

Monthly Investment Update & Net Tangible Assets Report

June 2020



NET TANGIBLE ASSETS (NTA)* as at 30 June 2020		QVE	QV EQUITIES	
NTA before tax		\$0.94	ASX Code	QVE
NTA after tax		\$0.98	Listed	22 Aug 14
			Shares on issue	264.8 M
			Benchmark	S&P/ASX 300 Ex20 Accumulation
			Number of stocks	20 – 50
			Dividend Frequency	Half yearly
			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 30.06.20)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	-0.7%	-0.3%	+1.2%
3 Months	+16.8%	+10.9%	+23.0%
6 Months	-15.5%	-10.5%	-11.1%
1 Year	-14.5%	-9.3%	-5.3%
Since Inception Total Return p.a	+3.4%	+3.5%	+8.1%

*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. 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

Global equity markets continued their rebound in June with the MSCI World Index returning +2.9%. All major global bourses finished the month firmly higher with the US S&P 500 gaining an additional +2%, its third consecutive month of gains to push the index into positive territory for the calendar year, staggering when considering the economic carnage resulting from the COVID-19 pandemic. Incredibly, the tech heavy NASDAQ index gained a further +6% for the month, pushing the index beyond its record highs reached in February before the pandemic hit. Across the globe, Europe's Stoxx50 and Japan's Nikkei enjoyed strong months returning +6.4% and 2.0% respectively. Despite the very real threat of a second wave of infections to hamper the re-opening of the economy and the re-emergence of trade tensions between the US and China, investors continue to bank on the massive amounts of stimulus from the Central Banks supporting financial markets.

Over the month the IMF downgraded its global GDP forecasts for 2020, predicting the global economy will contract by 5%, as opposed to 3% back in April, with the US economy expected to contract up to 8%. In addition, the IMF cited the recovery will likely be significant slower than many are expecting. Domestically, Australian GDP for the March Quarter showed the economy contracted by -0.3%, which means that the country will enter its first recession in 29 years on the release of the June quarter numbers. Commodities continued their rebound over the month, iron ore gained +8% continuing to benefit from supply curtailment out of Brazilian mines given the chaos wrecked by COVID. Oil gained a further +16% continuing its recovery from its significant sell off through April.

The broader Australian sharemarket as measured by the ASX300 continued its rebound with a gain of +2.4%. The main driver of returns came courtesy of a rebound in the share prices of the major banks, following months of weakness given their leveraged exposure to the softer economic conditions. The ex 20 segment of the market enjoyed a solid month, returning +1.2% for the month. Sector performance was mixed. On the negative side of the ledger, the Energy sector shed -1.1% despite the rise in the oil price. The REIT sector had a softer month as investors remain concerned about occupancy rates going forward. Thus, Vicinity Centres (owner of Chadstone Mall in Melbourne) devalued its malls portfolio by upwards of 13% as the company had to contend with falling occupancy rates, in addition to raising \$1.4b to shore up its balance sheet. On the positive side of the ledger, Consumer Staples returned +4.2% for the month, led by Coles which gained +12%, with the supermarket chain continuing to benefit from strong grocery and liquor sales, coupled with more rational industry dynamics. The IT sector returned +3.7%, buoyed by the +30% rally in the share price of Afterpay, with investors continuing to be besotted with the buy now-pay later provider, despite the company yet to produce a positive bottom line. The Consumer Discretionary sector returned +1.2% for the month, buoyed by Tabcorp as the company continues to benefit from the re-emergence of live sport, which complements its lotteries business, which has remained robust through this highly uncertain period. Similarly, Healthcare enjoyed a solid month, led by Sonic Healthcare which gained +8%, benefiting from the reopening of the company's pathology centres, predominately across Europe.

The **QVE Portfolio** had a lack lustre month falling -0.7% against the benchmark's return of +1.2%. Our caution to the highly speculative Technology sector weighed on relative performance, however, we remain very comfortable with this positioning given many of the companies in this sector are years away from posting any decent earnings. The portfolio was held back as media companies such Southern Cross Media and oOh! Media selling off on profit taking given their strong share price appreciation through April and May following large share placements. Additionally, companies such as Ausnet, Pact Group and Mayne Pharma were weaker off the back of profit taking following their strong runs through April and May although all look on track to do better in the year ahead. Positively, our holdings in good quality companies such as; Ampol (formally known as Caltex), Sonic Healthcare, Tabcorp and Aurizon all enjoyed a strong month. Over the month we took part profits on companies such as Integral Diagnostics and Bunnings Property Trust following strong share price performance. We used these proceeds to top up our holdings in good quality companies on weakness such as Ausnet, Coles, Charter Hall Retail and Orica.

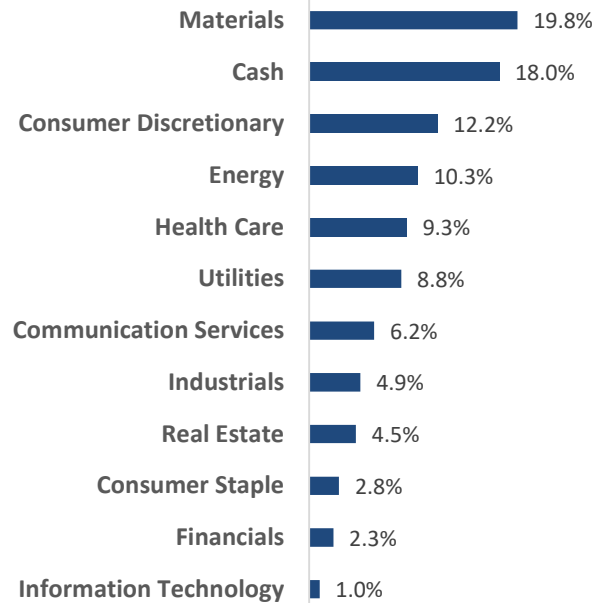
Unprecedented central bank intervention, massive fiscal stimulus, significantly lower bond yields and optimism regarding the speed and strength of the ensuing economic recovery have all contributed to sharemarkets around the world regaining some of their losses from the March quarter. Having said this, major uncertainties remain about the sustainability of economic growth post lockdowns as government handouts and self-imposed bank interest deferrals come to an eventual end. We anticipate unemployment to remain relatively high in the second half of 2020 and into 2021 and given record household debt in Australia, this could impact the level of demand across certain sectors of the economy and cause a material pick up in non-performing bank loans. As such, we remain cautious on the medium-term prospects of the global and Australian economies. We continue to maintain a cautious stance focusing on companies that, in our view, have a strong franchise, experienced capable management and a resilient business that can continue to generate healthy cash flows through the current uncertain economic times and beyond.

We continue to use the healthy cash weighting in the portfolio to top up on companies we believe are of good quality and that offer good medium-term value. We are also continuing to buy back shares in QVE, with the shares trading at a discount to the NTA at over 10% making such purchases very accretive.



KEY EQUITY INVESTMENTS	ASX Code	Weight
Amcor	AMC	4.9%
Ampol	ALD	4.7%
Crown Resorts	CWN	4.3%
Aurizon	AZJ	4.3%
AusNet	AST	4.0%
Sonic Healthcare	SHL	3.9%
Orica	ORI	3.9%
Tabcorp	TAH	3.7%
Pact Group	PGH	3.5%
Skycity Entertainment	SKC	2.6%

SECTOR ALLOCATION



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Release authorised by Company Secretary, Zac Azzi.

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