

Investing for Income in the sharemarket:

QV Equities Investor Update

March 2021



IML INVESTORS
MUTUAL LTD

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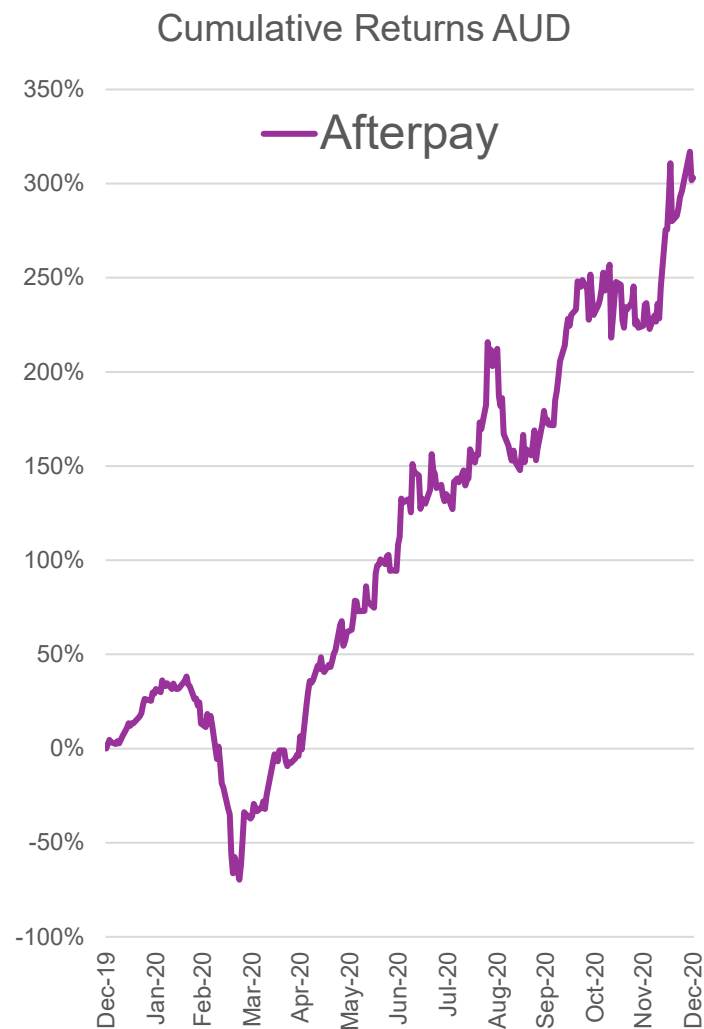
QV Equities Limited

- ❑ Listed 22 August 2014
- ❑ Managed by Investors Mutual
- ❑ Focused on Ex-20 stocks
- ❑ Experienced Board with independent majority
- ❑ Focus on long-term capital growth & income

Why hold QVE?

- ❑ Good quality ex 20 portfolio
- ❑ A diversified set of well-established, good quality companies
- ❑ Often less researched opportunities
- ❑ Offers very attractive dividends
- ❑ IML has a long track record of significant value add in this segment

Are assets being priced rationally?



Source: FactSet;
As at 31 December 2020

Investment Philosophy: focus on quality

We seek to buy and own:

Companies with a **competitive advantage**,

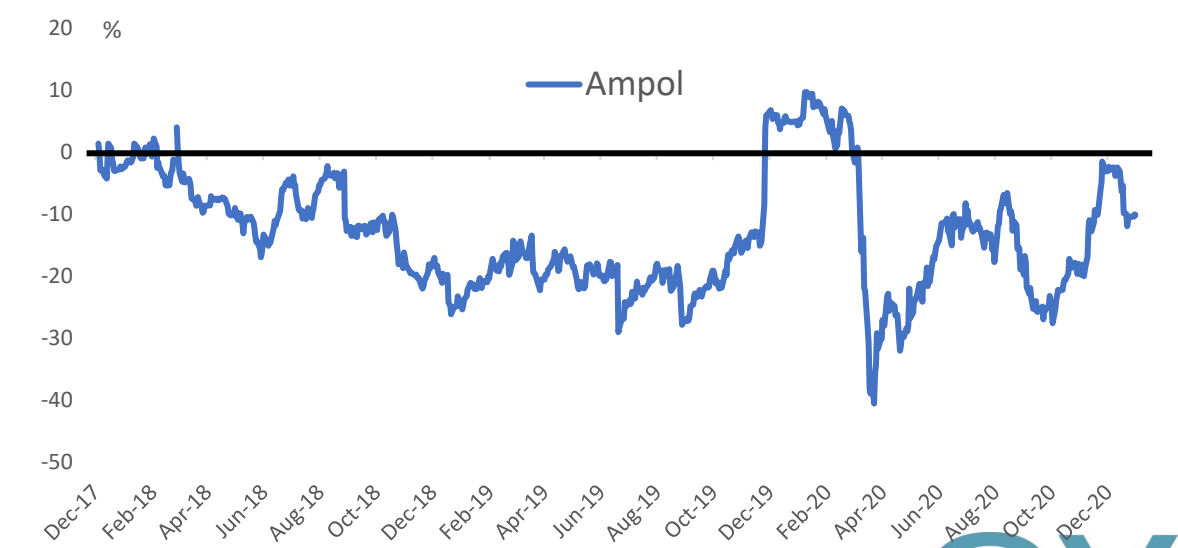
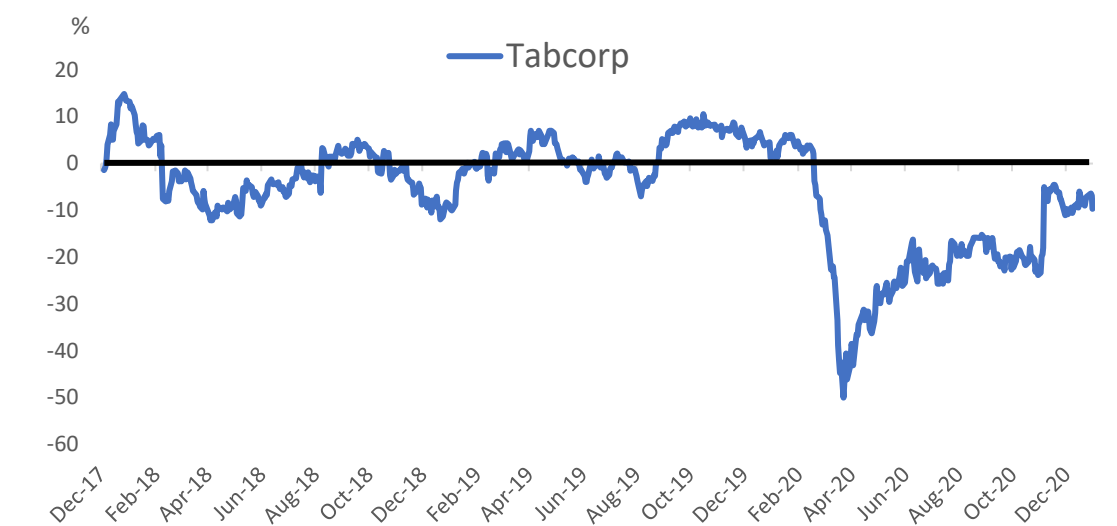
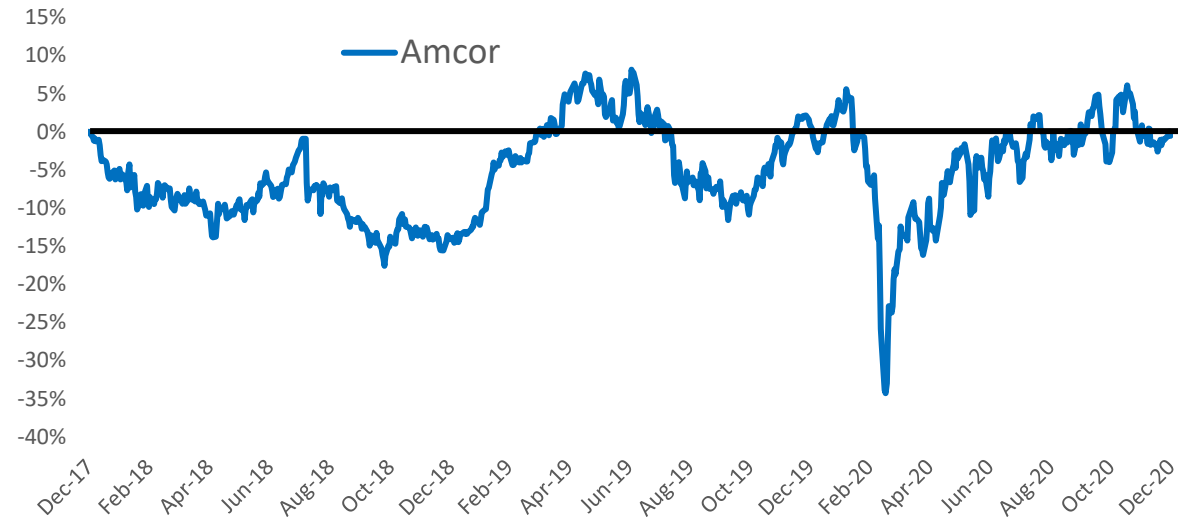
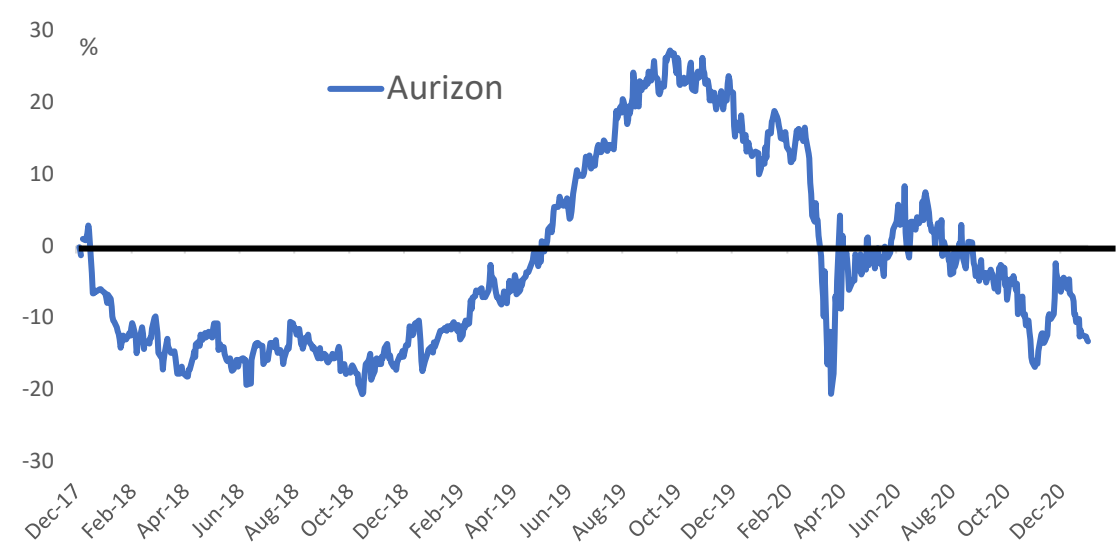
with **recurring earnings**,

run by **capable management**,

that can **grow**,

.....at a **reasonable price**.

Good quality companies left behind amidst the mania



Past performance is not a reliable indicator of future performance

Source: FactSet;
As at 31 December 2020



Top 10 stocks

Top 10 holdings	
Amcor	5.4%
Pact	5.0%
Tabcorp	4.9%
Crown Resorts	4.8%
Aurizon	4.5%
AusNet	4.4%
Orica	3.8%
Sonic Healthcare	3.7%
Ampol	3.6%
Virgin Money UK	3.3%

- ❑ Owns key QLD rail infrastructure & above rail business
- ❑ Excellent management team
- ❑ Earnings are recurring and highly predictable (60% regulated)
- ❑ Very strong free cash generator
- ❑ Diversifying away from coal into bulk transport



Packaging companies held

- ❑ Stocks held: Amcor, Pact, Pro-Pac and Orora

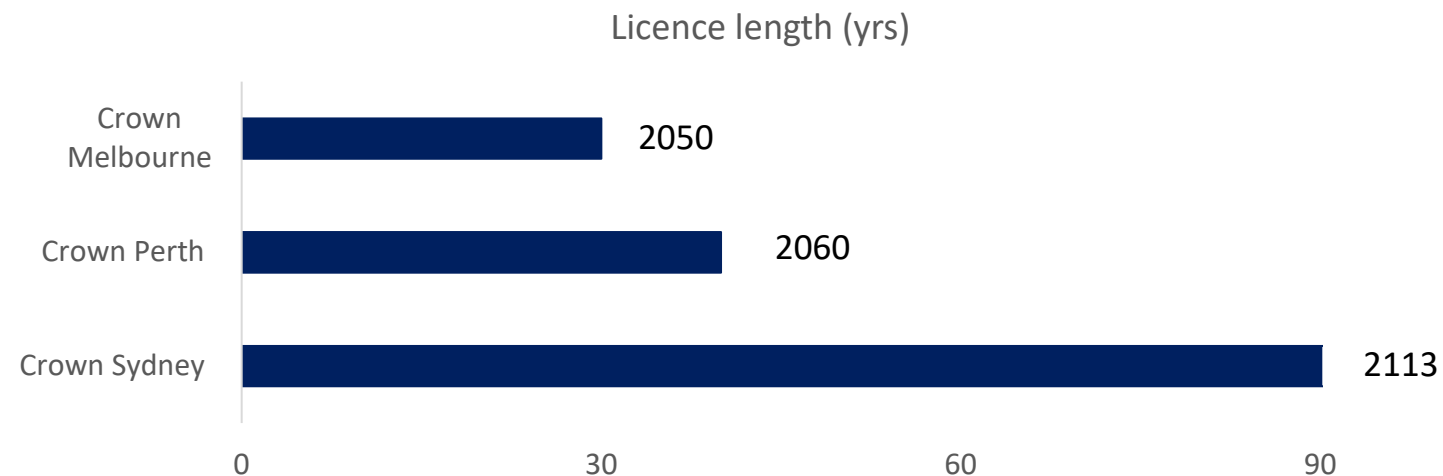


Attractions of the sector :

- ❑ Very recurring earnings streams
- ❑ Often underpinned by long term contracts
- ❑ Highly cash generative
- ❑ Scale is a major advantage
- ❑ Move to recycling presents opportunities thanks to innovation and integration opportunities



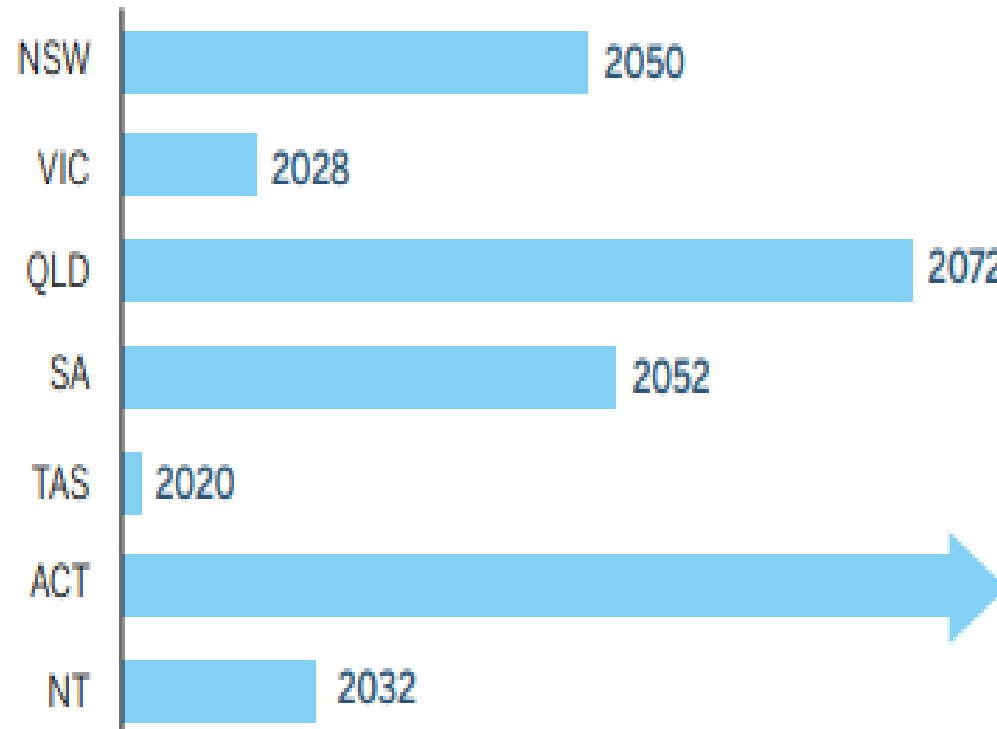
- ❑ Leading integrated casino and resorts operator in Australia
- ❑ Strong balance sheet
- ❑ Unique set of assets in 3 of Australia's capital cities
- ❑ New Sydney casino delayed opening



Tabcorp: underpinned by long term licences



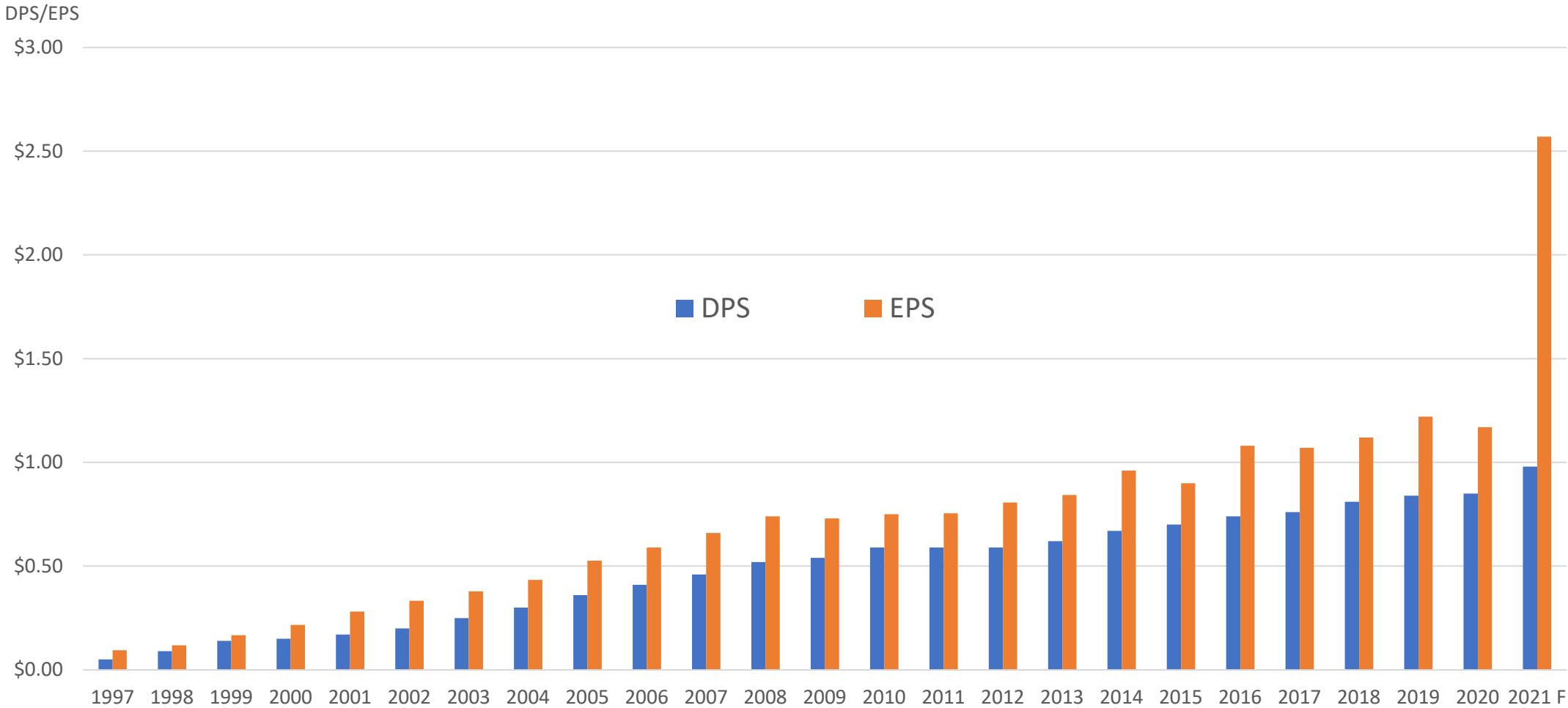
Lotteries licences/approvals⁽ⁱ⁾



- Average licence term is 29 years
- Lotteries is now >50% of EBITDA and >70% of value of the company.
- Wagering division underperforming

- ❑ No. 1 pathology business in: Australia, Germany, Switzerland & UK (no. 3 in US)
- ❑ Excellent management team
- ❑ Long track record of accretive acquisitions
- ❑ Valuation looks attractive given >\$1bn additional cashflow from covid testing
- ❑ The balance sheet is in 'the best shape for 20 years'
- ❑ Expecting further very accretive acquisitions in the next 12 months





Past performance is not a reliable indicator of future performance

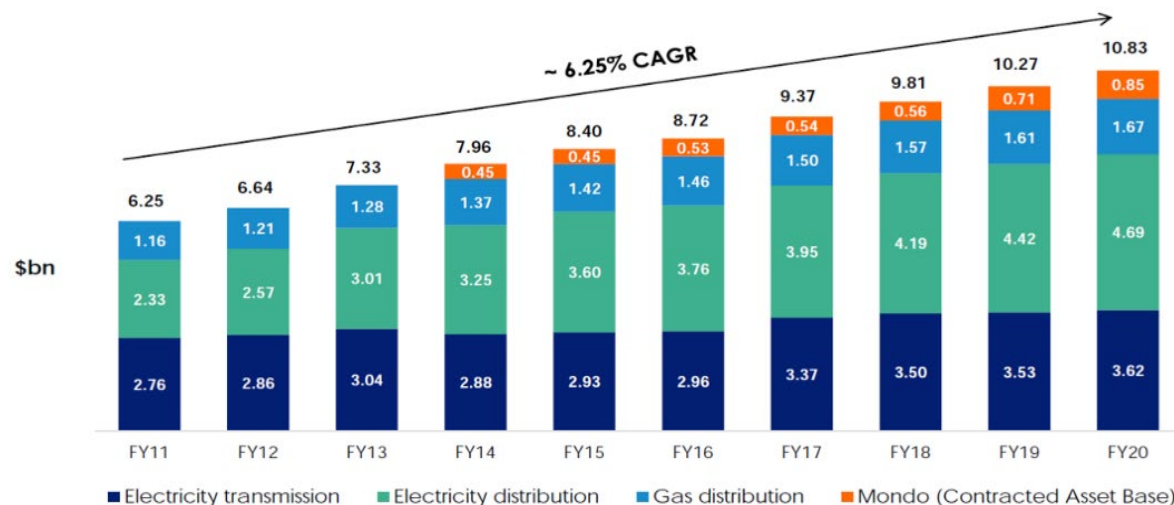
- Regulated, essential infrastructure assets across electricity distribution, transmission and gas distribution in Victoria.

- Victoria Renewable Energy Target (VRET)

- 50% by 2030 (currently 25%)

- Committed and actionable projects ~\$4bn over next 10 – 15 yrs

- FY11-FY20 asset base growth of ~6.25% p.a. CAGR



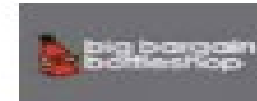
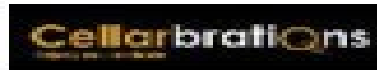
Source: IML & AusNet
FY 2020 Results presentation;
As at 23 November 2020

Metcash: a diversified national retailer / wholesaler

Food



Liquor

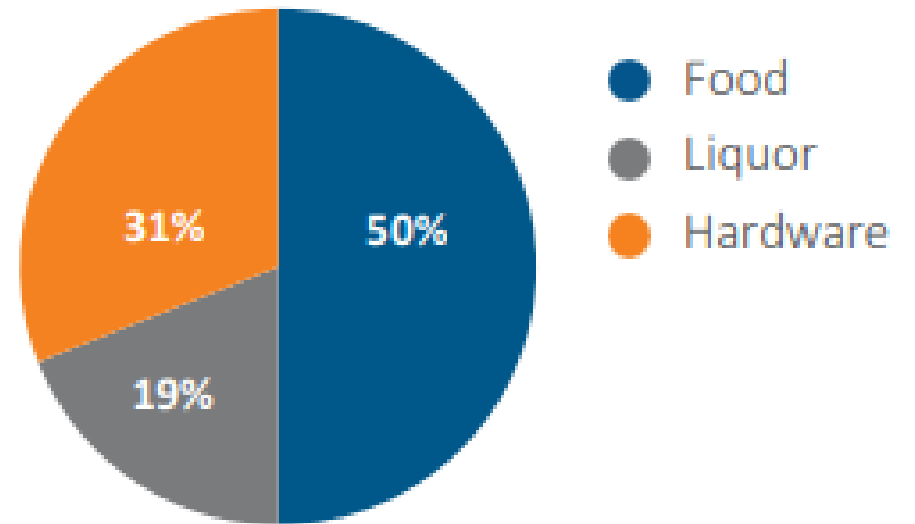


Hardware



- ❑ Exposed to relatively defensive sectors
- ❑ Investing \$300m for future growth
- ❑ Attractively priced on around 14 x

Underlying EBIT(%)



QVE positioning - focusing on company specifics

Company specific initiatives – growth through the cycle	
Cost-outs →	Pro-Pac Packaging
Acquisitions →	Amcor, Sonic Healthcare
Contracted growth→	AusNet, Home Co. Daily Needs
Market share gains→	Integral Diagnostics
Restructuring →	Ampol, Orora

Best performers over last 12 months

☐ Pact



☐ Pro-Pac Packaging



☐ Nine Entertainment



☐ Tabcorp



Disappointing performers

- ☐ Orica
- ☐ Ampol
- ☐ Aurizon
- ☐ Z Energy



Recent purchases

- ☐ United Malt
- ☐ Bega Cheese
- ☐ Metcash
- ☐ Home Co. Daily Needs

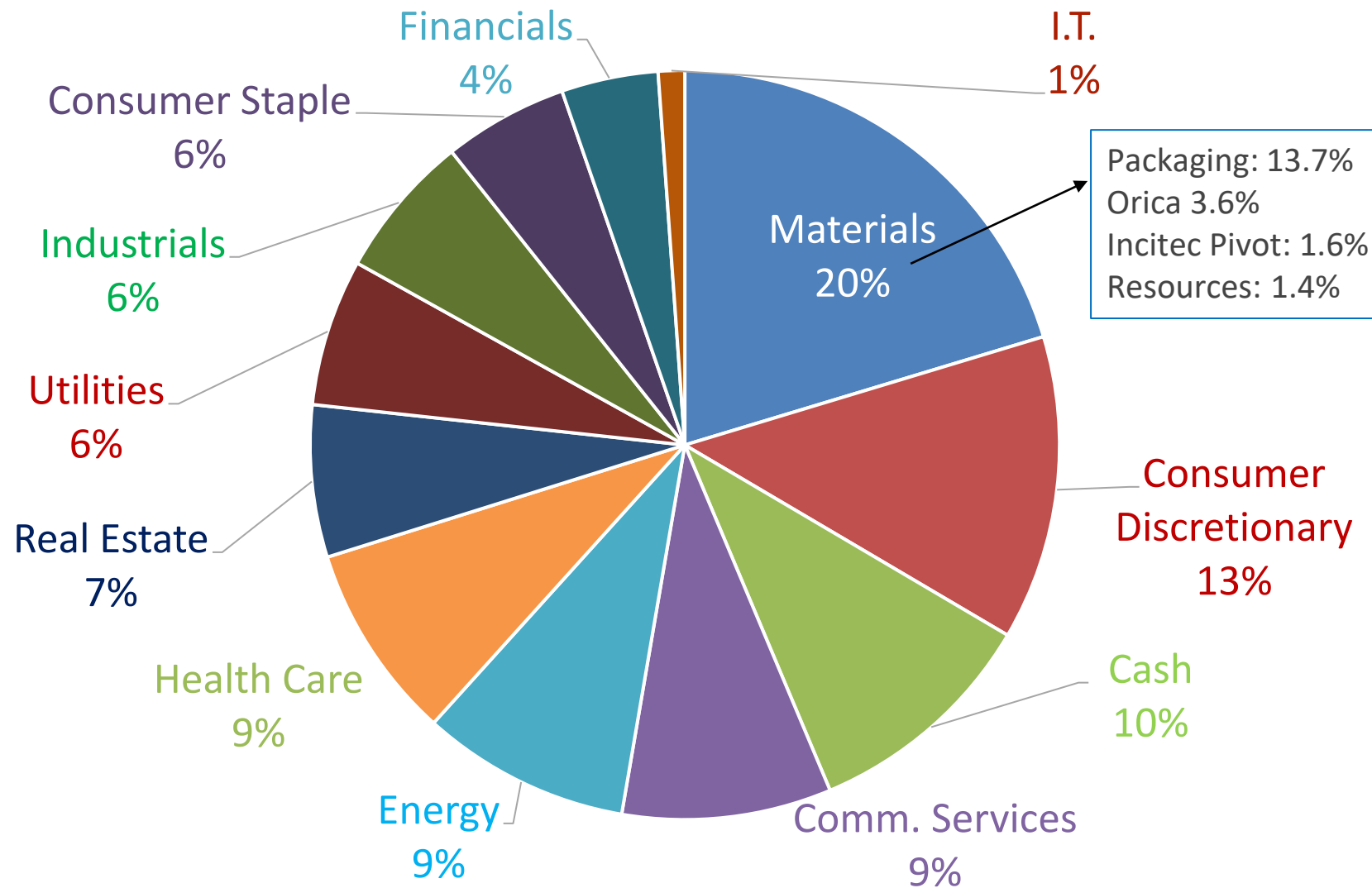
QVE portfolio characteristics

- ❑ QVE portfolio underpinned by good quality industrial companies
- ❑ Sustainable earnings from a diverse range of sectors
- ❑ Looking for solid and consistent dividends
- ❑ Cash ready to take advantage of a pull back

Why hold QVE?

- ❑ Very good quality ex 20 portfolio
- ❑ Diversified set of well-established companies
- ❑ Less researched opportunities
- ❑ Some very good yields on offer
- ❑ IML has a long record of significant value add in this segment

QVE Portfolio as at 28 February 2021



Performance & NTA – as at 28 February 2021

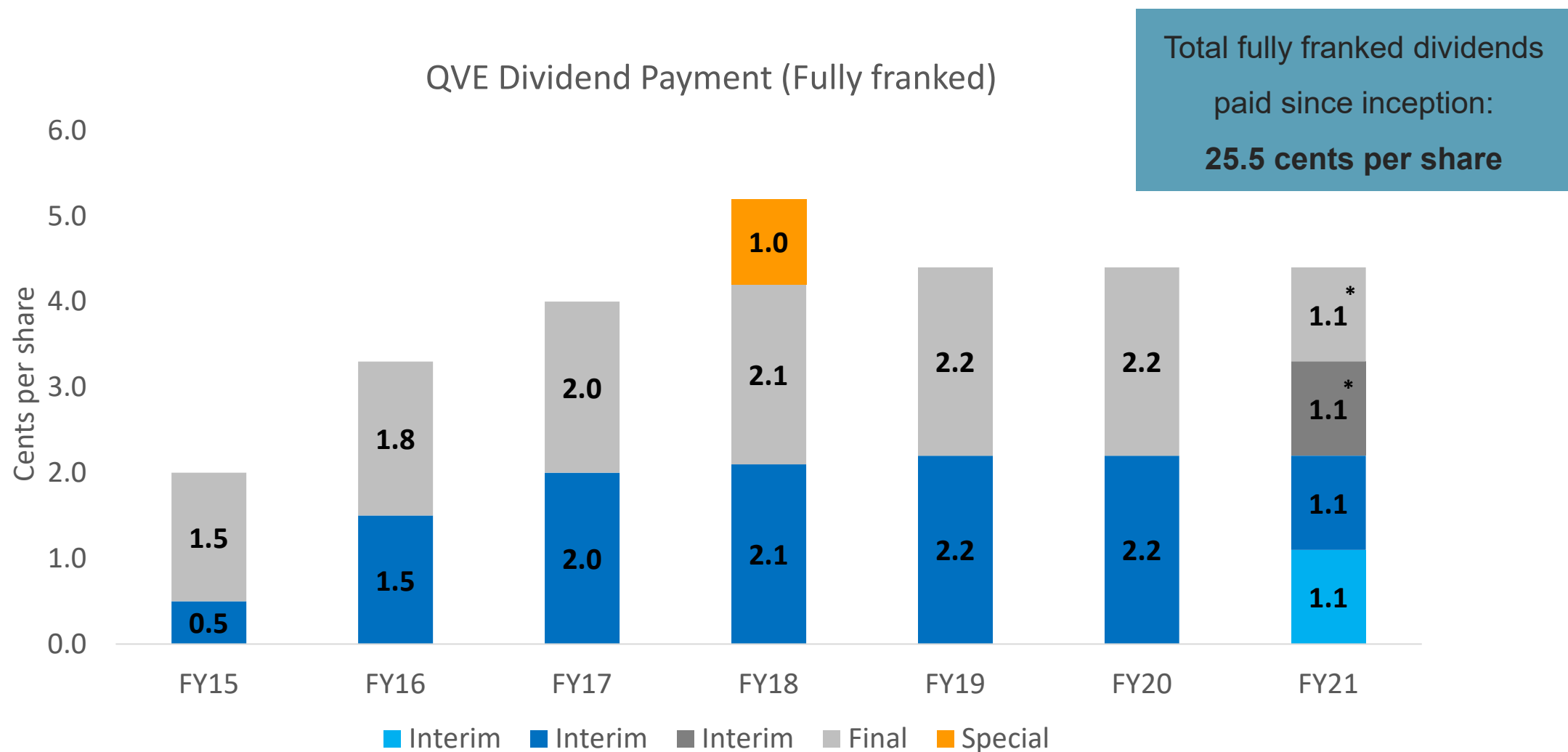
NET TANGIBLE ASSETS (NTA)*	QVE-ASX
NTA before tax	\$ 1.01
NTA after tax	\$ 1.03

*The before and after tax NTA numbers relate to the provision for tax on net profit in addition to deferred tax on the un-realised 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*	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+2.3%	+1.8%	+0.1%
3 Months	+0.1%	+0.2%	-1.1%
1 Year	+2.9%	+3.1%	+7.4%
3 Years	-0.2%	+0.7%	+6.6%
Since Inception Total Return p.a	+5.0%	+4.5%	+9.3%

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

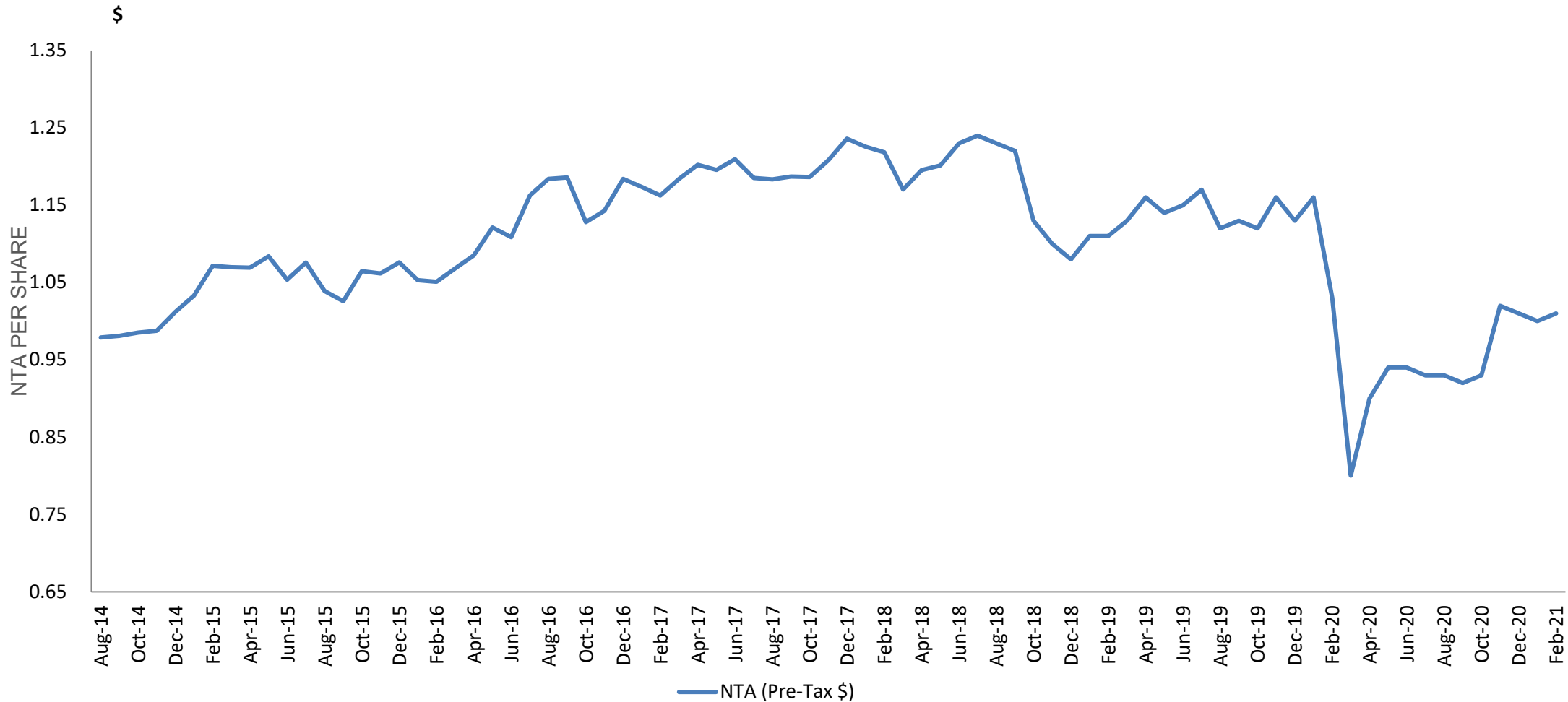
Historical Dividends to QVE Shareholders



* ASX Announcements; As at 8 July 2020 & 28 October 2020
 Past performance is not a reliable indicator of future performance

Source: QVE Annual reports & QVE Announcements

Historical NTA



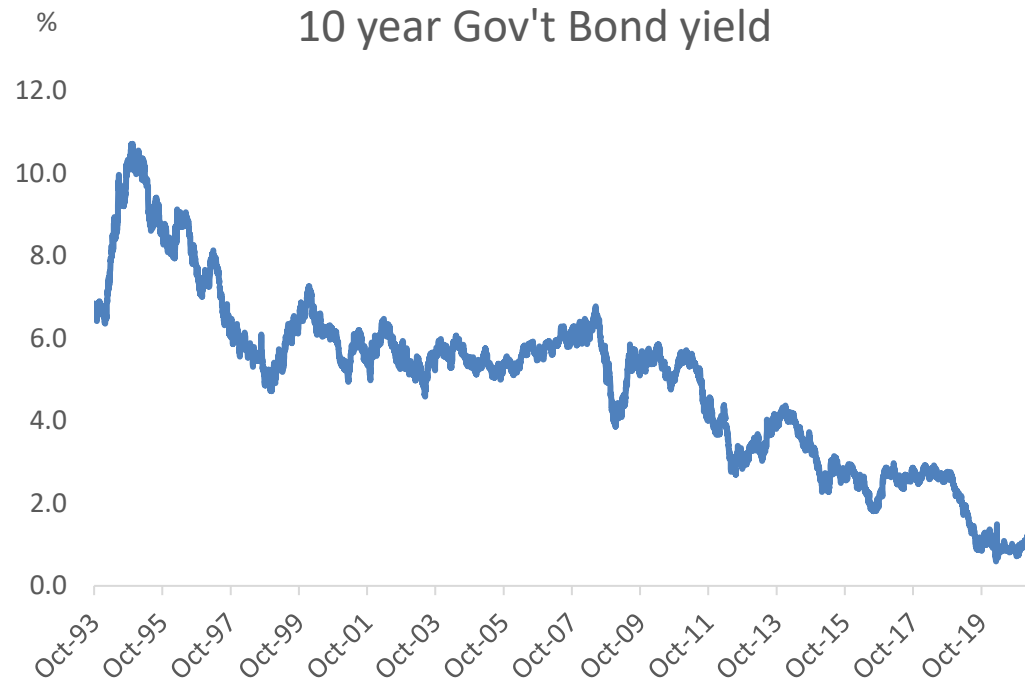
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Source: IML; As at 28 February 2021

Dividend Announcement & Capital Management

- ❑ The Board has announced its intention to maintain dividend payments to shareholders for the full year 2021 at the same level as were paid in FY 2020 **at 4.4 cents per share ***
- ❑ Now paid in quarterly dividends of 1.1 cents per share fully franked
- ❑ Since the announcement of a 10% on market buy-back on 22 August 2019, 33 million shares have been bought back with capacity to buy another 13 million shares.

Rates have fallen a long way!!



Source: RBA & FactSet
As at 25 March 2021

It's not an easy time to earn income on one's investments

- ❑ Interest rates at record lows
- ❑ Rent cuts on some properties
- ❑ Some sectors have rebased their dividends

but the good news is that

- ❑ Many good quality companies are offering excellent and sustainable yields

Some very attractive dividends on offer from some excellent companies....

Company	Yield FY21	Yield FY22
Aurizon	6.7%	6.8%
AusNet	5.6%	5.9%
Amcor	4.3%	4.4%
Metcash	4.1%	4.2%
Charter Hall Retail	6.5%	6.7%
Spark Infrastructure	5.8%	6.0%

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Factors impacting QVE's portfolio

- ❑ 'Momentum' based market
- ❑ Significant gains in momentum/concept stocks
- ❑ The market always reverts to reality and fundamentals
- ❑ The time for value managers is arriving!

QVE's strategy

- ❑ Only holding well-established, good quality stocks
- ❑ Cash being used very selectively
- ❑ Options writing on certain stocks
- ❑ Cash being used to buy back shares at the current discount to NTA
- ❑ Always on the look out for new opportunities

Q & A

Contact us

Wayne McGauley

Head of Retail

0404 012 644

wayne.mcgale@iml.com.au

Justin Brooks

State Manager VIC & TAS

0416 194 633

justin.brooks@iml.com.au

Jason Guthrie

State Manager QLD & WA

0435 690 377

jason.guthrie@iml.com.au

Luke Mackintosh

State Manager NSW & SA

0432 147 399

luke.mackintosh@iml.com.au

Paul Voges

Key Account Manager

0416 059 569

paul.voges@iml.com.au

Gavin Butt

State Manager NSW, ACT & NZ

0412 485 420

gavin.butt@iml.com.au