

SUMMARY

January returned +2.7% versus +0.9% for the Small Ords Accum index taking since inception returns to +12.6% p.a.

COMMENTARY

Equity markets were volatile in January with a late rally helping domestic markets eek out a small positive return.

Positive contributors to performance in January included **Johns Lyng**, **Data#3**, **Monash IVF** and **ZIP Co**. Johns Lyng re-rated as their disaster recovery division will benefit from storms and flood remediation works in what was forecast to be a relatively dry summer. Data#3 benefited from a positive earnings update and sentiment around AI adoption via Microsoft's Co-Pilot product which DTL will distribute in 2024. Monash IVF rose as ABS data which showed healthy IVF volumes in the 6 months to December 2023. ZIP Co re-rated as they refinanced their debt and gave a strong Q2 trading update which shows the turnaround is on-track.

Lovisa, **Aussie Broadband** and **Domain** were detractors to performance in January and all recorded negative share price moves. Lovisa gave back some of it's gains from the December quarter as retail updates have shown that trading weakened into the end of the calendar year. Aussie Broadband continues to digest the large placement it made in November. Aussie has a number of upcoming catalysts the most imminent of which is the completion of its acquisition of Symbio and articulation of the synergies associated with this purchase. Domain continued to soften after a poorly-received AGM update which showed listing volumes were tracking behind their major competitor. This listings volume discrepancy is largely explained by geographic mix, but given Domain's patchy historic financial performance the market is disinclined to give them the benefit of the doubt. Domain has opened a very wide valuation gap between itself and REA Group. This gap is even wider than it first appears if you believe Domain can expand its margins over the next few years.

Activity was limited in January. We trimmed two positions that have re-rated towards fair value and continue to add to one relatively new position. The fund is concentrated in a relatively small number of growing industrial companies. This is complemented with the occasional turnaround story such as ZIP Co. Other turnarounds that have done well for us in the past include Ridley and Eclipx / Fleet Partners. We intend to say more about our approach to turnarounds at our post reporting season Webinar on 21 March.

OUTLOOK

In the very near-term our focus will be occupied by the upcoming reporting season. So far, share price reactions to trading updates suggest that a combination of positioning (or popularity) is just as important as fundamentals in driving outsized share price moves. For example; Dominos (-31%), Nanosonics (-33.4%) and MegaPort (+27.6%) all had huge moves in response to their trading updates. This could make navigating February tricky. Wish us luck!

Longer-term, our goal is to find companies with growing earnings that can surprise to the upside. We continue to believe in a more muted earnings environment these will remain rare and valuable. To this we overlay qualitative assessments of management quality and capital allocation, corporate culture and business competitive advantages. These qualitative factors hopefully speak to the duration of earnings growth which is the ultimate long-term driver of share prices.

NET PERFORMANCE

PERIOD	FUND RETURN	BENCHMARK RETURN	OUT / UNDER-PERFORMANCE
1 month	+2.74%	+0.90%	+1.84%
1 year	+7.64%	+2.10%	+5.54%
Since Inception	+113.77%	+44.70%	+69.07%
Since Incept p.a.	+12.57%	+5.93%	+6.64%

TOP 5 HOLDINGS

1. Johns Lyng (JLG)
2. Corporate Travel (CTD)
3. Life360 (360)
4. Lovisa (LOV)
5. Aussie Broadband (ABB)

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 over 30 years’ experience in financial markets. Prior to QVG he was 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 over 20 years’ experience in financial markets. Prior to QVG he was 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	25	Admin & Custodian	Link Fund Solutions
Stock Limit	10% at cost	APIR Code	QVG9204AU
Trust FUM	\$541m	Platform Availability	Netwealth, HUB24, AUSMAQ, POWERWRAP

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