

30 June 2023

Net Tangible Assets (NTA)*

QVE NTA before tax	\$1.00
NTA after tax	\$1.05

Trailing 12 month yield on month end share price

Yield	5.45%
Grossed up yield including franking credits	7.79%

**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 rose strongly over the month, led by the US, with data showing that the economy was proving more resilient in the face of higher interest rates than was previously feared. The US S&P500 index was up +6.5% while the MSCI World Index gained +5.5%. London's FTSE 100 lagged, up a more modest +1.4%, as the Bank of England raised interest rates more than expected and fears of a UK recession increased. Commodities had a mixed month, with iron ore up +13.5%, reversing its recent poor performance, as investors remained optimistic that China would stimulate its economy to try to improve its faltering economic recovery post-Covid.

The ASX lagged global markets, rising +1.7% for the month, as the strong lead from overseas markets was tempered by a RBA rate hike and a raft of negative retailer updates showing that the Australian consumer is under significant pressure. The ex-20 sector rose modestly over the month, up +0.8%. The Energy sector rose +4.5%, on the back of higher coal prices as well as a surge from uranium stocks as a more favourable view of nuclear energy emerged globally. Financials were also strong, up +2.9%, led by insurance companies amid continuing positive conditions for the sector, while the REITs sector fell as recent transactions revealed that valuations for particular sectors are under pressure.

The **QVE portfolio** had a good month, up +1.8% which compared favourably to the benchmark's rise of +0.8%. For the year to June 2023 the QVE portfolio returned +4.2%, lagging its benchmark. Performance for the year relative to the index was impacted by a strong rally in resources stocks, particularly lithium miners, and many richly-priced technology stocks. We are cautious of the current pricing for many of these given the uncertain outlook for global economic growth and prefer to skew the portfolio to industrials with more resilient businesses.

The portfolio's performance for the year was also impacted by weak performances from a few key holdings, in particular, Pact Group and Sky City, although we continue to hold these stocks as we expect them to perform better in future. Significantly, in June, Pact announced that Aldi had signed a re-use contract for its home brands, adding another significant customer to its plastics re-use program and validating Pact's position in the Australian circular economy. Re Sky City, we believe that investors are excessively discounting its share price due to potential fines that may be levied. The company's share price is underpinned by a strong asset backing and a strongly cash generative gaming operation in Auckland.

For the month, Aurizon rose strongly after the market recognised that higher bond rates would deliver materially higher earnings for its Queensland regulated rail network in the new regulatory period, which started on 1 July 2023. HMC Capital continued its strong price performance in June after announcing an institutional investor had committed \$350m for its last mile logistics fund, while stating it is on track for more than \$2bn of unlisted funds.

IAG and Suncorp both rallied over the month following a positive investor update by IAG which confirmed positive operating conditions in the general insurance industry. IAG reiterated operating margin targets on the back of higher premiums and moderating claims inflation. Mayne Pharma bounced back after a poor performance in May with industry data showing accelerating sales for its key women's health offering, Nextellis. Southern Cross Media also rose strongly after industry peer ARN bought a 14.8% stake at \$1.08, a +42% premium to the pre-bid price.

Bega had a disappointing month, falling after providing guidance that FY24 profits would likely be flat on FY23, with strength in its branded consumer business being offset by a higher farmgate milk price that will significantly impact its bulk dairy commodity business. TPG Telecom also fell after the Australian Competition Tribunal blocked its proposed regional mobile network sharing deal with Telstra. We believe TPG's long-term prospects remain positive given increased mobile prices in the mobile industry and a resumption of higher immigration and overseas travel.

We took the opportunity of stronger share prices to reduce our positions in HMC Capital and Integral Diagnostics, locking in recent gains, while we took advantage of the raid on Southern Cross Media to trim our holding. We also increased our positions in TPG, A2B and ACL on share price weakness.

Economies still face significant issues as consumer demand slows while inflation remains stubbornly high. While the RBA paused its hiking cycle in early July, further interest rate rises remain probable given 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 advantage and recurring earnings, that pay consistent dividends, and 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)	+1.8%	+0.5%	+4.2%	+9.4%	+2.2%	+5.4%
QVE NTA (after tax)	+0.8%	-0.0%	+3.2%	+7.2%	+2.2%	+4.7%
Benchmark**	+0.8%	+2.6%	+14.9%	+9.3%	+5.9%	+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:	227.7 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 & Marc Whittaker



Key Equity Investments	ASX Code	Weight
Aurizon	AZJ	6.2%
Orica	ORI	5.2%
Ampol	ALD	4.6%
Amcor	AMC	3.3%
Coles	COL	3.2%
The Lottery Corporation	TLC	3.1%
Sonic Healthcare	SHL	3.0%
Skycity	SKC	2.8%
Suncorp	SUN	2.7%
Insurance Australia Group	IAG	2.3%

Sector Allocation

Cash	14.3%
Materials	13.5%
Financials	10.2%
Industrials	9.8%
Consumer Discretionary	9.0%
Health Care	8.8%
Real Estate	8.0%
Energy	7.9%
Consumer Staples	7.9%
Communication Services	5.8%
Utilities	3.2%
Information Technology	1.5%

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Release authorised by Company Secretary, Zac Azzi.

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