

31 May 2023

Net Tangible Assets (NTA)*

QVE NTA before tax	\$0.99
NTA after tax	\$1.04

Trailing 12 month yield on month end share price

Yield	5.67%
Grossed up yield including franking credits	8.10%

**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 markets were mixed in May with the MSCI World Index broadly flat. In the US the S&P500 moved higher due to a rally in the tech sector thanks to a strong quarterly update by chipmaker Nvidia, as booming demand for processing capacity for AI applications led the company to upgrade its guidance. This drove other AI-related stocks higher and pushed the NASDAQ up 5.9% for the month. Apart from the tech surge, most other sectors and markets drifted lower as higher interest rates weighed on investor sentiment while drama around the US debt ceiling added further uncertainty. It was a tough month for commodities, with the prices of iron ore, nickel, copper, and oil all dropping significantly in doubt over the strength of the global economy.

The ASX 300 dropped -2.5% for the month, with all sectors apart from the IT sector recording a flat or negative performance over the month. The ex 20 sector was slightly more resilient, down -1.5%, buoyed by a very strong +10.4% rally in local IT stocks. All other ex 20 sectors dropped during May with Consumer Staples -8.2%, and Consumer Discretionary, -6.3%, hit the hardest. Investors sold down consumer-related stocks following a raft of retailers warning that trading conditions had deteriorated in April. Most resources companies dropped in line with weaker commodity prices, however lithium companies bucked the trend supported by ongoing corporate activity.

The **QVE portfolio** had a disappointing month, down -2.9% compared to the benchmark's -1.5%. Our low exposure to tech and lithium names negatively impacted performance relative to the benchmark, as well as some disappointing performers such as Pact, Amcor and Mayne Pharma which all fell after downgrading earnings guidance.

Pact reported that its FY 23 results will be impacted by slower demand from its consumer and agricultural customers, with poor weather in NZ partly to blame. Pact has initiated a comprehensive cost out program while asset sales remain a focus. Pact's core plastic rigids business remains at the forefront of plastic resin reuse initiatives although the market remains focused on the need for the company to strengthen its balance sheet through an asset sale. Amcor dropped following its 3rd quarter update, where it highlighted that customer destocking coming out of elevated inventories during Covid saw lower volumes across its Rigids and Flexibles divisions. While disappointing, the defensive nature of packaging demand means Amcor should be relatively resilient through the impending slowdown in economic activity, while the valuation remains attractive. Mayne Pharma had a disappointing month - despite outlining an improved sales performance from its key women's health drug, Nextellis, and a recovery in earnings of its dermatology division - after it signalled the current year's profit would be below expectations due to an increase in marketing costs. Given its strong cash position and low valuation the Board also announced an on-market buyback.

Other stocks in the portfolio had a better month. Aurizon gained as haulage volumes recovered from the weather impacted volumes experienced late in 2022 while Ampol continued to gain following a solid 3rd quarter update. HMC Capital performed well on the back of a positive trading update where it confirmed that it was on-track to achieve \$10 billion of assets under management by year-end 2023, 12 months ahead of target.

We took the opportunity of weaker share prices to increase our positions in both Mayne Pharma and Amcor and used the elevated share prices of Brambles and Integral Diagnostics to trim our positions and lock in gains.

Economies still face significant issues as consumer demand slows while inflation remains stubbornly high. With the RBA now having moved interest rates higher two months in a row the Australian economy faces significant headwinds. The possibility of further interest rate rises remains given that the Australian cash rate sits well below peers and current inflation. In this environment we continue to focus on well-established companies with strong competitive advantages and recurring earnings that are likely to perform better in a range of different economic conditions.

Portfolio Performance	1 month	3 months	1 Year	3 years^	5 Years^	Since listing^ 22-Aug-2014
QVE NTA (pre tax)	-2.9%	-1.8%	-4.2%	+8.5%	+2.2%	+5.2%
QVE NTA (after tax)	-1.9%	-0.9%	-2.1%	+6.8%	+2.3%	+4.7%
Benchmark**	-1.5%	+0.9%	+2.3%	+9.4%	+6.2%	+8.5%

*^% 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 a reliable indicator of future performance.*

QVE Company and Portfolio Information				ASX: QVE
Shares on issue:	228 M	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

Portfolio managers Simon Conn and Marc Whittaker provided an update on the portfolio in a webinar on 1 June.

[Watch the recording](#)

A fully franked quarterly dividend of 1.3 cents per share was paid on 2 June, 2023 for the March 2023 quarter.

Portfolio Managers

Simon Conn and Marc Whittaker



Key Equity Investments	ASX Code	Weight
Aurizon	AZJ	5.7%
Orica	ORI	5.5%
Ampol	ALD	4.8%
Amcor PLC	AMC	4.0%
Sonic Healthcare	SHL	3.2%
Coles	COL	3.1%
The Lottery Corporation	TLC	2.9%
Suncorp	SUN	2.8%
Skycity	SKC	2.8%
Brambles	BXB	2.4%

Sector Allocation

Materials	14.7%
Cash	12.5%
Financials	10.3%
Industrials	9.5%
Consumer Discretionary	8.9%
Health Care	8.6%
Real Estate	8.5%
Energy	8.3%
Consumer Staples	8.1%
Communication Services	5.9%
Utilities	3.1%
Information Technology	1.4%

Contact Us

Jason Guthrie – Head of Distribution
jason.guthrie@iml.com.au | M: 0435 690 377

Zac Wallis – Distribution Director - Key Accounts
Zac.wallis@iml.com.au | M: 0481 128 419

Carl McMinn – Distribution Director – QLD | WA
carl.mcminn@iml.com.au | M: 0415 063 280

Gavin Butt – Head of Research & Consulting (NSW | ACT | NZ)
gavin.butt@iml.com.au | M: 0412 485 420

Julia Desimone – Distribution Director – VIC | TAS | SA
julia.desimone@iml.com.au | M: 0409 039 057

Mark Williams – Distribution Director – NSW | ACT | NZ
mark.williams@iml.com.au | M: 0405 385 960

Release authorised by Company Secretary, Zac Azzi.

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Level 24, 25 Bligh Street, Sydney NSW 2000 | PO Box H104, Australia Square, Sydney NSW 1215 | ACN 169 154 858
 Contact QV Equities Ltd. for further information: qvequities.com | info@qvequities.com | 1300 551 132
 Shareholder Services (Link Market Services): 1800 868 464