

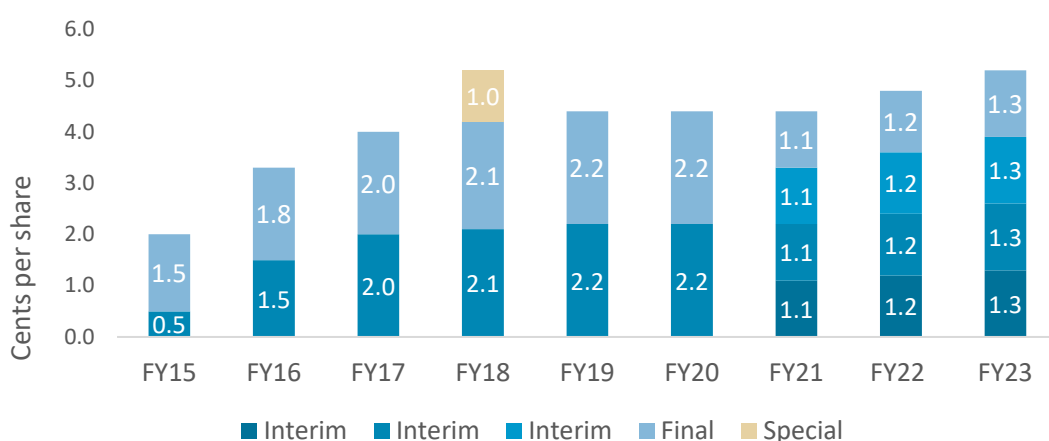
30 SEPTEMBER 2023

QVE Equities (QVE) is a Listed Investment Company (LIC) managed by Australian equities asset manager IML. It invests in high-quality, good value companies listed on the ASX outside the top 20, aiming to provide a rate of return which exceeds the return of its benchmark on a rolling 5+ year basis. QVE aims to deliver a consistent quarterly income stream for shareholders, while also growing capital gradually over time.

## QVE COMPANY NEWS

- The QVE AGM will be held on 25 October, at 10am at Dexus Place, 1 Margaret St Sydney | [RSVP](#)
- For those unable to attend the AGM in person a portfolio update will be presented by the Investment Manager on 26 October via webinar at 3pm | [Register for webinar](#)

## QVE HISTORICAL DIVIDENDS (FULLY FRANKED)



Total fully franked dividends declared or paid since inception

**37.7 CENTS PER SHARE**

Source: QV Equities. Past performance is not a reliable indicator of future performance as a result past dividends are not indicative of future dividends.

## RATINGS

Zenith: Recommended

Independent Investment Research: Recommended +

## COMPANY SNAPSHOT

|                               |  |
|-------------------------------|--|
| ASX code                      | QVE  |
| NTA <sup>1</sup> before tax   | 0.98   |
| NTA <sup>1</sup> after tax    | 1.03   |
| Dividend frequency            | Quarterly  |
| Yield <sup>2</sup>            | 5.81%  |
| Grossed up yield <sup>3</sup> | 8.30%  |
| FY23 dividends <sup>4</sup>   | 5.2 cps  |
| Management fee                | 0.90% p.a. of the NAV up to \$150m<br>0.75% p.a. over \$150m |
| Performance fee               | Nil  |
| Shares on issue               | 228 M  |
| Portfolio Managers            | Simon Conn<br>Marc Whittaker                                 |
| Listing date                  | 22 August 2014   |

## SHAREHOLDER BENEFITS

**What should you expect when you invest with QVE?**

**Consistent income, growing over time\***

QVE aims to pay quarterly, fully-franked dividends, giving Australian investors additional income through tax offsets or refunds.

**Portfolio diversification**

QVE invests outside the ASX Top20, providing diversification benefits for investors who hold shares in the largest Australian companies.

**Experienced Board and Investment Manager** with a 25-year track record.

Past performance is not a reliable indicator of future performance as a result past dividends are not indicative of future dividends.

\*Refers to dividend income. See QVE historical dividends chart above.

1. 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. 2. Trailing 12 month yield on month end share price 3. Includes franking credits 4. Dividends paid for the financial year 2023 reporting period. Past performance is not a reliable indicator of future performance.

UPDATE FROM THE INVESTMENT MANAGER

**MARKET CONTEXT**

- A sell off in global bond markets over the quarter saw the US 10-year bond yield reach c.4.6% by quarter end, the highest level since 2007. Inflation data over the quarter disproved hopes that current levels of inflation are transitory, while a rally in the oil price (+27.3% for the quarter) compounded fears of higher inflation in future. The ECB increased its cash rate late in the quarter, confirming the current upward pressure on interest rates. On the back of these moves most major share markets declined over the quarter, with the MSCI World Index down -2.4% and the NASDAQ down further, -4.0%.
- Local markets took a lead from overseas, with the ASX 300 down -0.8% for the quarter and QVE's benchmark, the Ex-20, declining -2.5%. While reporting season revealed solid operating results, outlook statements were cautious given the softening domestic economy. Energy was by far the strongest sector, up +21.2%, off the back of soaring oil prices. Most other sectors were weak, with the Healthcare, Materials and Real Estate Trust sectors hit hardest.

**PORTFOLIO COMMENTARY**

- The QVE Portfolio had a disappointing quarter, down -0.6%, however ahead of the benchmark which fell -2.5%. Resilient performances from many of our high-quality industrial holdings, as well as our caution towards the speculative parts of the resources and technology sectors, aided performance relative to the benchmark.
- GUD Holdings (GUD) rallied +36% after posting a strong FY23 result, the highlight of which was its ability to maintain margins despite higher input costs. The sale of the non-core Davey division, and solid cashflow enabled GUD to reduce its debt, while continuing to integrate the APG business, which is on track to deliver the earnings expected by management when it was acquired in 2022.
- Ampol (ALD) was up +16% for the quarter after reporting solid second quarter performance across its non-refining businesses. With refining margins rebounding strongly over the past month, we continue to believe that Ampol is undervalued given its hard to replicate strategic infrastructure and geographic footprint.
- TPG Telecom (TPG) was up +14% after reporting a solid first half result and announcing it is in discussions with Vocus to divest its Enterprise, Government and Wholesale business at a valuation higher than the current share price implies. If there is a sale it would enable TPG to reduce debt, and potentially return capital to shareholders while focusing on its resilient and growing consumer business.
- Australian Clinical Labs (ACL) disappointingly declined -15% after reporting at its full year result that the recovery in underlying volumes are taking longer to recover to pre-covid levels than anticipated. The fall in Covid-related revenues will result in little earnings growth in FY2024. ACL's proposed merger with pathology peer Healius remains under consideration by the ACCC, if it goes ahead it will deliver significant synergies.
- Over the quarter we trimmed our positions in GUD, IAG and New Hope after strong share price appreciation allowed us to lock in gains, while exiting our position in BOQ on a less favourable view on its medium-term outlook. We increased our position in ACL, as we think its longer-term prospects look strong, and added to our SkyCity and Tabcorp holdings at attractive valuations after broad-based weakness across the gaming sector.

**OUTLOOK**

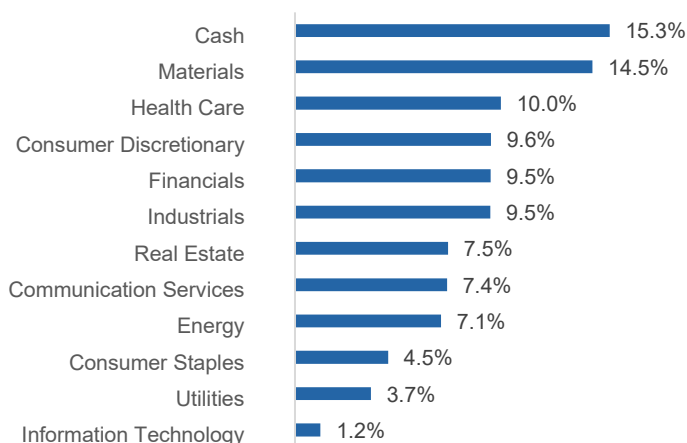
- Uncertainty over where interest rates will peak, and how long they will stay at these levels, is a key focus of markets. A mixed consumer outlook and lingering higher inflation is adding to this uncertainty, creating a volatile investment environment.
- We continue to focus on well-established companies with strong recurring earnings and competitive advantage that we believe can continue to perform well, despite mixed economic conditions. We remain alert to opportunities to buy good-quality companies at attractive valuations amid this volatility.

| PERFORMANCE       | 1 MONTH | 3 MONTHS | 1 YEAR | 3 YEARS^ | 5 YEARS^ | SINCE LISTING^<br>22 AUG 2014 |
|-------------------|---------|----------|--------|----------|----------|-------------------------------|
| QVE NTA (pre-tax) | -3.3%   | -0.6%    | +8.4%  | +8.9%    | +2.1%    | +5.1%                         |
| Benchmark**       | -4.4%   | -2.5%    | +11.3% | +7.5%    | +5.0%    | +7.9%                         |

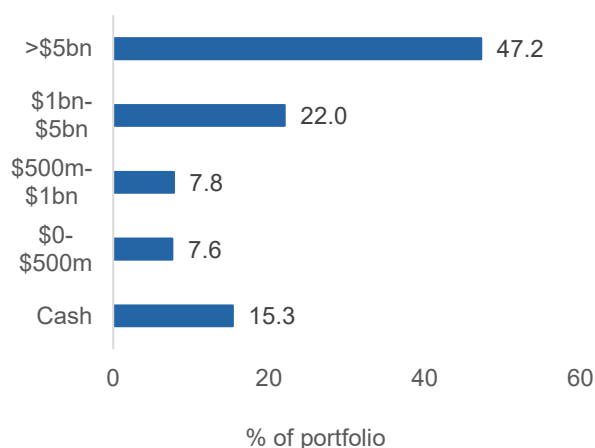
^ Performance per annum. \*\* The benchmark is the S&P/ASX 300 Ex20 Accumulation. The above returns are after fees, assume all declared dividends are reinvested, and exclude tax paid from pre-tax NTA. Past performance is not a reliable indicator of future performance.

## PORTFOLIO DATA\*

### SECTOR WEIGHTS



### MARKET CAP BANDS



### TOP 10 HOLDINGS

| ASX CODE                | WEIGHT |
|-------------------------|--------|
| Aurizon                 | 5.5%   |
| Orica                   | 5.4%   |
| Ampol                   | 4.1%   |
| Sonic Healthcare        | 3.9%   |
| Amcor                   | 3.8%   |
| Suncorp                 | 2.9%   |
| Skycity Entertainment   | 2.8%   |
| The Lottery Corporation | 2.7%   |
| APA                     | 2.5%   |
| Brambles                | 2.4%   |

### PORTFOLIO INFORMATION

|               |                               |
|---------------|-------------------------------|
| Benchmark     | S&P/ASX 300 Ex20 Accumulation |
| No. of stocks | 50                            |
| Cash weight   | 15.3%                         |

Important note: Shares of Listed Investment Companies (including QVE) can trade at a discount or a premium to the Net Tangible Assets (NTA) per share of the Company. The share price of any company is based on demand for the shares, compared to the supply of the shares.

\* Numbers may not add up to 100% due to rounding.

Release authorised by Company Secretary, Zac Azzi.



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