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26 October 2022

Company Announcements  
Australian Securities Exchange Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

**QV Equities Limited**  
**Chairman's Address, AGM presentation & Investor update**

Dear Sir / Madam

Please find the following documents attached:

- Chairman's Address
- AGM presentation slides
- Investor update slides

Yours faithfully

**Zac Azzi**  
Company Secretary

Authorised for release by the Company Secretary

26 October 2022

## **QV Equities 2022 AGM Chairman's Address**

I'm sure many of you will agree that the past financial year has been a very difficult and tumultuous one for investors.

After reaching new all-time highs in the first half of the financial year, there was a dramatic reversal in stock markets around the world in the second half. The Russian invasion of Ukraine, ongoing Covid issues in China and other factors pushed inflation up to levels not seen in decades. At the end of financial year 2022 inflation was at 8.6% in the US and 6.1% in Australia.

These high inflation rates led to central banks rapidly increasing interest rates, which along with the withdrawal of economic stimulus, the ongoing geopolitical concerns, and increasing fears of a global economic downturn, caused sharemarkets to fall heavily.

The US sharemarket had its worst performance from January to June since 1970. Also, the Australian sharemarket performed poorly. The S&P ASX 300 Accumulation index was down 6.8% for the financial year, only its second negative return in the last 10 years. The falls were broad-based, but worst affected were many speculative companies, including some previously high-flying technology companies, which were not held in the QVE Portfolio.

I will now briefly discuss QVE's investment performance.

The Company's investment portfolio delivered a return before tax and after fees of +1.6% for the year ended 30 June 2022, compared to QVE's benchmark, the ASX 300 Ex 20, which was down 9.0%.

While of course investors would have liked a higher return, given the challenging investment conditions your Board considers this a pleasing result and a vindication of the Company's investment strategy. We attribute the positive performance to the strong fundamentals that underpin the stocks in the portfolio.

Turning now to the financial performance of the Company.

QV Equities earned a net after-tax profit of \$6.1 million for the year ended 30 June 2022, compared to \$5.6 million from the prior financial year – representing an increase of just over 9%. On an earnings per share basis, the financial year 2022 result equates to after-tax earnings of 2.64 cents per share.

The increase in profit was due primarily to an increase in dividends received this year. This is a return to more normal levels, after many companies reduced or cancelled their dividends last financial year due to Covid.

Your Board remains focused on minimising expenses, however management expenses were slightly up on last financial year, to \$2.96 million. The management expense ratio was also up slightly – from 1.11% to 1.14% mainly explained by increased insurance and administration costs over the period.

The net tangible assets per share before tax on 30 June 2022 was \$1.04, compared to \$1.09 on 30 June 2021.

In a volatile investment environment, your Board realises the importance of a regular income stream and is committed to continuing its policy of paying quarterly dividends and, where possible and prudent, increasing dividend payments.

Four fully-franked dividends of 1.2 cents per share were paid over the 2022 financial year taking the total dividends per share to 4.8 cents for the financial year, 9.1% higher than the previous year.

Your Board recognises the importance of maintaining adequate reserves to allow these regular dividend payments and to this end had \$30 million of capital profits and profits reserves at 30 September 2022, after the final dividend for financial year 2022 was paid, and prior to the payment of the September quarter 2022 dividend.

I am pleased to confirm that your Board intends to increase the quarterly dividend distributions to 1.3 cents per share for the 2023 financial year, including the dividend declared last week for the September quarter. These payments will be conditional upon the Company maintaining sufficient profit reserves and there being no adverse material changes or unforeseen events.

The opportunity to receive an annual dividend of 5.2 cents per share is equivalent to a 5.8% yield calculated on the market share price on 30 September. If franking credits are included this equates to a 8.3% gross yield.

Many of you are no doubt aware that Anton Tagliaferro, QVE Portfolio Manager and also the founder and Investment Director of IML, will be retiring in March 2023. Anton is one of Australia's best known and well-respected value fund managers and he has had an outstanding career managing and growing the wealth of many Australians.

We have been fortunate to have Anton as the portfolio manager for QVE since its inception. On a personal level I have very much appreciated working with Anton over the years. Thank you Anton, on behalf of QV Equities, for all of your efforts and dedication.

Simon Conn, who has been the portfolio manager of QVE since its inception, will remain as portfolio manager and will be joined by Marc Whittaker who will assume co-portfolio manager responsibilities for QVE from March 2023. Marc may be known to many of you. He has been investing in Australian equities since 1999 prior to starting at IML in 2016, working alongside Simon. Before then he was at Milford Asset Management. We are pleased to have him join Simon in managing the QVE portfolio.

Also, Marc and Simon will be supported by IML's investment team, including its team of small and large cap analysts. Collectively, the IML Investment Team has more than 200 years of investment experience between them.

We will be hearing more from Simon and Marc shortly in the more detailed portfolio update which follows the AGM (also to be held as a webinar Thursday 27 October 11am AEDT [register here](#)), but before I pass on to them, I wanted to say a few more general remarks.

Firstly, your Board and Investment Manager (IML) strongly believe in the importance of keeping you up-to-date and well-informed about the performance and positioning of the QVE investment portfolio.

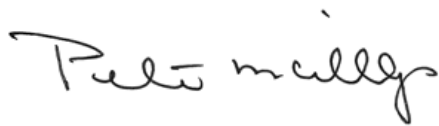
With this in mind, IML provides monthly investment updates and commentary, together with a weekly report on the Company's Net Tangible Assets per share to the ASX. In addition, IML also publishes regular investment insight articles, videos, and webinars on the QVE portfolio and investment topics.

If you have not already done so, I encourage you to subscribe to receive these updates and event invitations through the website, [www.qvequities.com](http://www.qvequities.com).

Looking ahead, while it's likely that sharemarkets will remain volatile in the near to medium term, the QVE portfolio remains well positioned for the long-term. While investing in sharemarkets in these type of market conditions is difficult, it suits the quality and value investing style, and the focus on fundamentals, that we have been pursuing since QVE was launched. This can be seen in the strong relative performance of the QVE portfolio over the last financial year which we see as a timely reminder of how the conservative investment style of QVE's Investment Manager can help to conserve your capital during challenging investment conditions.

Your Board remains confident in your Investment Manager's approach to investing in quality companies underpinned by reasonable valuations, with upside potential, sustainable earnings from a diverse range of sectors, and paying franked dividends. This investment approach will over time continue to enable QVE to preserve and increase the value of the investment portfolio, while providing you a stable and reliable income through the payment of franked dividends.

On behalf of your Board, I would like to thank you for your continuing support.

A handwritten signature in black ink, appearing to read 'Peter McKillop', with a stylized, cursive script.

**Peter McKillop, Chairman**

*About QV Equities: QV Equities Limited (QVE) is a Listed Investment Company established with the primary objective of providing both long term capital growth and income, through a diversified portfolio of ASX listed entities outside of the S&P/ASX 20 Index. The portfolio is managed by Investors Mutual Limited (IML) AFSL 229988, a multi award-winning and experienced, value-style investment management company, with a track record of successfully managing Australian equities since 1998.*

*Release authorised by the Board*

# QV Equities Annual General Meeting

26 October 2022



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## Board & Key Personnel

	Name	Position	Independence	Experience
	Peter McKillop	Non-Executive Director	Independent	State Super Financial Services and Perpetual Funds Management
	Jennifer Horrigan	Non-Executive Director	Independent	Greenhill & Co, Dexus Asset Management, Generation Healthcare, Dexus Industria REIT, Dexus Convenience Retail REIT, Redkite, Breast Cancer Institute of Australia
	Eamonn Roles	Non-Executive Director	Independent	Mosaic Portfolio Advisers, Snowball Group, Advance Funds Management, PwC
	Anton Tagliaferro	Executive Director	Non-Independent	Perpetual, County NatWest and BNP
	Simon Conn	Executive Director	Non-Independent	QBE Insurance Investment Division, KPMG
	Zac Azzi	Company Secretary		SFG Australia Limited, St George, AMP, Old Mutual (Skandia)

# AGM Agenda

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- ☐ Chairman's Welcome
- ☐ Chairman's Address
- ☐ Investment Manager's Address
- ☐ Formal Proceedings
  - Item 1: Annual Financial Report for the year ended 30 June 2022
  - Item 2: Adoption of Remuneration Report
  - Item 3: Re-election of Peter McKillop as a Director
  - Item 4: Re-election of Jennifer Horrigan as a Director
  - Item 5: Re-election of Simon Conn as a Director
- ☐ Other Business and Shareholder Questions
- ☐ Closure



## Performance of Australian and global markets in FY22

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- ❑ Dramatic reversal in sharemarkets in the 2<sup>nd</sup> half of the financial year
- ❑ Inflation at record levels – 8.6% (US) and 6.1% (Australia)
- ❑ Interest rates rose rapidly in Australia and around the world
- ❑ Australian sharemarket fell heavily – led by speculative companies

## QVE Portfolio Performance FY 22

	QVE NTA (pre tax)	QVE NTA (after tax)	ASX 300 Ex-20
Year ended 30 June 2022	+1.6%	+2.4%	-9.0%
Since inception* p.a.	+5.5%	+4.9%	+7.7%

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. 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.

\*Inception date: 22 August 2014 Source: ASX & QVE

## 2022 Financial Performance

### Profit After Tax

2021	2022
\$ 5.6 million	<b>\$6.1 million</b>

### Net Assets

2021	2022
\$ 263 million	<b>\$243 million</b>

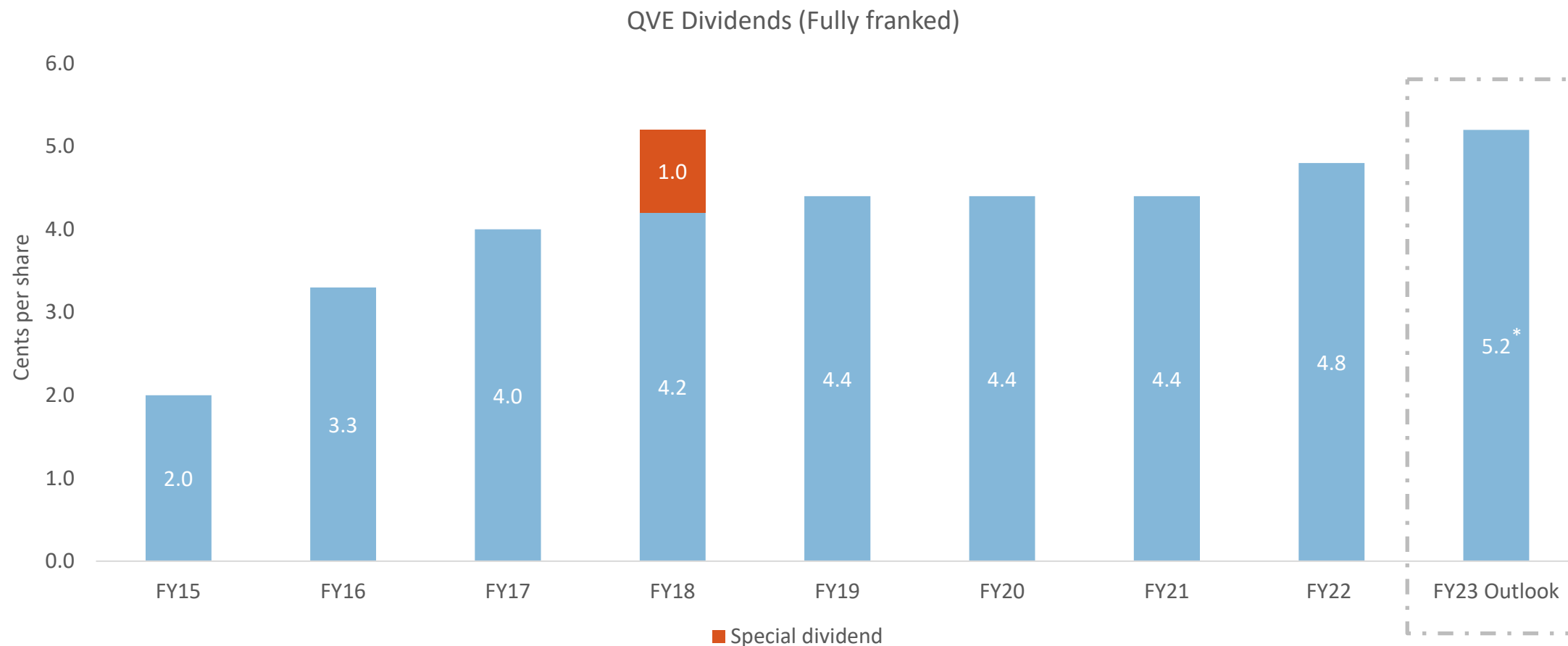
### Management Expense Ratio

2021	2022
1.11%	<b>1.14%</b>

### Net Tangible Assets per share (pre-tax)

2021	2022
\$1.09	<b>\$1.04</b>

# Growing, fully franked dividends



*\*ASX Announcements as at 19 October 2022. Dividend declared 1.3 cps for the September 2022 quarter and outlook for remainder of 2023 of 3.9 cps totalling 5.2 cps. Subject to the Company maintaining sufficient profit reserves and there being no material impacts, changes or unforeseen events.  
Source: QVE Annual reports & QVE Announcements*

## The Board recognises the importance of fully franked dividends

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Consistent and growing dividend stream – fully franked

2021	2022	2023 Dividend Outlook*
4.4 cps	4.8 cps	5.2cps**

*\*These payments will be conditional on the Company maintaining sufficient profit reserves and there being no material impacts, changes or unforeseen events.*

*\*\* 1.3 cps declared for September quarter.*

## Retirement of Anton Tagliaferro

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- ❑ QVE Portfolio Manager, and IML founder, Anton Tagliaferro will retire in March 2023
- ❑ Simon Conn remains QVE portfolio manager
- ❑ Marc Whittaker will be QVE co-portfolio manager from March 2023
- ❑ Simon and Marc are supported by IML's Investment Team who have > 200 years of investment experience combined



# QV Equities Investment Manager's Address

Simon Conn



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## Why focus on an ex-20 managed portfolio?

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- ❑ More diverse entities in terms of market capitalisation and industry sectors
- ❑ Less researched opportunities
- ❑ Investors typically underweight in this segment
- ❑ Solid yields on offer
- ❑ IML has a long track record of value-add in this segment



## QVE's portfolio strategy

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- ❑ Only holding well-established, good quality stocks
- ❑ Very selective on cyclical companies
- ❑ Cash being used very selectively
- ❑ Writing call options on certain stocks
- ❑ Always on the lookout for new opportunities

## Performance to 30 September 2022

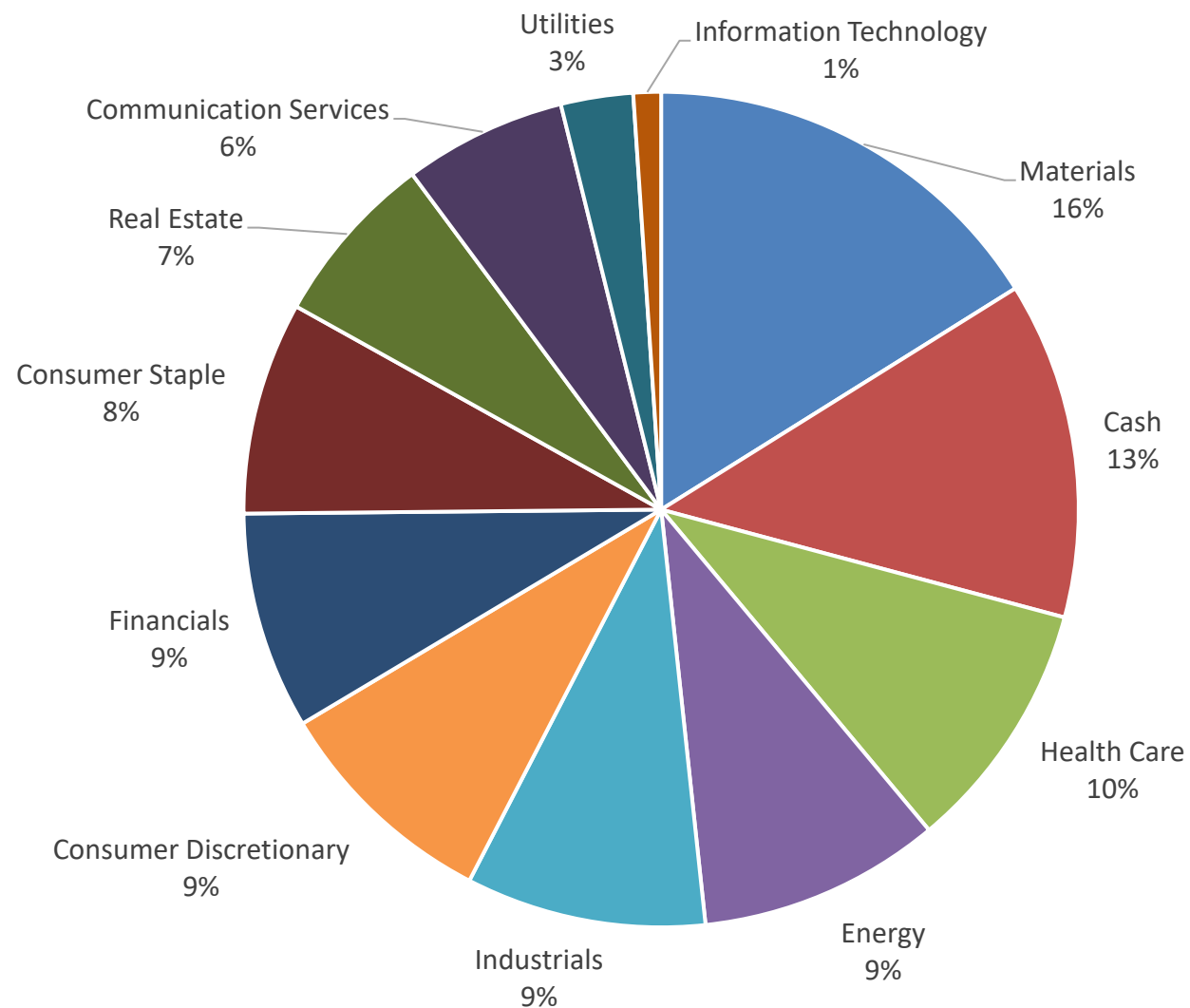
PERFORMANCE*	QVE's NTA (pre tax)	BENCHMARK
1 Month	-7.7%	- 8.4%
3 Months	-4.5%	+0.6%
1 Year	-9.4%	-12.6%
3 Years	+0.8%	+1.2%
Since Inception Total Return p.a	+4.7%	+7.5%

\*The before tax NTA numbers relate to adding back 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.

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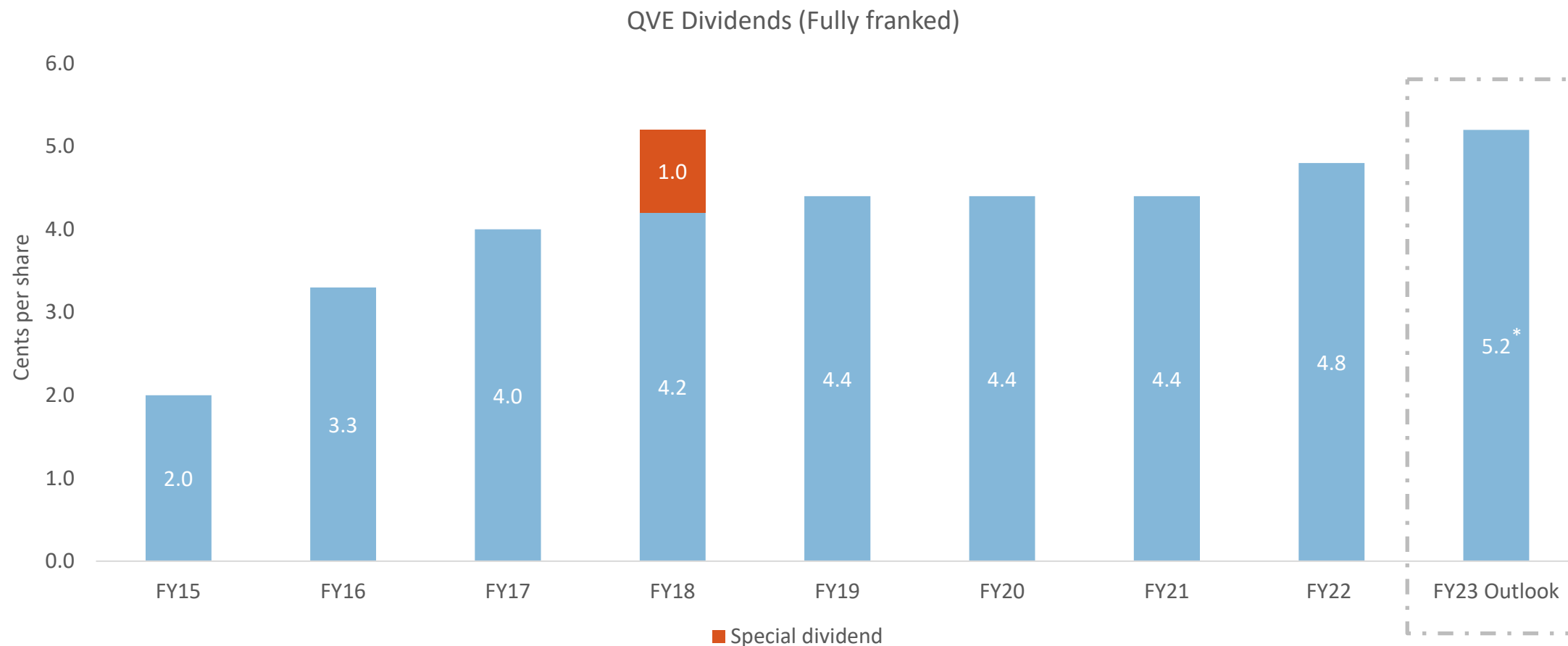
Source: QVE NTA as at 30 Sept 2022

## QVE Portfolio as at 30 September 2022



Source: Investors Mutual Limited; as at 30 September 2022

# Historical Dividends to QVE Shareholders & FY23 Outlook



*\*ASX Announcements as at 19 October 2022. Dividend declared 1.3 cps for the September 2022 quarter and outlook for remainder of 2023 of 3.9 cps totalling 5.2 cps. Subject to the Company maintaining sufficient profit reserves and there being no material impacts, changes or unforeseen events.  
Source: QVE Annual reports & QVE Announcements*

# QV Equities AGM

B u s i n e s s



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# Financial statements and reports

## Questions

### Adoption of Remuneration Report

☐ To consider and if thought fit pass the following resolution as an ordinary resolution:

*“That, for the purposes of section 250R(2) of the Corporations Act, the Company adopt the Remuneration Report contained in the Company’s Annual Financial Report for the year ended 30 June 2022.”*

## Proxy Voting Results – Item 2

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	Number	Percentage
FOR	31,287,279	93.32%
AGAINST	1,289,670	3.85%
OPEN	951,560	2.84%



### Re-election of Peter McKillop as a Director

☐ To consider and if thought fit pass the following resolution as an ordinary resolution:

*“That Peter McKillop, a Director who retires by rotation in accordance with the Company’s constitution and ASX Listing Rule 14.4 and being eligible offers himself for re-election, to be re-elected as a Director of the Company.”*

## Proxy Voting Results – Item 3

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	Number	Percentage
FOR	40,073,364	95.90%
AGAINST	601,341	1.44%
OPEN	1,111,560	2.66%

### Re-election of Jennifer Horrigan as a Director

☐ To consider and if thought fit pass the following resolution as an ordinary resolution:

*“That Jennifer Horrigan, a Director who retires by rotation in accordance with the Company’s constitution and ASX Listing Rule 14.4 and being eligible offers herself for re-election, to be re-elected as a Director of the Company.”*

## Proxy Voting Results – Item 4

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	Number	Percentage
FOR	40,070,038	95.95%
AGAINST	581,467	1.39%
OPEN	1,111,560	2.66%

### Re-election of Simon Conn as a Director

☐ To consider and if thought fit pass the following resolution as an ordinary resolution:

*“That Simon Conn, a Director who retires by rotation in accordance with the Company’s constitution and ASX Listing Rule 14.4 and being eligible offers himself for re-election, to be re-elected as a Director of the Company.”*

## Proxy Voting Results – Item 5

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	Number	Percentage
FOR	40,108,975	95.99%
AGAINST	565,730	1.35%
OPEN	1,111,560	2.66%

### Comments & Questions

**Thank you for coming**

**Please stay for the Portfolio Update from the Investment Manager**



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Equities Ltd.

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# QV Equities Investor update

October 2022



**QV**  
Equities Ltd.

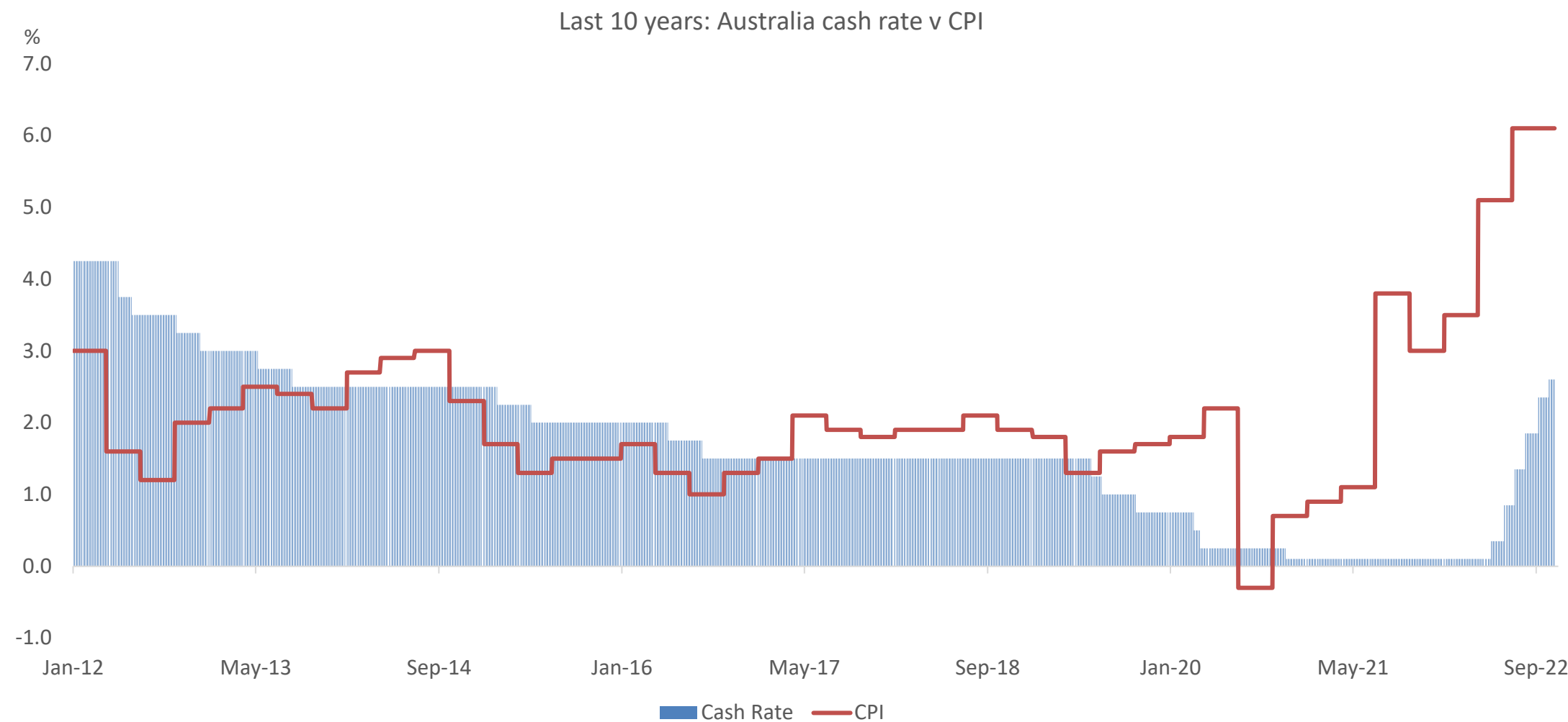
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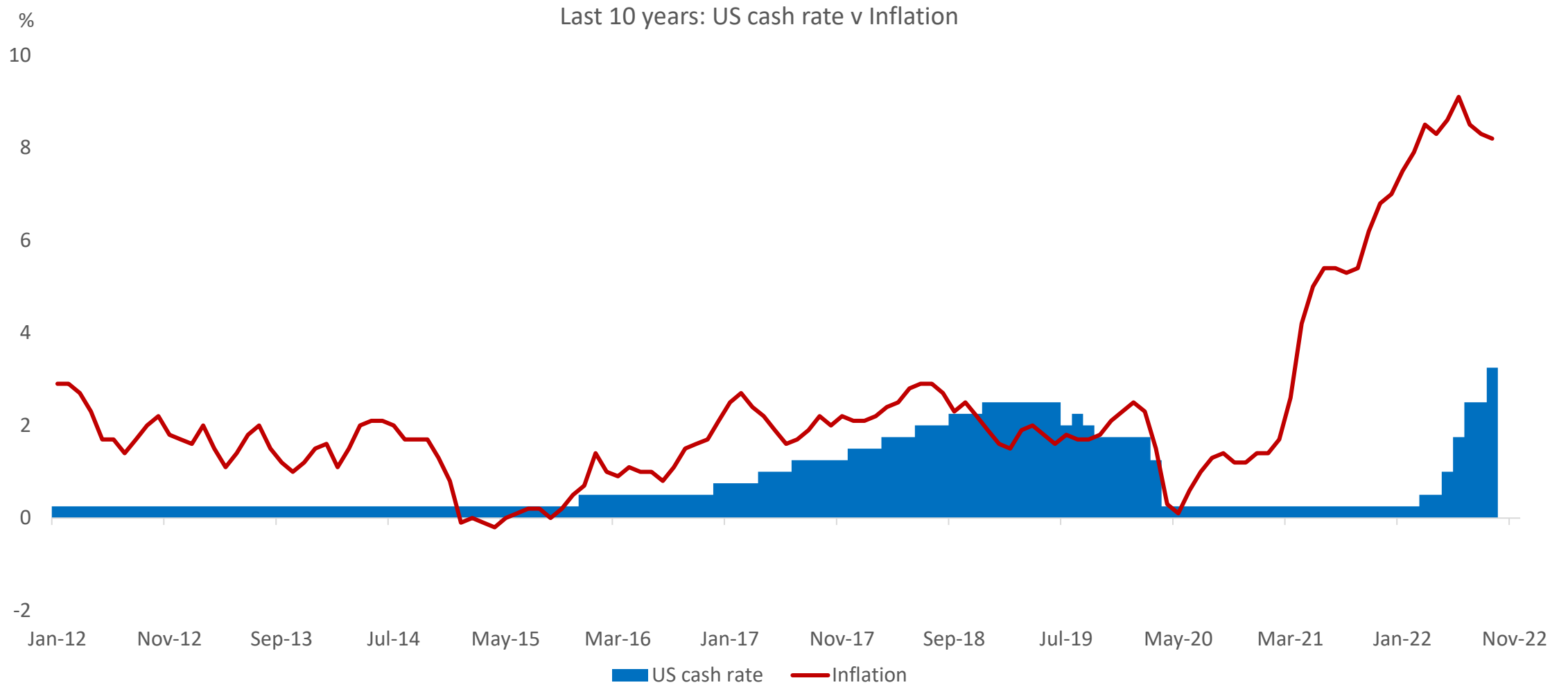
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- ❑ *Release authorised by the Company Secretary, Zac Azzi*

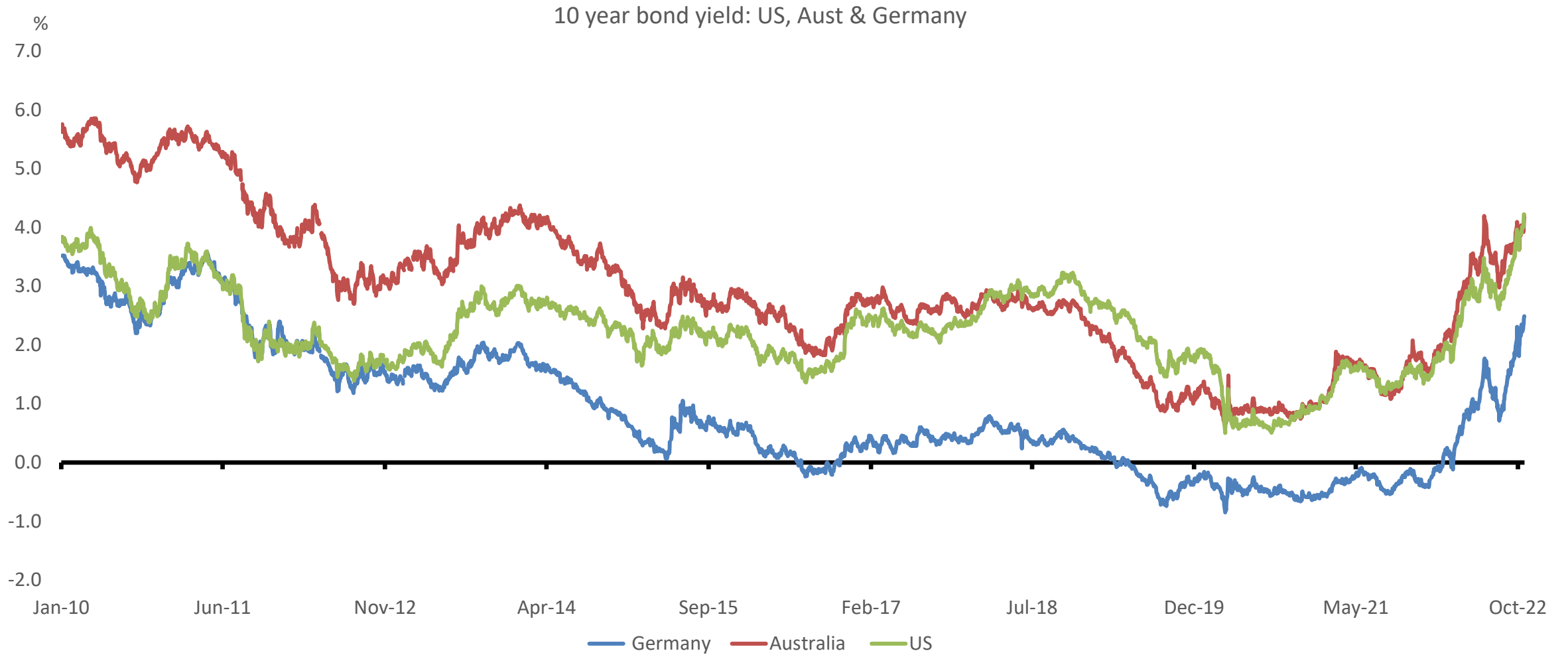
# Last 10 years: Australia cash rate v CPI



# Last 10 years: US Fed Cash rate v Inflation



# 10 year bond yields: US v Australia v Germany



## Impact on earnings of higher interest rates & Inflation

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- ❑ Higher interest costs hurt corporate profits
- ❑ Higher mortgage payments reduce consumers disposable income
- ❑ Higher inflation lifts input costs for companies

and also

- ❑ Higher long term bond yields cause equity valuation multiples to fall

# Investment Philosophy

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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**.

- ❑ Global leader in pallet pooling – via CHEP
- ❑ Natural scale business – monopoly or duopoly
- ❑ Relatively new management & refreshed Board
  - Increased focus on free cash flow
- ❑ PE: 16.5x, FY23 yield: 3.3%



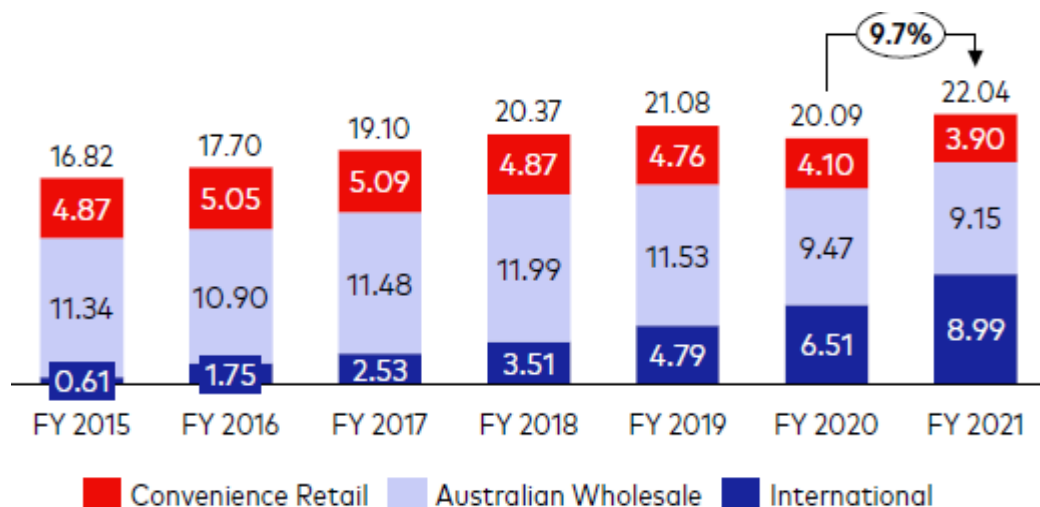


- ❑ Leading insurance business with strong brands
- ❑ The bank sale is positive for several reasons
  - Simplifies the business
  - Removes the overhang of the underperforming division
  - Likely capital return post sale completion
- ❑ Margins will benefit from repricing and improving investment earnings
- ❑ FY23 PE of 11.8x, 6.3% yield

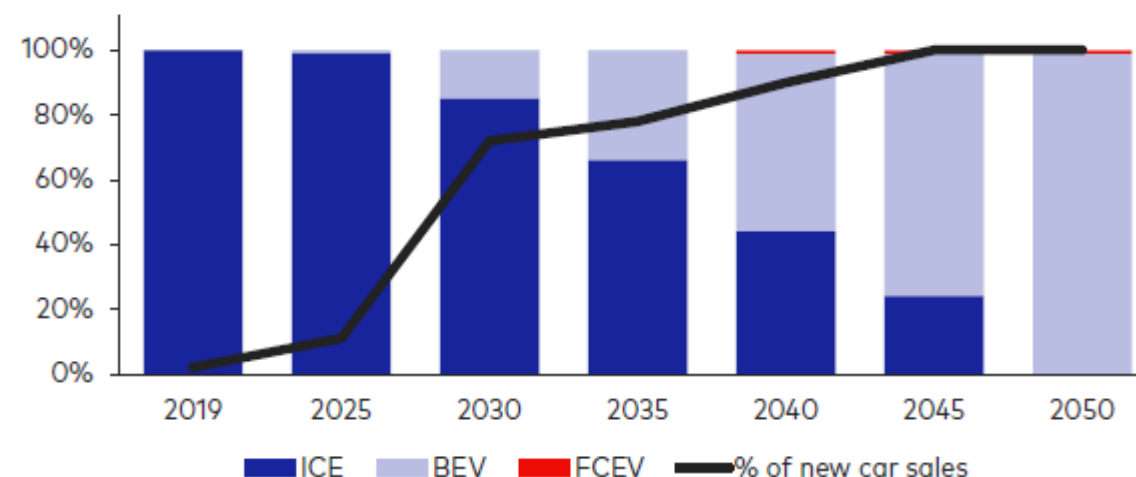


- ❑ Strategic infrastructure, and strong asset (land) backing with optionality.
- ❑ Fuel Security Service Payment underwrites refining profitability.
- ❑ Z Energy acquisition.
- ❑ Continued strong demand for transport fuels into the medium-term but ALD well positioned to lead fuel transition.
- ❑ FY23 PE of 10.5x and yielding 5.4%.

Fuel and Infrastructure volumes - BL

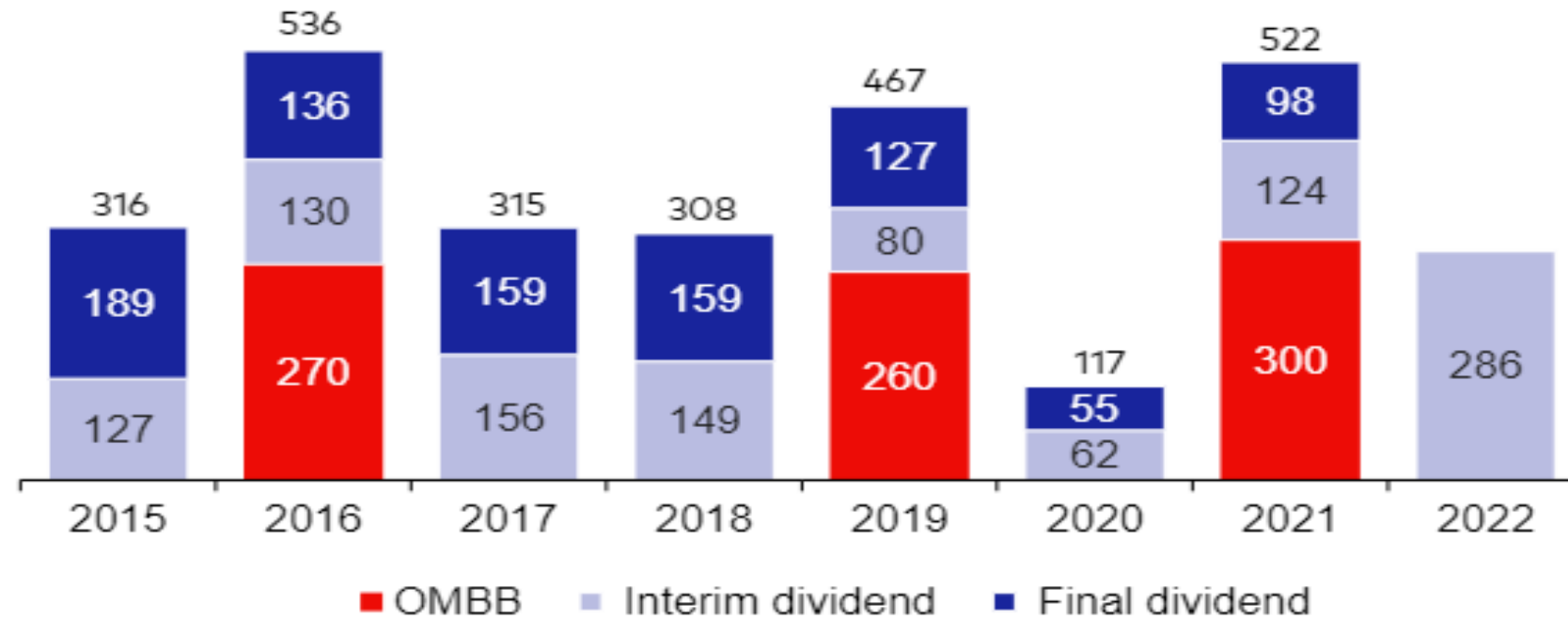


Road transport fleet mix by fuel type



Past performance is not a reliable indicator of future performance

## Capital returns since 2015<sup>2</sup> (A\$M)



~\$2.9bn of surplus capital returned

~\$1.25bn of franking credits returned

~12% of shares on issue repurchased

Notes: 2 – Dividends are recorded in relation to the financial year they were declared and the Off Market Buy backs are recorded in the year they are completed.

Past performance is not a reliable indicator of future performance

Source: Ampol 3<sup>rd</sup> Annual Jeffries Asia Forum Presentation; 9 September 2022



- Leading aftermarket automotive parts and accessories suppliers:

- lighting & power,
- Powertrain,
- undercar.
- 4WD,
- EVs,

Sites	People	SKUs	Automotive Revenue	EBITA Margin Range
28 across ANZ 7 international	c.1,700	c.88,000	40% 4WD Accessories 30% Lighting and Power 20% Powertrain 10% Undercar	c.21-25% depending on Automotive category

- Two key recent acquisitions:

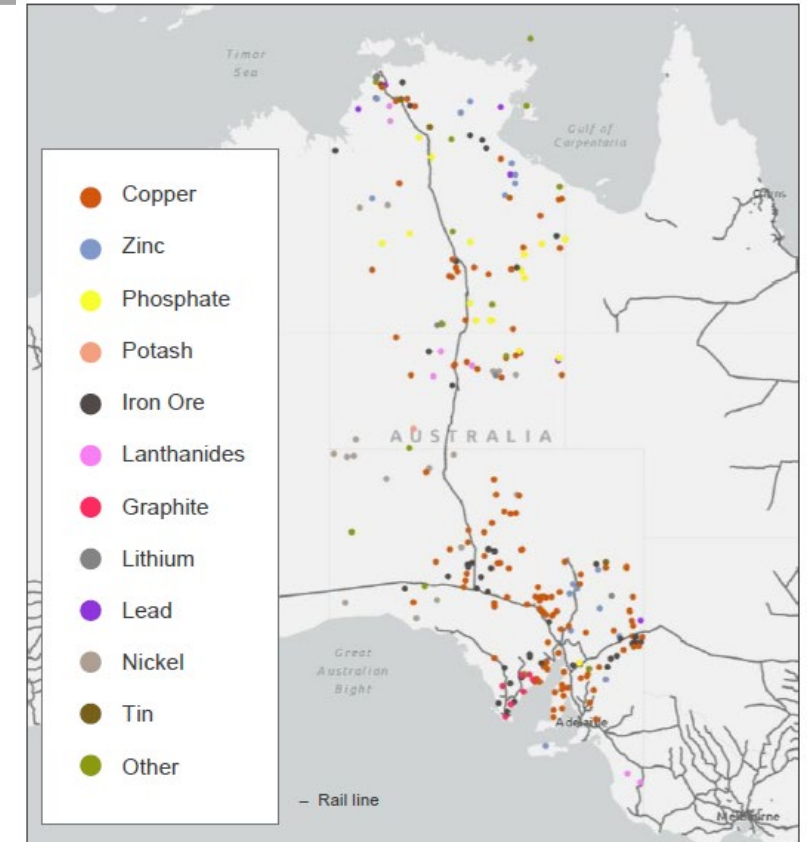
- Auto Pacific Group (APG)
- Vision X positions

- PE: 9.0x FY23e; yield ~6%



- Two divisions:
  - Regulated rail assets
  - Wagon hire business
- East Coast Rail – sale/demerger pending
- PE 12x, FY23 yield 6.3%

## SA & NT MINE PROJECTS<sup>1</sup>



Source: IML estimates as at 22 October 2022;  
Aurizon ASX Announcement; As at 21 October 2021

1: S&P Market Intelligence (Mine projects: all commodities excluding precious metals, diamonds, coal and uranium. Project status: exploration to pre-production)

- ❑ Casino operator in NZ & Australia:
  - Auckland
  - Adelaide
  - Hamilton
- ❑ On-going revenue trends recovering, with EGMs particularly strong
- ❑ Nearing the end of a major capex program
- ❑ PE: 13.9x FY23; yield 5.3%





- ❑ No. 1 pathology business in:
  - Australia,
  - Germany,
  - Switzerland
  - UK
  - no. 3 in USA
- ❑ Long track record of developing new diagnostic tests
- ❑ Record low gearing
- ❑ Share price below pre-covid levels despite being debt free
- ❑ FY23 PE: 19x, yield 3.3%.



- ❑ Third largest pathology provider in Australia with an established position across WA, VIC, SA and NT
- ❑ National unified laboratory system yielding significant operational benefits
- ❑ Profit growth expected from:
  - expansion with existing clients, networks and expertise
  - geographic expansion in QLD and NSW and additional services
  - strategic acquisitions (net cash balance sheet)
  - non-COVID-19 pathology growth ~4% to ~6% p.a.
- ❑ PE: 14x FY23e; yield 4.5%





## Focus on high quality industrials

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<b>Gaming</b>	SkyCity , Tabcorp, The Lottery Corporation
<b>Staples</b>	Bega, Metcash, Coles
<b>Healthcare</b>	Integral Diagnostics, Australian Clinical Labs, Sonic
<b>Utilities</b>	Aurizon, Ampol, APA
<b>Packaging</b>	Amcor, Pact
<b>Miscellaneous</b>	TPG Telecom, Orica, Brambles

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

Company	Yield FY23*	Yield FY24*
Aurizon	6.3%	7.0%
Metcash	6.0%	6.2%
Charter Hall Retail	6.7%	6.6%
Home Co. Daily Needs REIT	7.0%	7.0%
Shopping Centres Australasia	6.0%	6.0%
Ampol	5.4%	5.5%
Skycity	5.3%	5.6%
Suncorp	6.3%	6.9%

## Top 10 stocks

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Top 10 holdings	Weight
Aurizon	5.5%
Amcor	5.0%
Orica	4.9%
Ampol	4.8%
Sonic Healthcare	3.9%
Coles	3.7%
The Lottery Corporation	3.3%
Skycity	3.2%
Pact	2.9%
Brambles	2.7%

# Performance & NTA – as at 30 September 2022

NET TANGIBLE ASSETS (NTA)*	QVE-ASX
NTA before tax	\$0.98
NTA after tax	\$1.02

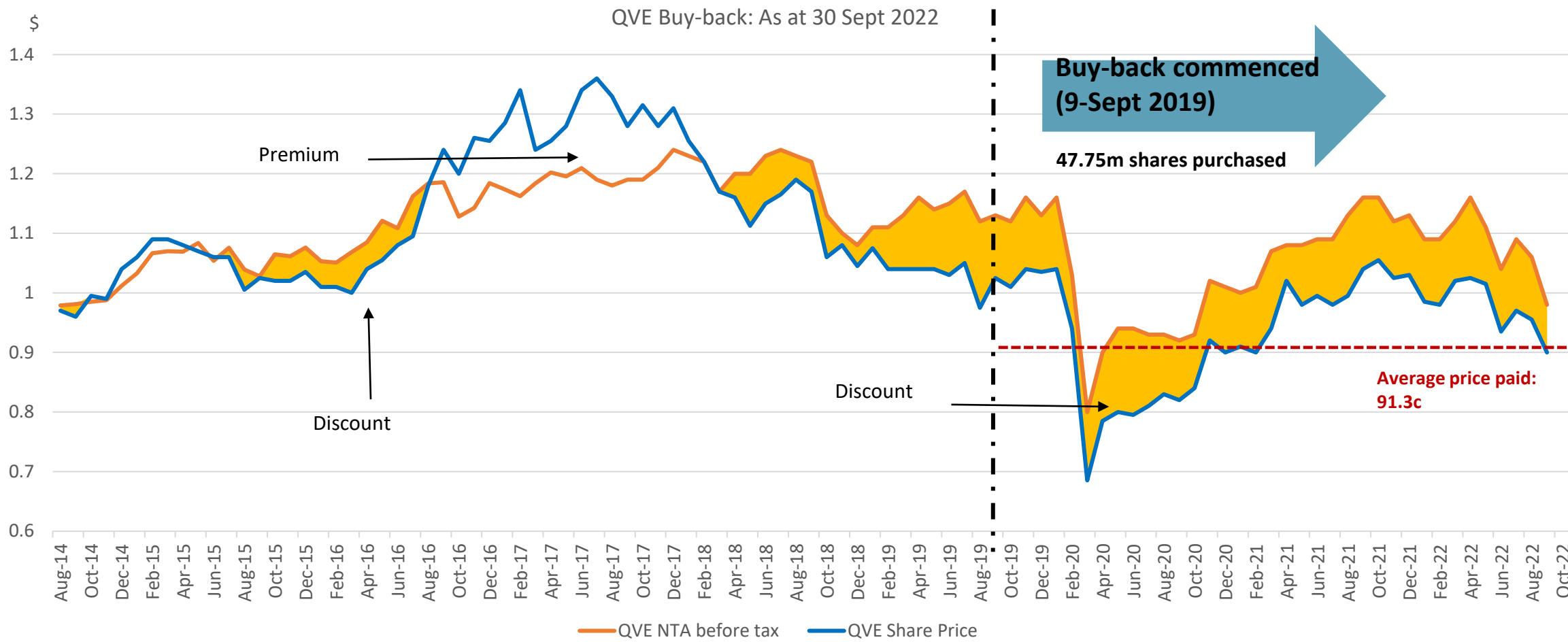
\*The before and after tax NTA numbers relate to the provision for tax on net profit in addition to deferred tax on the un-realised gains/losses in the Company's investment portfolio. The Company is a long term investor and does not intend disposing of its total portfolio. Under current Accounting standards, 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 Year	-9.4%	-5.7%	-12.6%
3 Years	+0.8%	+1.5%	+1.2%
5 Years	+2.0%	+2.3%	+5.9%
Since Inception Total Return p.a	+4.7%	+4.4%	+7.5%

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 a reliable indicator of future performance.

Source: QVE NTA as at 30 September 2022

# QVE buyback: As at 30 September 2022

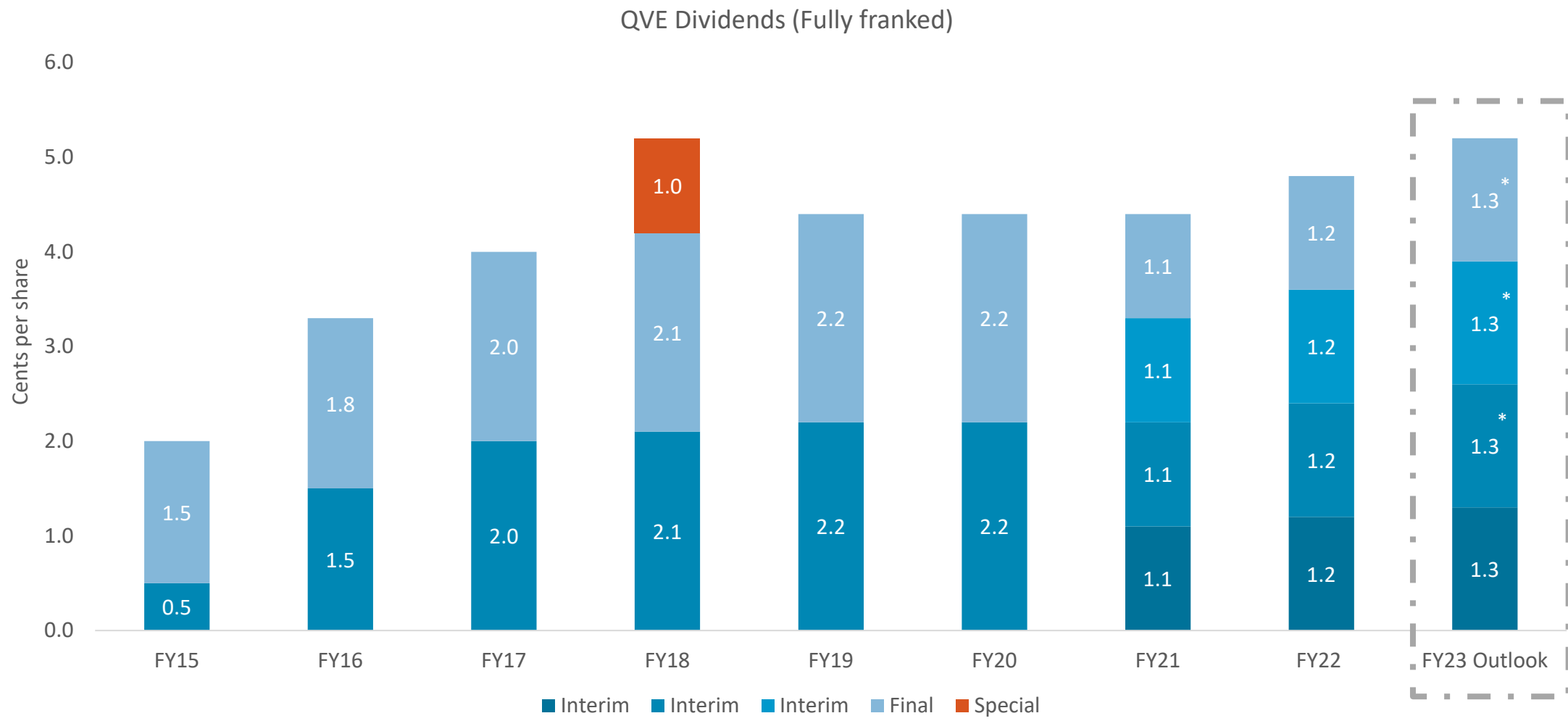


Past performance is not a reliable indicator of future performance

Source: IML;  
As at 30 September 2022



# Historical Dividends to QVE Shareholders



*\*ASX Announcements as at 19 October 2022. 2023 Dividend outlook, subject to the Company maintaining sufficient profit reserves and there being no material impacts, changes or unforeseen events.  
Past performance is not a reliable indicator of future performance*

## QVE's strategy

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- ❑ Always on the look out for well-established, good quality stocks at the right price
- ❑ Topping up on favoured stocks in weakness
- ❑ Writing options opportunistically to generate extra income
- ❑ Cash being used to buy back shares at the current discount to NTA

# Outlook

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- ❑ Economic uncertainty going into 2023
- ❑ Earnings picture clouded
- ❑ Expect sharemarket to remain volatile
- ❑ Many stocks appear cheap



# Q & A

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