

SUMMARY

April performance was -4.7% versus -1.5% for the Small Ords Accum index taking since inception returns to 18.2% p.a.

COMMENTARY

2022 to date has been a period characterised by a rapid increase in interest rate expectations, Omicron, a return to broad shutdowns in China, conflict in Eastern Europe and extreme commodity price moves.

High growth and high-quality companies have been severely sold off. By way of example, the NASDAQ was down -13.3% in April alone and is down -21.2% this calendar year. While we view our strategy as having a high degree of valuation discipline, we have not been immune from the sell-off in non-commodity sectors and companies.

We continue to believe that over periods of more than a year it's the economics of a business that drive share price performance. This is where we are focussed. While the macro backdrop remains uncertain, it has presented a situation where valuations for the highest quality businesses are now very attractive.

Smash ups like we've seen this year in industrials provide the opportunity to increase the overall quality of the portfolio. On this front, we've been active in researching new opportunities and have added some high-quality businesses at prices that we believe will allow us to earn returns well in excess of the market over the next few years. While 2022 is likely to be a year with continued volatility, investing in businesses with sustainable and long-term growth prospects at the valuations on offer today should provide attractive long-term outcomes.

Uniti Group remains a large position for the fund. Importantly, last month's takeover proposal from HRL Morrison & Co. and Brookfield Asset Management went unconditional at \$5 a share. Uniti's Board has approved the bid in the absence of a higher offer.

In less positive news, **IDP Education**, **HUB24** and **Imdex** were among several material detractors to performance. As a financial platform, HUB's revenues are linked to asset prices so some share price softness is understandable. Despite this we remain enthusiastic about their medium-term market share gains and margin potential. IDP and Imdex had no stock-specific news.

An uncertain environment rich with opportunity

Equity market sentiment is currently very gloomy. Given the solid performance of a small number of large companies the broader indices don't capture how poorly most individual stocks are performing. Equally weighted indices better capture the poor breadth of the market. For example, 45% of NASDAQ constituents are down more than 50%.

All else equal, falling share prices mean higher future returns. But falling share prices are only helpful to investors if the value of the underlying company they represent is stable or rising. Determining to what extent changing macro-economic conditions are impacting the value of our holdings is a big part of our current research efforts. This task is made easier if our companies are:

- profitable
- have recurring or predictable revenues, and have
- no or low debt

Given inflationary pressures, earnings upgrades in the industrial part of the market are rare. Notwithstanding this, we believe the value of our holdings, in aggregate, are stable or growing. This means any future market weakness should be welcomed as an opportunity; not a risk.

NET PERFORMANCE

PERIOD	FUND RETURN	BENCHMARK RETURN	OUT / UNDER-PERFORMANCE
1 month	-4.71%	-1.50%	-3.21%
1 year	+1.93%	+2.91%	-0.98%
Since Inception	+118.29%	+53.76%	+64.53%
Since Incept p.a.	+18.24%	+9.67%	+8.56%

TOP 5 HOLDINGS

1. Uniti Group (UWL)
2. Johns Lyng (JLG)
3. Hansen Technologies (HSN)
4. HUB24 (HUB)
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 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.

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 30 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 19 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	30	Admin & Custodian	Link Fund Solutions
Stock Limit	10% at cost	APIR Code	QVG9204AU
Trust FUM	\$667m	Platform Availability	Netwealth, HUB24, AUSMAQ, POWERWRAP

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