

## SUMMARY

January performance was +2.57% taking since inception returns to +16.49% p.a.

## COMMENTARY

Returns this month saw a strong performance from our long positions, roughly in-line with the strong performance from the market (S&P/ASX300 +4.46%) and a material deduction from our short positions.

Top contributors to return included **HUB24, Life 360, MA Financial, Generation Development** and **Supply Network**.

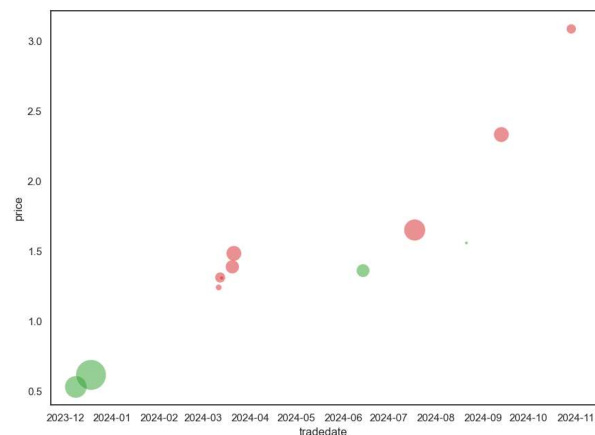
Top detractors were **Maas Group, ZIP Co, Lovisa, Eureka Group** and **IPD Group**.

The attribution theme in our short book was that market linked stocks and resource companies were detractors for the month while speculative, low to no revenue companies were our largest contributors.

In a slow news period **Generation Development Group** was a bright spot with their December quarter update showing accelerating fund inflows and funds under management. GDG is a provider of investment bonds and has few competitors. They are advantaged in that their competitors don't focus on investment bonds as their core business like GDG and as a result GDG is taking the lion's share of the growth in the industry. Additionally, Managed Accounts are an emerging and attractive driver for the business where the research capability, Lonsec, is used to create bespoke models and mandates to capture some investment product manufacturing margin. The business has a long runway ahead of it and produces attractive incremental profit margins. All stocks have risks and for GDG they appear to be valuation / overcrowding and regulatory risk. Reg risk is typically negative however the vote on the 4<sup>th</sup> of Feb for Division 296 (more tax on superannuation) could be of benefit to GDG as it makes their product more attractive relative to superannuation.

**ZIP** was down 25% on the day of its 2<sup>nd</sup> Quarter update. The update was actually quite good with the exception of a small earnings miss due to seasonally higher costs. The outsized share price reaction is more a reflection of positioning and where expectations had got to rather than the underlying business performance.

There are a few judgments you could cast on us for holding a very expensive and overcrowded stock like ZIP. The negative perspective would be that we're muppets for having held it at recent prices or the positive perspective would be that we did well to uncover the idea early. The less obvious perspective though is that we've actively managed the position through time (see below - green for buys, red for sells). At QVG we are ever cognisant of valuation and reduced the position size as momentum took the stock beyond fair value. We try for a 'best of both worlds' scenario where we can maximise our exit price while minimising the impact should we not correctly identify the negative catalyst.



## NET PERFORMANCE

PERIOD	FUND RETURN
1 month	+2.57%
12 months	+20.46%
3 years p.a.	+9.87%
5 years p.a.	+13.27%
Since Inception*	+139.82%
Since Inception p.a.*	+16.49%

\*Inception on 13th May 2019

## TOP 5 HOLDINGS

1. HUB24 (HUB)
2. Aristocrat (ALL)
3. Life360 (360)
4. Maas Group (MGH)
5. Johns Lyng Group (JLG)

## 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 over 15 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			
<b>Name</b>	QVG Long Short Fund	<b>Investor Eligibility</b>	Wholesale or 'sophisticated' investors only
<b>Structure</b>	Wholesale Unit Trust	<b>Minimum Investment</b>	\$100,000 (unless otherwise agreed)
<b>Investment Universe</b>	ASX-listed companies	<b>Liquidity</b>	Daily Unit Pricing Applications and Redemptions
<b>Benchmark</b>	RBA Cash Rate	<b>Fees</b>	1.5% management and 20% performance (plus net GST)
<b>Stock Holdings</b>	Long 20-40; Short 10-30	<b>High Water Mark</b>	Yes
<b>Typical Gross Exposure</b>	100 - 300%	<b>Admin &amp; Custodian</b>	Link Fund Solutions
<b>Typical Net Exposure</b>	0 - 100%	<b>APIR Code</b>	QVL8781AU

CONTACT INFORMATION			
Email	<a href="mailto:contactus@qvgcapital.com.au">contactus@qvgcapital.com.au</a>	Phone	+61 2 8039 9060
Email	<a href="mailto:QVG@linkmarketservices.com.au">QVG@linkmarketservices.com.au</a>	Phone	+61 2 8767 1114