

SUMMARY

December performance was +1.5% versus +1.4% for the Small Ords Accumulation index. This takes since inception returns to 23.6% p.a.

COMMENTARY

The fund returned 33.3% for the 2021 calendar year taking since inception annualised returns to 23.6%. Australian Small Companies as measured by the S&P/ASX Small Ordinaries Accumulation Index returned 16.9% in 2021. Small Industrials returned 13.7% and Small Resources returned 29.1% including dividends.

The fund benefited over the year from strong performances from **Uniti Group**, **Johns Lyng** and **City Chic** among others. We retain positions in all three. The fund was impacted by poor performance from mask-maker **Cleanspace**, point-of-sale payments provider **Tyro** and digital gifting business **Pushpay**. We retain a position in Tyro as we believe the durability of the company's growth profile and margin expansion remains under-estimated by the market.

One of the most important lessons we've learnt in looking back at the decisions we've made over the last decade has been to hold on to our winners. We did a better job of this in 2021.

Despite this improvement in *Portfolio Management* there is more work to be done on this and on our *Stock Selection* and *Research*. Some of the most durable insights we've gleaned over the years have been with regard to business models (e.g. our love of fibre assets in the telco space), a unique approach to capital allocation (e.g. **Hansen's** levered acquisitions), company culture (e.g. Johns Lyng's incentive structures and character & values based hiring approach) or long-dated investment in R&D which is yet to show up in the P&L (e.g. **PWR**, **Imdex**, **Trajan**). These insights are hard to quantify, not neatly categorised and often fall in the 'know it when you see it' bucket.

If all of this sounds dangerously like 'vibe investing' or 'I've got a hunch, let's buy a bunch' investing then you'd be right. Sorta. Over the long-term we expect these qualitative insights to show up in growing free cash flow per share. If it doesn't then we've got a problem.

OBSERVATIONS

Call it laziness or obstinance, but the fund has always been willing to totally ignore large parts of the market. In 2021 we took this to an extreme; spending even less time than usual on whole sectors and sub-sectors. For example, we sold the last of our Golds early in the year, jettisoned all but Imdex in the mining service sub-sector and spent next to no time on the consumer credit space despite the plethora of IPOs in this part of the market.

A consequence of this was we missed some of the big trades of 2021; travel, battery minerals and uranium to name a few. We remain sceptical about the sustainability of the performance of many of the pre-development battery minerals companies. And, perhaps more importantly, we're even more sceptical of our ability to hang on to any speculative profits made on these trades.

We hope this focus will allow us the wisdom to make better decisions around what we do hold. The flipside to this is that we'll miss some spectacular performers and returns may deviate more meaningfully from the benchmark in the future. We are ok with this and trust you are too.

NET PERFORMANCE

PERIOD	FUND RETURN	BENCHMARK RETURN	OUT / UNDER-PERFORMANCE
1 month	1.50%	1.41%	+0.09%
1 year	33.31%	16.90%	+16.41%
Since Inception	150.78%	62.97%	+87.81%
Since Incept p.a.	23.63%	11.93%	+11.70%

TOP 5 HOLDINGS

1. Uniti Group (UWL)
2. Johns Lyng (JLG)
3. Tyro Payments (TYR)
4. Hansen Technologies (HSN)
5. Imdex (IMD)

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

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.

CAPACITY MANAGED 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	33	Admin & Custodian	Link Fund Solutions
Stock Limit	10% at cost	APIR Code	QVG9204AU
Trust FUM	\$773m	Platform Availability	Netwealth, HUB24, AUSMAQ, POWERWRAP

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