

31 July 2023

Net Tangible Assets (NTA)*

QVE NTA before tax	\$1.04
NTA after tax	\$1.07

Trailing 12 month yield on month end share price

Yield	5.18%
Grossed up yield including franking credits	7.40%

*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 had a strong July, rising on the back of better-than feared economic data while inflation continues to trend lower, leading to hopes that Central Banks can engineer a soft landing. The MSCI World Index was up +3.2% led by the Nasdaq which rose +4.1% as megacap tech stocks continued to lead markets higher. Most commodities were up for the month, led by oil, which rebounded +13.5% as OPEC cut production and demand remained strong. The ASX rose +2.9%, in line with global markets, aided by domestic data which showed a declining inflation trend. This data led the RBA to decide to keep interest rates unchanged at its July meeting (and again more recently in August). The ex-20 sector outpaced the broader index, up +3.4%, as many mid and small cap industrial stocks found favour. All sectors rose for the month with Consumer Discretionary the standout, up +7.0%, reversing part of the large sell-off that occurred over the last two months, as investors re-assessed the outlook for retailers in light of hopes of a soft landing. Materials lagged the market's strong rise, eking out a +0.8% gain after a weaker than anticipated price outcome for lithium in a newly established Chinese auction process.

The **QVE portfolio** had a good month, up +3.5%, in line with the benchmark's strong rise of +3.4%. The portfolio benefitted from a number of good performances as investors grew more positive about the prospects for numerous industrial companies.

GUD Holdings rallied over the month as industry data showed automotive deliveries continuing to grow, while Orica, Hipages and A2B also performed well. Virgin Money UK had a good month, rising after it passed the UK regulator's stress test and confirmed it had over £300 million of excess capital which can be used to underpin future buybacks and capital returns.

Ampol shares rose after it reported a solid 2nd quarter performance across its non-refining businesses. Fuel volumes remain strong across both retail and wholesale while margins are expanding, reflecting an improved industry structure. The recently acquired Z Energy is delivering ahead of expectations, and we see further upside in convenience retail as Ampol refines its strategy. We believe Ampol is undervalued given its hard-to-replicate fuel distribution footprint, with a healthy balance sheet also providing flexibility.

Aurizon declined over the month, partly reversing several strong months of gains, after confirming at an investor day that its earnings would come in at the low end of profit guidance for FY23. Having said this, Aurizon also provided positive guidance for next year, forecasting earnings to grow by ~15% as coal volumes improve and earnings from its regulated network asset in Queensland increase, reflecting the impact of higher inflation on the regulated asset base. Of particular interest were the details Aurizon provided on its plans to grow the earnings of its bulk rail division by focusing on containerised freight volumes and increasing the utilisation of the recently acquired Tarcoola-to-Darwin rail line.

Over the month we used share price weakness to increase our holdings in SkyCity, Australian Clinical Labs and TPG while we used share price strength to trim our holdings in Virgin Money UK and Home Co.

August will see the majority of companies in Australia release their results for FY23 as well as give guidance for FY24. We are expecting a mixed reporting season given the sharp rise in interest rates over the last 12 months and the impact of these on various parts of the economy. In light of this, we continue to focus on well-established companies which we assess as having a solid, recurring earnings base as well as strong competitive advantage that can help the companies perform well, despite potentially mixed economic conditions in the year ahead. We also remain alert to opportunities to buying good quality companies at attractive valuations as they become available.

Portfolio Performance	1 month	3 months	1 Year	3 years [^]	5 Years [^]	Since listing [^] 22-Aug-2014
QVE NTA (pre tax)	+3.5%	+2.3%	+2.6%	+11.1%	+2.6%	+5.7%
QVE NTA (after tax)	+2.4%	+1.2%	+2.2%	+8.3%	+2.4%	+4.9%
Benchmark**	+3.4%	+2.7%	+10.0%	+10.1%	+6.4%	+8.8%

[^]% 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

A fully franked quarterly dividend of 1.3 cents per share will be paid on 1 September, 2023 for the June 2023 quarter. Ex dividend date is 15 August, 2023.

This takes total dividends per share to 5.2 cents for financial year 2023, 8.3% higher than the previous financial year.

Portfolio Managers

Simon Conn and Marc Whittaker



Key Equity Investments	ASX Code	Weight
Aurizon	AZJ	5.8%
Orica	ORI	5.3%
Ampol	ALD	4.4%
Sonic Healthcare	SHL	3.3%
Amcor	AMC	3.2%
Coles	COL	3.1%
Skycity	SKC	3.0%
The Lottery Corporation	TLC	2.9%
Suncorp	SUN	2.8%
Brambles	BXB	2.3%

Sector Allocation

Materials	13.8%
Cash	13.6%
Financials	10.0%
Industrials	9.7%
Health Care	9.2%
Consumer Discretionary	9.2%
Consumer Staples	8.0%
Real Estate	7.9%
Energy	7.5%
Communication Services	6.3%
Utilities	3.2%
Information Technology	1.5%

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Release authorised by Company Secretary, Zac Azzi.

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