

31 January 2022

## Net Tangible Assets (NTA)\*

QVE NTA before tax	\$1.09
NTA after tax	\$1.10

## Trailing 12 month yield on month end share price

Yield	4.57%
Grossed up yield including franking credits	6.53%

\*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.

## Sharemarket and Portfolio Commentary

Global equity markets endured a tough start to the year with the MSCI World index falling -4.6% as the prospect of higher interest rates eroded investor enthusiasm for riskier assets. The US S&P500 endured its worst month since March 2020, and the worst start to the year since 2009, retreating -5.2%. The richly-valued, tech-heavy and oft-times speculatively driven NASDAQ index fell -9.0%, with previous high-flyers such as Netflix, Peloton and Tesla all falling heavily. In a clear sign of the challenges ahead for concept-driven and the speculative end of town, the poster child of the boom, Cathie Wood's Ark Innovation ETF, shed close to 30% of its value in January. Across the Atlantic, Europe's Stoxx50 was a touch more resilient given its lower weighting to both tech and 'new economy' stocks as the markets there fell -2.8%, whilst Japan's Nikkei fell -6.2%.

The sharemarket declines have come about as investors reacted to signs that central banks around the world are planning to raise interest rates faster and more aggressively than previously expected, to combat surging inflation. Headline US CPI reached 7% in December, the highest annual rate of inflation since the early 1980's. Additionally, in a recent survey the proportion of companies looking to raise their prices to consumers reached a 40-year high over the month. The US Federal Reserve signalled its intent to hike interest rates as early as March with several investment houses such as Goldman Sachs and JP Morgan now predicting that the Fed Funds rate will increase four times during 2022.

Commodity markets enjoyed a strong month with the iron ore price jumping +24% to a 5-month high on the prospect of further Chinese stimulatory measures to help prop up China's flagging economy as the Government's zero covid policy continues. The oil price jumped +17% as supply and demand imbalances persist following a lack of investment in production through the pandemic, coupled with demand increases as lockdowns and travel restrictions come to an end around the world.

In line with overseas markets, the ASX ex20 segment of the market endured a challenging month, falling -7.9% during January. All sectors finished in negative territory with the exception of the Energy sector, which finished in positive territory thanks to higher oil prices. Within ex20 Resources, the Materials sector was dragged lower courtesy of much of the speculative fare, such as the lithium and rare earths plays all selling off heavily. In the Industrials side of the Australian market, the local ex20 Information Technology sector fell -14% as a dose of reality set in on many of the seemingly exciting 'concept' stocks. The Healthcare sector also had a bad month as it shed -15% with higher bond rates impacting the valuations of many stocks in the sector. The Consumer Discretionary sector shed -8% as many online retailers came under significant pressure, while 'new age' wagering companies such as PointsBet and Betmakers were also sold down aggressively. The normally defensive REIT sector also had a poor month shedding over -8% as the prospect of higher interest rates weighed on the sector's relative attractiveness as a source of income for investors. The Utilities sector was an exception to the falls seen in the market, finishing in positive territory thanks to AGL and Origin which were both higher. Both companies look set to benefit from the expected increase in electricity prices, with Origin's future earnings prospects also looking brighter thanks to its exposure to LNG through its holding to the APLNG project in Gladstone.

The QVE Portfolio shed -3.6% in January which, while disappointing, was far better than the benchmark's fall of -7.9%. Our focus on investing in stocks that we believe offer both value and quality held the portfolio in good stead, due in part to our zero weighting in the speculative and concept driven segment of the market which was badly hit. The portfolio benefited from its holdings in good quality companies such as Orica, Aurizon, AusNet (under takeover), Amcor, Crown Resorts (under takeover) and Origin, which all finished the month higher. Detractors over the month included Sonic Healthcare and Australian Clinical Labs, which were impacted by the expectation that covid testing will fall from its current elevated levels going forward. Although both companies remain very well positioned to continue to do well within the growing pathology sector and we are comfortable holding both stocks at current levels. Over the month we took part profits in stocks such as Incitec Pivot and Best & Less given their strong runs of late and used the proceeds to top up opportunistically in good quality companies which fell to attractive levels over the month such as Metcash, Aurizon and Shopping Centres Australasia which we believe all offer very strong long-term value.

Central banks all around the world seem poised to raise interest rates in reaction to CPI numbers which have reached levels the world has not seen in almost 40 years. Whilst headline inflation levels will eventually normalise, it is now becoming increasingly evident to many investors that the prospect of ultra-low interest rates could soon be a thing of the past. We believe that in this environment, the worst impacted will be many high-flying, concept and often purely speculative parts of the sharemarket – many of which were buoyed in the last few years by speculators using this cheap money.

We have always steered away from the riskier parts of the sharemarket and have remained focused on identifying and holding only what we assess to be good quality companies. While interest rates will increase from their current historic lows, economic growth remains firm and in this environment, well-managed companies, in leading industry positions, and which can maintain margins by passing on higher input prices to customers and which generate good cashflows and dividends should continue to do well over the next 3-5 years.

Portfolio Performance	1 month	3 months	1 Year	3 years^	5 Years^	Since listing^ 22-Aug-2014
QVE NTA (pre tax)	-3.6%	-3.2%	+16.5%	+5.2%	+4.1%	+6.2%
QVE NTA (after tax)	-2.6%	-2.1%	+12.2%	+4.5%	+4.0%	+5.3%
Benchmark**	-7.9%	-5.0%	+10.0%	+10.1%	+9.6%	+9.5%

^ Performance per annum. \*\* The benchmark is the S&P/ASX 300 Ex20 Accumulation. The above returns are after fees, assume all declared dividends are reinvested, and exclude tax paid from pre-tax NTA. Past performance is not indicative of future performance.

## QVE Company and Portfolio Information

ASX: QVE

Shares on Issue:	230.8M	Benchmark:	S&P/ASX 300 Ex20 Accumulation
Number of Stocks:	20 – 50	Suggested Investment Timeframe:	5+ years
Dividend Frequency:	Quarterly	Investment Objective:	To provide a rate of return which exceeds the return of its benchmark on a rolling 5-year basis

## Latest QVE News

### Webinar: QVE Market Correction Q&A

QVE Portfolio Managers Anton Tagliaferro and Simon Conn will discuss their perspective on the current market volatility and their lessons for investors from past corrections. Wed 9 Feb | 4pm AEDT | [Register](#)

The recording will be on the [QVE website](#) after the event

### Quarterly dividend – Dec 2021

A fully franked quarterly dividend of 1.2 cents per share has been declared for the December quarter. Key dates:

- Ex-Dividend Date: 14 February 2022
- Dividend Record Date: 15 February 2022
- Dividend Payment Date: 4 March 2022

## Portfolio Managers

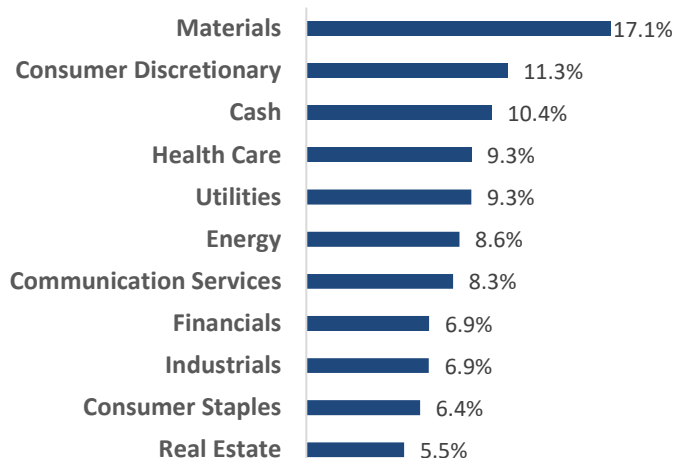
Simon Conn and Anton Tagliaferro



## Key Equity Investments

ASX Code	Weight
AusNet	6.0%
Orica	5.3%
Aurizon	5.0%
Crown	4.8%
Ampol	4.3%
Amcor	4.3%
Pact Group	3.9%
Sonic Healthcare	3.4%
Origin Energy	3.3%
Tabcorp	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.*

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