

# Monthly Investment Update & Net Tangible Assets Report

October 2020



NET TANGIBLE ASSETS (NTA)* as at 31 October 2020		QVE	QV EQUITIES	
NTA before tax		\$0.93	ASX Code	QVE
NTA after tax		\$0.98	Listed	22 Aug 14
			Shares on issue	249.6M
			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 31.10.20)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+1.1%	+0.8%	+1.7%
3 Months	+2.8%	+2.4%	+2.9%
6 Months	+5.5%	+4.6%	+12.8%
1 Year	-12.7%	-7.9%	-6.0%
Since Inception Total Return p.a	+3.4%	+3.6%	+8.3%

\*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

Amidst a significant uptick in volatility in the final week of the month, global equity markets finished the month lower, with the MSCI World Index falling -2.7% for the month, following on from September's -3% loss. All major bourses finished October in the red, unsettled by rising COVID-19 cases through both the US and Europe, the reintroduction of new lockdown measures throughout Europe and uncertainty arising from a contested US election. The US S&P500 fell -2.7% over the month, courtesy of a -6% fall in the final week. The tech heavy NASDAQ index finished -2.3% lower over the month, with the Tech giants leading the sell off after reporting earnings failed to impress, coupled with cautious earnings guidance citing renewed pandemic risks. Across the Atlantic, Europe's Stoxx50 and the UK's FTSE100 index shed -7.3% and -4.8% respectively as European Governments reintroduced strict lockdown measures.

Domestically, the Federal Budget highlighted the significant impact of the pandemic on the nation's finances with a deficit of \$214 billion now projected for fiscal 2020-21. The Budget included further stimulus as new tax cuts were announced which were more generous than expected. Complementing the fiscal impetus, the RBA also chipped in by cutting rates by 0.15% in early November, taking the cash rate down to another record low of 0.10%, whilst also announcing a further \$100 billion in asset purchases as part of their QE programme and a 3-year bond rate target of 0.1%.

Despite the -5% slide in the final week of the month, the Australian sharemarket as measured by the ASX300 held on to finish September with a positive return of +1.9%. M&A activity was a significant driver with the likes of Coca-Cola Amatil, Link Administration and AMP all receiving bids from offshore suitors. The major banks enjoyed a solid rebound in October after their sell off in September, returning over +7% supported by the prospect of loosening responsible lending laws and a reduction in the amount of loan repayments on deferral.

The **ex20 segment** was similarly buoyant returning +1.7% over the month. The IT sector continued its ascent, returning a further +9% over the month, as the fear of **missing out** trade continued to buoy the likes of Afterpay and Wisetech. The Consumer Staples sector also had a good month returning +4% as the supermarket operators; Coles and Metcash continue to do well. Communication Services enjoyed a solid month returning +2%, supported by a very strong month from Nine Entertainment which rallied +20% as TV advertising rebounded and Nine's VOD streaming platform Stan surpassed 2 million subscribers. On the negative side of the ledger the Resources sector shed -1.2% in sympathy with weakness in both the oil and iron ore price. The Utilities sector finished -1.5% lower, with sector heavyweight AGL facing a step down in earnings as a result of weak electricity prices. The REITs were soft shedding -1.5% due to a small uptick in bond yields.

The **QVE portfolio** had a reasonable month gaining +1.1%, although this was below the benchmark's return of +1.7%. Some of the portfolio's core holdings had a lacklustre month with Amcor, Tabcorp, Orica and Aurizon under pressure although we remain very comfortable with each of these companies and used share price weakness to increase our holding in some of these very good quality companies at what we believe are very attractive prices. In our view, the local IT sector continues to be significantly overvalued and we continue to find much better value elsewhere. Our holdings in Nine Entertainment, Ampol, Metcash, Virgin UK, Sonic Healthcare and Coles all enjoyed a strong month.

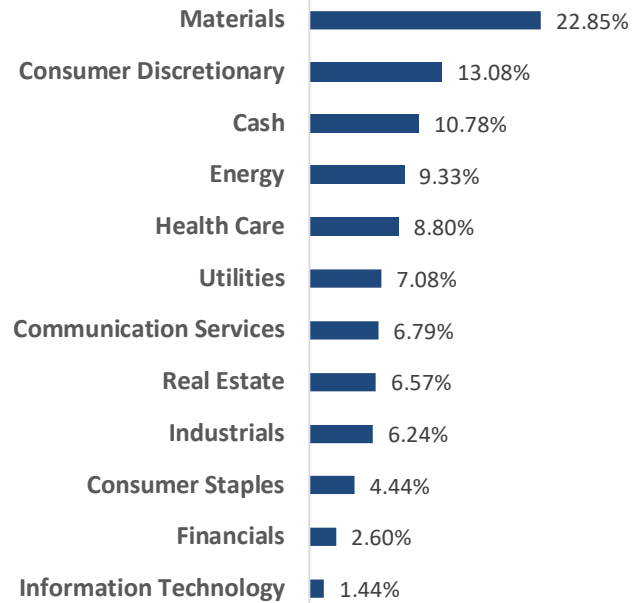
Over the month we used strength in the share price of AusNet, Nine Entertainment and Sonic Healthcare to realise part profits. As mentioned previously we used the cash opportunistically to add to our holdings in good quality companies such as Orica, Origin and Aurizon where we believe the outlook remains positive.

We continue to focus on companies that, in our view, have a strong franchise, experienced and capable management and a resilient business that can continue to generate healthy cash flows over the next few years. While the portfolio's performance has lagged the sharemarket in recent times, we remain comfortable with the overall quality of the stocks and the positioning of the portfolio and continue to use price weakness to add to many of our preferred holdings.



KEY EQUITY INVESTMENTS	ASX Code	Weight
Amcor	AMC	5.2%
Crown Resorts	CWN	4.4%
Tabcorp	TAH	4.3%
Ampol	ALD	4.2%
Aurizon	AZJ	4.2%
Orica	ORI	4.2%
Pact	PGH	4.0%
AusNet	AST	4.0%
Sonic Healthcare	SHL	3.5%
Coles	COL	3.2%

## SECTOR ALLOCATION



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Release authorised by Company Secretary, Zac Azzi.

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