

## SUMMARY

September performance was -1.24% (net) taking returns to +29.49% p.a. since inception.

## COMMENTARY

Positive absolute and relative contributions from our short book were not enough to offset the decline in the long book this month. Gross exposure finished the month at 170% while net exposure is 76%.

In what was a relatively quiet period for portfolio specific news-flow, the most notable market event was recent sell off in bonds which have placed valuation pressure on equities. The market as measured by the S&P/ASX300 finished down -1.9% as a result.

Key contributors in our long book were **Cogstate, IDP Education** and **Tyro**. Key detractors were **Breville, Hansen** and **Uniti**.

We typically own long duration assets (the above contributors and detractors are good examples). These are companies where the value is skewed to the outer years due to their growth and/or predictability of earnings. This is relevant in a changing interest rate environment as rising interest rates can translate to lower share prices in the short run. We hold these companies because over the long run, we know that share prices follow earnings. Over a long enough time horizon, the earnings growth will be the more significant factor in driving performance.

In our short book however, assuming a rising rate environment, we can get both of these factors working in our favour. Companies that are both expensive and unlikely to deliver future earnings growth are increasingly prevalent on the ASX and we have added several of these to the portfolio this month. Pre-production extractive industries, un-proven technologies and subscale software are areas in which we've added short positions.

## OBSERVATIONS

Our net exposure has been towards the top end of its typical range. Should markets pull back will we not be immune, however our current positioning offers several areas of comfort:

- Our shorts tend to be higher beta (a measure of an asset's sensitivity to the market) on average i.e. in the event of a market fall the types of companies in our short book are typically the first to be abandoned.

- Our net exposure has not been the main driver of returns in the past. Over a very short time horizon our portfolio will have a market correlation similar to our net exposure, however over a long enough time period we expect the performance of the underlying stocks to vary significantly to the overall market performance and so we see our individual stock positioning as the key driver of long-term returns.
- Lastly, we are currently finding more short ideas than long ideas and as such we expect our short book to grow.

We do not expect our shorts to be a cure-all solution in falling market. Rather, as we saw in March 2020, they softened the blow and allowed the portfolio to recover from a higher base relative to a long only strategy. Smaller drawdowns throughout the journey have a material positive impact on long term returns.

Finally, thank you to all those who dialled in to our **Webinar**. If you missed it there is a replay available via our website. We are always looking to improve the way we communicate with current and prospective investors and very much wish to have a two-way conversation. Please do not hesitate to get in touch with questions, comments or suggestions.

## NET PERFORMANCE

PERIOD	FUND RETURN
1 month	1.24%
3 months	8.24%
12 months	34.56%
Since Inception*	85.61%
Since Inception p.a.*	29.49%

\*Inception on 13th May 2019

## TOP 5 HOLDINGS

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

## 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

## 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 investment returns over asset gathering.

### FUND INFORMATION

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

### CONTACT INFORMATION

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## 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 Equities.

## 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.