

SUMMARY

June performance was 7.9% (net) versus the Small Ords Accumulation of 3.1% taking returns to 23.4% p.a. since inception.

COMMENTARY

Top performers for June included **Afterpay** and **Hansen Technologies**, with cameo's from **Uniti**, **Johns Lyng** and **City Chic**. Detractors included lockdown victim **Tyro Payments** and enterprise messaging platform **Whispir**. Hansen received an indicative non-binding offer from private equity firm BGH for \$6.50. While this bid is 19% above Hansen's average price in May it represents just a 5% FY22 free cashflow yield = too cheap in our view.

Whilst only a small position, given its modest market capitalisation, the fund participated in the IPO of medical device equipment-maker **Trajan**. Trajan's track-record of capital allocation as a private company under founder CEO Stephen Tomisich has been remarkable. With a lower cost of capital (and more of it) in the listed sphere we believe that if the future for Trajan is half as good as the past, shareholders ought to do well.

During the month we completed the sale of the funds two smallest positions and added two new positions (both companies we have held in the past). One of the stocks we sold was car financier **Eclixp Group**. A shout out to CEO **Julian Russell** is necessary. Julian could not have become CEO of ECX at a more difficult time or done a better job despite the cards he was dealt. Previous management had levered up to make dubious acquisitions leaving Julian with a financial and operating mess to clean up, which he did just in time for Covid to hit. The financial and operating turnaround at ECX is of course not just Julian's doing but we doubt it would have happened in such a timely way without him. Well done Julian! So why sell? Whilst we see consolidation in ECX's future, the recent re-rating means we also see better value elsewhere; but are mindful Julian may well prove our decision to sell premature.

OUTLOOK

We are focused on the long term. We do not believe that our returns in any given month convey much information about the strength or otherwise of our investment approach. Far longer periods are required to make such an assessment. We would caution against elation after the past month and Financial Year, just as we counsel against misery

following negative periods such as the March Quarter of last year.

To create long term value, we seek companies with durable growth characteristics and aligned management teams. For our returns to mirror the returns of the companies in which we invest we will need to go the journey with them. This will involve holding through some periods of extreme share price weakness and enduring some 'headline risk' or 'false narratives' (to steal a phrase from one of our peers).

We are seeking to create an investment culture that supports buying or adding to holdings in size when the facts and prospective returns suggest we should do so; even if it looks foolish to outsiders at the time.

An investment culture that acknowledges good ideas are rare, allows for mistakes, encourages non-consensus thinking and risk-taking provides a good start in beating the market. A long leash is also important, and this is where you have a part to play. Measuring our returns over years and decades and not months and quarters will put us on the same page as we navigate this investment journey together.

NET PERFORMANCE

PERIOD	FUND RETURN	BENCHMARK RETURN	OUT / UNDER-PERFORMANCE
1 month	7.94%	3.08%	4.86%
1 year	47.75%	33.23%	14.52%
Since Inception	123.73%	54.42%	69.31%
Since Incept p.a.	23.40%	12.01%	11.39%

TOP 5 HOLDINGS

1. Uniti Group (UWL)
2. Johns Lyng (JLG)
3. Tyro Payments (TYR)
4. Afterpay (APT)
5. City Chic (CCX)

THE MANAGER

QVG Capital is an independent 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 staff. QVG manages a long-only small companies fund – the QVG Opportunities Fund – and an all-cap absolute return fund – the QVG Long Short Fund.

QVG's FUNDS

QVG Capital manages the **QVG Opportunities Fund**; a 'best ideas' fund focusing on smaller companies and the **QVG Long Short Fund**; an all-cap absolute return fund. The Opportunities Fund predominantly invests in Australian-listed smaller companies; defined as those outside the S&P/ASX 100. The Opportunities Fund is closed to new investors while the Long Short Fund is open to new and existing investors.

OUR APPROACH

TRACK RECORD The managers have a long association having worked together for over a decade at three previous firms; CCZ Equities, Investors Mutual and Ausbil Investment Management where they were Portfolio Managers of the award-winning Ausbil Micro Cap Fund.

ALIGNMENT Our personal investment in the fund means there is a high degree of alignment between our investors and ourselves. The principals do not buy Australian-listed companies outside the fund.

PHILOSOPHY & PROCESS Our philosophy and process has been refined and tested over a decade and has stood the test of time in the small companies space in Australia. An earnings focus with quantitative measures of quality and value and our experience combines to generate a portfolio of undervalued growth companies in the process of being discovered by the market.

SOFT CLOSED The fund has been designed to mitigate the liquidity risk of investing in small companies. The manager is aware that too many assets under management impacts performance and will seek to actively manage capacity with maintaining performance the key objective. The fund closed to new investors on August 1, 2018.



TONY WATERS

Tony has 29 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**

Chris has 18 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 Opportunities Fund	Investor Eligibility	Wholesale or 'sophisticated' investors only
Structure	Wholesale Unit Trust	Minimum Investment	\$250,000 (unless otherwise agreed)
Investment Universe	ASX-listed smaller companies	Liquidity	Daily Unit Pricing Applications and Redemptions
Benchmark	S&P/ASX Small Ords Accum	Fees	1.2% management and 20.5% performance
Stock Holdings	28	Admin & Custodian	Link Fund Solutions
Stock Limit	10% at cost	APIR Code	QVG9204AU
Trust FUM	\$645m	Platform Availability	Netwealth, HUB24, AUSMAQ, POWERWRAP

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