Quarterly Upcoming div 1.1cps ff ex-date 15-Feb, paid 5-Mar
			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

PERFORMANCE (as at 31.01.21)	QVE's NTA (pre-tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	-1.7%	-1.2%	-1.3%
3 Months	+8.7%	+5.7%	+8.8%
6 Months	+11.7%	+8.3%	+12.0%
1 Year	-8.7%	-5.3%	-3.0%
Since Inception Total Return p.a	+4.6%	+4.3%	+9.4%

*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.

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

After starting the year in positive fashion, global sharemarkets came under pressure in the back half of January, and the MSCI World Index finished the month in negative territory. The US S&P500 Index retraced from record highs to finish -1.0% lower, while Europe's Stoxx50 Index shed -1.9% as bond yields around the world rose on expectations of higher economic activity and inflationary expectations as the COVID-19 vaccine rollout continued across the globe. Market sentiment was also affected as some high-profile short squeezes of US stocks such as GameStop and AMC Entertainment saw the share prices of these companies balloon after retail punters charged in *en masse*. This reminded investors about the speculative excesses currently abounding in many sections of the sharemarket as zero interest rates and huge fiscal stimulus programmes have encouraged excessive risk-taking by many market participants.

Commodity prices were mixed over the month. The oil price gained a further +7% following a surprise production cut from the Saudis, acting independently from OPEC, to help support the oil price amid faltering global demand. The iron ore price came under pressure following a near +40% rise in the final quarter of 2020, with increased supply coming online from Brazil, coupled with China's scrap steel market reopening and China importing scrap steel from Japan as China endeavours to reduce its reliance on Australian iron ore. Gold also had a soft month falling -3%.

The Australian sharemarket, as measured by the ASX300 Index, suffered a similar fate to its global peers, selling off in the latter part of the month to finish January fairly flat. The ex-20 segment of the market endured a more significant selloff, falling -1.3%. The ex-20 Resources sector shed -1.7%, with many of the miners falling in sympathy with softness in the prices of iron ore and gold. In addition, and despite the higher oil price, the Energy sector fell sharply in the back half of the month to finish -2% lower. Within the Industrials segment, sector performances were mixed over the month. The REITs sector fell -4% in sympathy with the uptick in bond yields, while the Technology sector fell -6%, with many of the more speculative and concept stocks such as those in the payment solutions space sold off. On the positive side, the Consumer Discretionary sector rallied +3% over the month off the back of solid trading updates from the likes of JB Hi-Fi and Super Retail Group, which have continued to benefit from the current surge in consumer spending. The Consumer Staples sector also enjoyed a solid month, benefiting from robust share price performance from supermarket operators Coles and Metcash, which continue to enjoy positive sales momentum. Bega Cheese had a strong month following positive investor reaction to the acquisition of Lion Dairy & Drinks.

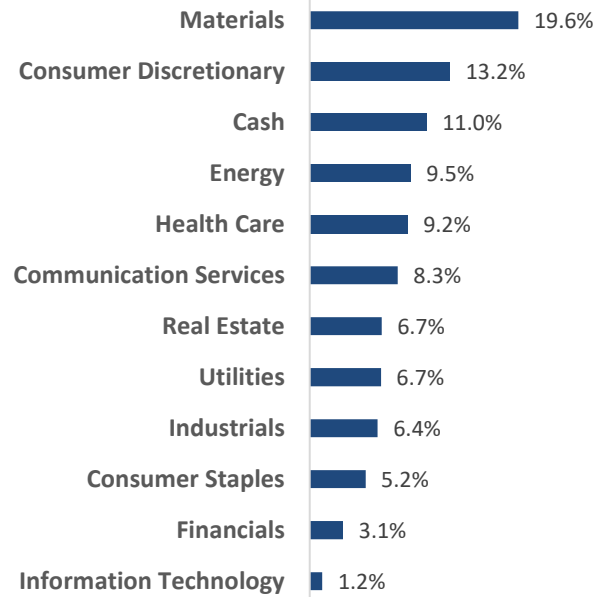
The QVE portfolio had a challenging month, down -1.7%, slightly below the benchmark's fall of -1.3%. The portfolio was affected by falls in the share prices of our core holdings in packaging stocks. Amcor, Pact and Pro-Pac Packaging all fell between -5% and -10% over the month as investors became concerned about the rise in the oil price and its impact on resin prices, a major input to their manufacturing processes. We believe these three companies remain well-positioned in their segments and are set to deliver solid results thanks to the essential nature of the products they manufacture. Ampol's share price also fell back after going ex a special fully franked dividend which was distributed to shareholders in an off-market buyback which QVE participated in. Our holdings in stocks like Tabcorp, Sonic Healthcare and Metcash had a good month. Over the month we exited our holding in Alumina at a good profit after a run up in the share price while adding to high-yielding stocks such as AusNet and Abacus Property, which we believe represent very good value.

Investors will now look to the February reporting season to gain a detailed insight into how most companies are faring in the current COVID-affected global economy. The impact of the virus will reverse at some stage. The challenge for investors is to understand the timing of when a normalisation may occur, and how this will affect the earnings of various companies, as some sectors have clearly benefited greatly at the expense of others. In light of the uncertain economic outlook going forward, we continue to focus on good quality companies which are well-managed and which we believe represent good value and can do well over the next 3 - 5 years.



KEY EQUITY INVESTMENTS	ASX Code	Weight
Amcor	AMC	5.4%
Tabcorp	TAH	4.7%
Crown Resorts	CWN	4.7%
AusNet Services	AST	4.4%
Aurizon	AZJ	4.4%
Pact Group	PGH	3.9%
Orica	ORI	3.8%
Sonic Healthcare	SHL	3.8%
Ampol	ALD	3.6%
Coles	COL	3.2%

SECTOR ALLOCATION



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Release authorised by Company Secretary, Zac Azzi

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