

SUMMARY

June performance was -2.1% taking since inception returns to 15.4% p.a.

COMMENTARY

In what was a brutal month for equities (ASX300 -9.0% and Small Ords -13.1%) the fund finished the month 2.1% lower. Our short book contributed 10%, offsetting most of the fall in our long book. For reference, our long book is currently 106% of the portfolio and our short book is 61%. The short book benefitted from falling prices in several battery materials names and an earnings downgrade in the automotive space. The long book detractors were led by **Tyro** but also included **Maas Group** and **MA Financial** given their perceived exposure to a potential deterioration in economic conditions.

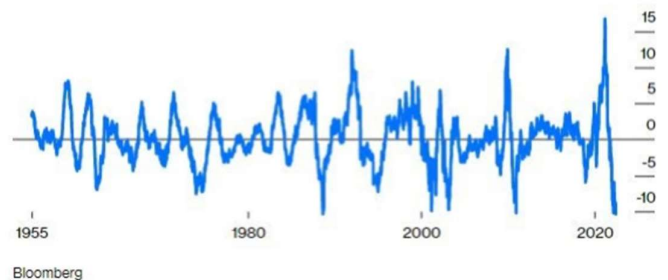
Our poorly performing position in payments provider **Tyro** suffered a further set-back in June with the unexpected resignation of CEO Robbie Cook. With over \$130m of net cash and forecast to be free cash flow positive in FY23 we have been patient with Tyro despite Covid impacts on revenue and lack of margin expansion. In hindsight we were too patient, and the position has been a material detractor to performance in FY22.

The Aussie 10-year bond rate started the month at 3.34% and finished it at 3.66% but not before touching a high of 4.25% intra-month. The US 10-year Treasury Bond interest rate showed a similar pattern, starting the month with a 2.83% yield and finishing it at 3.06% via a 3.48% high. The moves lower in global and domestic equities are starting to price these higher rates. The new fear gripping markets however is earnings risk. Depending on who you read, the average US recession sees -13% to -17% earnings cuts (the GFC was a lot worse). It is this earnings risk that is now being contemplated by markets.

We have managed money in rising and falling rate environments and know which we prefer! In the past, rising rate environments have been gradual enough so that the earnings growth of our portfolio has compensated for multiple compression from higher rates. The unique feature of this market is not the magnitude but the speed of the move in rates which has led to the fastest compression of valuations ever. This is shown on the following chart:

Valuations Have Never Before Compressed So Quickly

Year-on-year change in trailing Price/Earnings multiple of the S&P 500



The chart above shows we have been sailing into the wind, but it won't always be this way. Given the next leg of this bear market is likely to be a focus on earnings not multiples, we have been positioning the portfolio towards companies we believe have greater earnings certainty. This ought to mitigate the impact on the portfolio of a recessionary or slowing growth environment should it occur.

Gross exposure is 166% and net exposure is 45%

NET PERFORMANCE

PERIOD	FUND RETURN
1 month	-2.06%
3 months	-13.98%
12 months	-8.54%
Since Inception*	56.84%
Since Inception p.a.*	15.41%

*Inception on 13th May 2019

TOP 5 HOLDINGS

1. Uniti Group (UWL)
2. Johns Lyng Group (JLG)
3. Aristocrat (ALL)
4. Hansen Technologies (HSN)
5. CSL Limited (CSL)

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.

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 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 Equities.

CHRIS PRUNTY CFA Portfolio Manager



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 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

CONTACT INFORMATION			
Email	contactus@qvgcapital.com.au	Phone	+61 2 8039 9060
Email	LFS_Registry@linkgroup.com	Phone	+61 2 9547 4311