# Monthly Investment Update & Net Tangible Assets Report

## November 2020

QV Equities Ltd.

| NET TANGIBLE ASSETS (NTA)* as at 30 November 2020 | QVE |
|---|---|
| NTA before tax | $1.02 |
| NTA after tax | $1.04 |

*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 30.11.20) | QVE's NTA (pre tax) | QVE's NTA (after tax) | BENCHMARK |
|---|---|---|---|
| 1 Month | +11.1% | +7.3% | +10.1% |
| 3 Months | +11.1% | +7.7% | +7.9% |
| 6 Months | +12.1% | +8.9% | +16.0% |
| 1 Year | -6.6% | -3.8% | -0.3% |
| Since Inception Total Return p.a | +5.1% | +4.7% | +9.9% |

| QV EQUITIES | |
|---|---|
| ASX Code | QVE |
| Listed | 22 Aug 14 |
| Shares on issue | 247.3M |
| 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 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 enjoyed one of their strongest months on record, surging forward on optimism over Joe Biden's US Presidential election victory and a series of breakthroughs in the development of a COVID-19 vaccine. The MSCI World Index returned +11% over the month, driven by strong gains in the US S&P500 index, which set fresh record highs following weakness in October, and the Dow which pushed through the 30,000 level for the first time in its history and enjoyed its strongest month since 1987. Across the Atlantic, the mood was even more effervescent with Europe's Stoxx returning +19%, catching up some of its recent relative underperformance compared to US indices.

Despite record numbers of COVID cases across the world, investor optimism was buoyed by signs that President-elect Joe Biden will make a relatively smooth transition into the White House, as well as positive vaccine news from Pfizer and Moderna. This news drove a strong rotation into companies that were deemed to be well positioned for the reopening of the economy and the much hoped for return to normality, while many concept and fad stocks lagged the market. The Energy sector within the S&P500 index enjoyed its best month on record, surging by +34%. Airlines, airline manufacturers such as Boeing, cruise-lines and theme park operators such as Disney all enjoyed a very strong month.

Domestically, the RBA cut rates by a further 0.15% in early November, taking the cash rate down to a new record low of 0.10%, whilst also announcing a further $100 billion in bond purchases as part of its QE programme. Commodities enjoyed a very strong month off the back of the vaccine breakthrough. Oil was the standout, gaining +27%, as investors repositioned for the likelihood of greater oil consumption as economies reopen. Iron ore also firmed by a further +11% to the $130/ tonne level. As a result of the strength in commodity prices, the AUD enjoyed a strong month gaining +5% against the USD as it rallied to the 74-cent level. This was despite continued concerns about the diplomatic stoush between Australia and China which has led to the hiking of trade tariffs by the Chinese, most notably on our wine exports.

The strong rally in global equities saw the Australian sharemarket as measured by the ASX300 enjoy its best month on record, returning +10.2% in November. Similarly, the ex20 segment of the market was equally strong returning +10.1%. The ex 20 Resources sector was buoyant, with the driving force being the Energy sector's +28% return in line with the higher oil price. Within the ex 20 Industrials segment of the market, the Communication Services sector enjoyed a buoyant month returning +14%, largely supported by strong performances from Southern Cross Media, Event Hospitality, News Corp and Seek – companies that stand to benefit as the economy reopens. The Technology sector, which has benefited immensely this year given the mania for "anything tech", came off the boil, with several of the overhyped tech names such as AfterPay, Megaport, NextDC, as well as several of the BNPL providers, finishing in negative territory. In addition, online electronics retailer – Kogan fell over -30% on the announcement of the vaccine with the shift to online likely to slow. Defensive sectors such as Consumer Staples, Healthcare and Utilities all lagged the market rise as investors rotated into more economically exposed sectors. Particularly hard-hit over the month was Treasury Wines, which fell over the month as the trade stoush between China and Australia escalated, with the announcement from China that Australian wine exports would face tariffs of up to 200%.

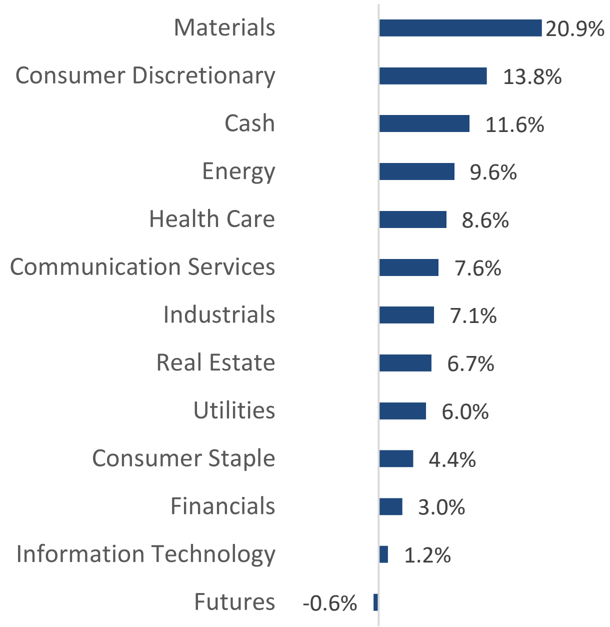
The ***QVE portfolio*** enjoyed an excellent month returning +11.1%, which was better than the benchmark's return of +10.1%. Encouragingly many of our holdings benefited from the rotation back into quality companies trading on attractive valuations, such as Event Hospitality, Incitec Pivot, Ampol and Tabcorp.

Over the month, we used strength in the share prices to take profits on companies such as Genesis Energy and Integral Diagnostics. We adding to the portfolio's positions in good quality companies such as Aurizon and Metcash on price weakness, as we believe these companies remain attractively priced given their prospects for the next few years. A new addition to the portfolio is Hipages which listed on the ASX in November. Hipages is 25% owned by News Corp and operates the leading online platform connecting 'tradies' to customers. Through our extensive research into the company, we deem its long-term prospects as very promising.

Continued record low interest rates, government stimulus and the recovery in many parts of the Australian economy, as lockdowns cease and interstate borders open up, has led to a sweet spot for the Australian equity market with many companies' share prices rallying strongly over the past month. Having said this the outlook for 2021 remains relatively uncertain given the many imbalances in the economy as things normalise. 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.

| KEY EQUITY INVESTMENTS | ASX Code | Weight |
|---|---|---|
| Aurizon | AZJ | 4.7% |
| Crown Resorts | CWN | 4.6% |
| Tabcorp | TAH | 4.4% |
| Amcor | AMC | 4.2% |
| Pact Group | PGH | 3.9% |
| Ampol | ALD | 3.8% |
| Orica | ORI | 3.8% |
| AusNet | AST | 3.4% |
| Sonic Healthcare | SHL | 3.2% |
| Southern Cross Media | SXL | 3.1% |

## SECTOR ALLOCATION

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Release authorised by Company Secretary, Zac Azzi.

*Investors Mutual Limited AFSL 229988 has prepared the information in this announcement, as the Investment manager for, and on behalf of, QV Equities Limited ACN 169 154 858 (QVE). This announcement has been prepared for the purposes of providing general information only and does not constitute an offer, solicitation or recommendation with respect to the purchase or sale of any securities in QVE nor does it constitute financial product or investment advice nor take into account your investment objectives, taxation situation, financial situation or needs. An investor must not act on the basis of any matter contained in this announcement in making an investment decision but must make their own assessment of QVE and conduct their own investigations and analysis. Sharemarkets can move up and down and this may adversely impact your investment return. Past performance is not a reliable indicator of future performance.*