

SUMMARY

June performance was +4.75% (net) taking returns to +28.65% p.a. since inception.

COMMENTARY

Performance this month was driven by our long positions, predominantly our top 5 holdings. Gross exposure has increased to 161% as has our net exposure which currently sits at 81%.

Trading activity this month only saw two key changes. Firstly, we have increased our holding in Afterpay following the announcement of their 'anywhere' product. This development vastly increases the retailers accessible through Afterpay and as a result will drive new customer additions and frequency of use. We believe the market has underreacted to this news and created an opportunity. Secondly, we have added a new short position in the agriculture space where we believe the impact of positive weather conditions will not shine through in the financial results due to other commodity related headwinds.

Stock specific news this month was limited however our holding in building and restoration services business Johns Lyng Group was helped along with an earnings upgrade. Whilst the upgrade was driven by an increase in catastrophe related repairs, the core business is what we're attracted to. The entrepreneurial culture that filters from the top down is an intangible that's difficult to value but manifests itself in having several irons in the fire which creates greater optionality and longevity to their earnings growth. Those that understand building and restoration would acknowledge its competitive nature however Johns Lyng has positioned itself well to support its front-line staff through delivering a continuous pipeline of work from large scale insurers coupled with the right incentive structure for those at the coal face.

Elsewhere in the portfolio Tabcorp continues to perform well for us in its current 'special situation'. We see Tabcorp as a tale of two halves where for simplicity one half could be described as 'good Tabcorp' and the other as 'bad Tabcorp'. Good Tabcorp being the lottery business which has long term certainty to its earnings, monopolistic like defensibility and an opportunity to inhouse its distribution over time. Bad Tabcorp being the Wagering and Gaming Services business which is competitive and sub-optimally operated. The acquisition proposal for Wagering and Gaming Services

appears generous and will force Tabcorp's share price higher as investors ascribe an appropriate valuation for the remaining lottery business.

OUTLOOK

As equity investors we put our (and your) capital at risk in search of returns. Adding complexity to this equation, risk can be dissected and defined in countless ways. Some risks should be mitigated but there are also risks that we embrace with open arms. Concentration risk is one that we actively seek out for the portfolio as it is the best way to get paid for sound fundamental analysis. The portfolio is the most concentrated it has been for some time and is a reflection of our current conviction.

Another risk that we prudently seek to employ in the portfolio is leverage. The proceeds from our short sales allow us to upsize our long positions beyond what we could achieve with a long only portfolio. The leveraged part of the long book becomes a source of extra return but equally must be managed with care. The additional returns from leverage are more addictive than Tik-Tok but in a draw-down can cause permanent damage to long term returns. Bearing this in mind, you can expect us to be driving like we have somewhere to be, but never with our foot to the floor.

NET PERFORMANCE

PERIOD	FUND RETURN
1 month	4.75%
3 months	12.80%
12 months	31.32%
Since Inception*	71.49%
Since Inception p.a.*	28.65%

*Inception on 13th May 2019

TOP 5 HOLDINGS

1. Uniti Group (UWL)
2. Johns Lyng Group (JLG)
3. Afterpay (APT)
4. Tyro (TYR)
5. BWX Ltd (BWX)

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

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