

## SUMMARY

**April performance was +7.3% (net) taking returns to +28.1% p.a. since inception.**

## COMMENTARY

Fund gross exposure is 152% with net exposure of 71% this is broadly in-line with last month's 150% gross and 76% net. We consider this gross exposure to be relatively conservative while net exposure is at the top end of our normal range.

Contributors to performance included **Afterpay, Xero, Evolution Mining, Aristocrat and James Hardie** and several consumer product shorts. Detractors included long positions in **Redbubble and IDP Education** and a couple of technology shorts.

The largest detractor to performance for the month was eCommerce marketplace **Redbubble**. We like the self-reinforcing nature of marketplace business models which – at scale – can provide a meaningful competitive advantage; something we believe is absent for many eCommerce players. Redbubble faces a challenging remainder of the calendar year as they cycle very strong sales in 2020. This realisation and reduced margin guidance as the company reinvests in capability and marketing were the catalysts for the share price underperformance. Over the medium-term we like Redbubble's unique business model, long-term growth and think the new CEO is the right man for the job. While the short term will be tough footy we can't wait to see what Michael and the team can achieve over the coming years.



**We look forward to running down some new ideas...**

April was a busy month of reviewing IPO candidates. Unfortunately, we didn't find much to do but remain hopeful some quality will appear among the companies that come to market in the future.

## OUTLOOK

As much as we hate getting too short-term, there is some evidence that – while the market has been grinding higher in aggregate – individual stocks are running out of puff. Towards the end of the month, we started to see good news (e.g. earnings upgrades) met with muted responses while bad news was still punished. This suggests the market is fully valued and isn't great news for concentrated stock-pickers such as us!

Investors should be mindful that the relatively high net long position and the factor and sector mismatches in our long and short books means that we will lose money some of the time. A surprising fact is that despite our big brother – the QVG Opportunities Fund – compounding at >20% p.a. it loses money one in every three months! We are comfortable with this as we believe short-term pain is worth the long-term gains afforded by the freedom to get long our best ideas and short our worst ones.

## NET PERFORMANCE

PERIOD	FUND RETURN
1 month	7.31%
3 months	9.59%
12 months	39.85%
Since Inception*	61.14%
Since Inception p.a.*	28.14%

\*Inception on 13th May 2019

## TOP 5 HOLDINGS

- 1. Uniti Group (UWL)**
- 2. Johns Lyng Group (JLG)**
- 3. Tyro (TYR)**
- 4. EML Payments (EML)**
- 5. Xero (XRO)**

## THE MANAGER

QVG Capital is a boutique investment management company managing funds on behalf of high-net-worth individuals and institutions (“wholesale investors”). QVG was established in June 2017 by Tony Waters and Chris Prunty and is wholly owned by its team.

## THE FUND

The QVG Long Short Fund is a ‘best ideas’ fund with the flexibility to take advantage of the best ASX opportunities regardless of share price direction or market capitalisation. The net result of our long and short positions is a portfolio with reduced equity market exposure and a return profile driven predominantly by our stocking picking. The fund aims to deliver strong absolute returns greater than the RBA cash rate with the enhanced flexibility to manage equity market exposure with respect to the prevailing market conditions.

## KEY CHARACTERISTICS

**FLEXIBLE INVESTMENT MANDATE** The fund can profit by investing across the market capitalisation spectrum and can sell or ‘short’ stocks we believe will decline in value.

**STRONG ALIGNMENT** Our personal investment in the fund means there is a high degree of alignment between our investors and ourselves. We are heavily invested in the QVG funds and do not invest in Australian equities outside the funds.

**PROVEN PHILOSOPHY & PROCESS** Our philosophy and process has been refined and tested over a decade and has stood the test of time. An earnings focus with quantitative measures of quality and value and our experience combines to generate long and short ideas mispriced by the market.

**PERFORMANCE CULTURE** QVG seeks to be a performance driven rather than product driven organisation. We take pride in our track record and will always prioritise

## JOSH CLARK CFA

### Lead Portfolio Manager



Josh has 11 years experience in financial markets most recently at Ophir Asset Management. Before joining Ophir, Josh worked as the sole Analyst on the Ausbil Micro Cap Fund with Portfolio Managers Tony Waters & Chris Prunty.

## TONY WATERS

### Portfolio Manager



Tony has 27 years experience in financial markets most recently as the Portfolio Manager of the Ausbil Micro Cap Fund from its inception until April 2017. Tony joined Ausbil from Investors Mutual in 2008. Before that he spent 9 years as a small cap analyst at institutional stockbroker CCZ

## CHRIS PRUNTY CFA

### Portfolio Manager



Chris has 15 years experience in financial markets most recently as the Co Portfolio Manager of the Ausbil Micro Cap Fund having joined Ausbil at the inception of the fund in February 2010. Prior to Ausbil, Chris was an analyst researching smaller companies at Investors Mutual, Confluence Asset Management and CCZ Equities.

FUND INFORMATION			
Name	QVG Long Short Fund	Investor Eligibility	Wholesale or ‘sophisticated’ investors only
Structure	Wholesale Unit Trust	Minimum Investment	\$100,000 (unless otherwise agreed)
Investment Universe	ASX-listed companies	Liquidity	Daily Unit Pricing Applications and Redemptions
Benchmark	RBA Cash Rate	Fees	1.5% management and 20% performance (plus net GST)
Stock Holdings	Long 20-40; Short 10-30	High Water Mark	Yes
Typical Gross Exposure	100 – 300%	Admin & Custodian	Link Fund Solutions
Typical Net Exposure	0 – 100%	APIR Code	QVL8781AU

## CONTACT INFORMATION

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