QVG CAPITAL

LONG SHORT FUND

MONTHLY REPORT - JULY 2026

SUMMARY

July performance was -2.3% taking since inception returns to +12.2% p.a.

COMMENTARY

The fund endured downside volatility this month similar to the Small Ordinaries which finished down -3.2%. This was in contrast to last month's volatility which was the more palatable kind (upwards). Increasingly we expect these swings to be the new normal. The key implications being that increasingly volatile markets mean more opportunities for us. They also mean more variable short-term results. As an example, our holding in **Southern Cross Electrical** was down 20% initially and then back up 10% in July. This was seemingly driven by global macro AI and electrification sentiment and not company specific news.

Key contributors on the long side included **Bravura, Generation Development**, **HUB24** and **Webtravel**. The largest detractors were **Duratec**, **Genus** and **ZIP**.

On the short side our key contributors were highly speculative companies including specialty materials production and drone related technologies. Traditional retailers also contributed to return. Detractors were more eclectic but included traditional media and both hard & soft commodity processors.

Web Travel Group was a new addition to the portfolio during the month. We upweighted this position post their trading update and guidance in late July. Web has suffered in recent years from material declines in the margins it makes from travel volumes and a slowing growth rate of these volumes. Additionally, the opaque B2B nature of the industry has meant the valuation has also compressed to reflect a continuation of these trends. We believe that margins have entered a period of stabilisation with additional upside from travel volumes when middle east tensions eventually subside. Our math tells us that we can get paid 20%+ in the absence of incremental bad news which looks like more than adequate compensation to us.

Duratec and **Genus** were both down circa 20% over the course of July. You'd be forgiven for thinking something has gone seriously wrong. Counterintuitively, both businesses announced material new contracts. Each of these contractors has a significant multi-year ramp in earnings ahead of them which in our opinion justified their high 1 year forward earnings multiples. This equation is much more straight forward now with the earnings picture still intact and the valuations now undemanding.

OUTLOOK

We are not huge fans of seasonal analysis of market returns (eg sell in May and go away, live to fight another day) but can't help but notice July is usually a good month for absolute returns in smaller companies. The fact the market did not perform this month might be ascribed to:

a) Iran
b) Rates
c) Pre reporting season nervousness
d) Other

Looking forward, some combination of reduced rate expectations, a benign earnings season and a reallocation of capital away from AI supply chain trades would be the most favourable combination to see capital flow towards domestic smaller companies. Absent this, we believe the combination of earnings growth and the relatively cheap valuations (for the growth) on which our companies trade, means that the portfolio can deliver acceptable to good returns over the medium term.

NET PERFORMANCE

PERIOD	FUND RETURN
1 month	-2.25%
12 months	-10.50%
3 years p.a.	+9.72%
5 years p.a.	+6.12%
Since Inception*	+129.46%
Since Inception p.a.*	+12.18%

*Inception on 13th May 2019

TOP 5 HOLDINGS

1. HUB24 (HUB)
2. Genus Group (GNP)
3. ZIP Co (ZIP)
4. Aussie Broadband (ABB)
5. Southern Cross Electrical (SXE)