

SUMMARY

May performance was +1.7% taking since inception returns to 15.4% p.a.

COMMENTARY

The fund made gains of +1.7% against the backdrop of a rising Australian market (S&P/ASX 300 +0.85%). We saw a positive contribution from both our long and short positions with the shorts delivering the majority of May's return.

The top 10 contributors in the short book were heavily skewed towards pre-revenue concept companies, one of which raised capital at a discount. Also included in this list were two businesses which appear structurally challenged to us.

News-flow amongst our long positions was plentiful with results from **Life 360**, **Aristocrat**, **Fisher and Paykel**, **James Hardie**, **Block**, and **Xero**. We also received trading updates from Aussie Broadband and Supply Networks. And as if that wasn't enough to digest, we also received a takeover offer for PSC Insurance.

Life 360 reported a strong but expected 1st quarter with subscription revenues growing 19%. Building out product in new geographies, increased monetisation of their audience via ad revenues and a potential Nasdaq dual listing are focus areas for the market currently.

Block produced gross profit growth of 22% ahead of their high-teens guidance. Cash App was the driver of this growth with features like 'Borrow' contributing strongly. The stock has been weak however due to potential further regulatory oversight for lending and a weak operating environment for Square.

Aristocrat's 1H24 result positively surprised the market particularly with regard to margins. Disciplined cost management meant FY24 earnings estimates were revised upwards. We were also pleased to see evidence of market share gains for electronic gaming machine installations. Management view recent industry consolidation as a future market share opportunity and we are watching this closely.

Fisher & Paykel also reacted positively to its result despite delivering earnings in line with expectations. The composition of revenue was cause for increased confidence in double digit revenue growth into the future, specifically the new applications for their technology. We expect this stock to become optically less expensive as the company achieves the margin levels it has demonstrated in the past.

James Hardie was a detractor from performance this month as their FY25 guidance was for margin compression. Understandably there is a level of conservatism embedded in this guidance although it has become apparent that there are some business investments to come that should have occurred previously. Over a longer time horizon however we are much more focussed on continued market share gains and maintained pricing power than the gyrations in operating costs.

Xero, like Aristocrat, was a better-than-expected cost outcome. Naturally earnings growth through better margin is a good thing, as is the pricing power and upsell that Xero demonstrated in their result. The most important thing for long term value creation however is growth in Xero's customer base. We're encouraged by 10%+ subscriber growth rates in almost all regions. We believe the current valuation is justified by these growth rates with additional upside if this can be accelerated in less mature regions.

Gross exposure is 167% and net exposure is 80%

NET PERFORMANCE

| PERIOD | FUND RETURN |
|-----------------------|-------------|
| 1 month | 1.70% |
| 3 months | -0.97% |
| 12 months | 22.01% |
| Since Inception* | 106.14% |
| Since Inception p.a.* | 15.37% |

*Inception on 13th May 2019

TOP 5 HOLDINGS

1. Johns Lyng Group (JLG)
2. Aristocrat (ALL)
3. HUB24 (HUB)
4. Lovisa (LOV)
5. Wisetech (WTC)

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 12 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 over 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 over 20 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 | | | |
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