

SUMMARY

December performance was -1.9% versus the Small Ords +1.4%. Since inception returns are 14.9% p.a.

COMMENTARY

December's underperformance was driven by our underweight exposure to sectors currently contributing most significantly to benchmark returns, namely Materials and Gold. Small Resources rose +8.8% for the month while Small Industrials fell -2.0%. The Fund's overweights to the Information Technology sector detracted from performance. Positive contributors included **Maas Group**, **IDP Education** and **MA Financial**. Detractors in December included **Life360**, **Hansen Technologies**, and **Catapult Sports**.

Maas Group's December rally had nothing to do with Santa. A \$200m contract to build substations for neo-cloud player Firmus helps make a long-questioned growth story more concrete. Maas has traded on a modest rating for good reason. An unfortunate habit of missing earnings expectations and returns on invested capital that have lagged management's own targets are hard to dig. Yet change is afoot. The divestment of commercial property simplifies the balance sheet and will boost cash flows, while the Firmus win adds capital-lite earnings. Execution still matters. But if returns lift, so will the discount.

Software stocks dragged. Artificial intelligence has unsettled software investors. Fear of disruption, commoditisation and falling switching costs has compressed valuations across the sector. Multiples that once assumed perpetual pricing power now reflect shorter economic lives. Some caution is warranted. Seats-based, point solutions without proprietary data are vulnerable. Not all software is equally exposed. Mission-critical systems, embedded workflows and regulated environments remain sticky. Counterintuitively, we see a world where AI sinners become AI winners. It's possible many software names will benefit as AI becomes an add-on rather than a replacement. In sectors experiencing rapid change we place even more of a premium on management who have a track-record of adaptability and execution.

One business that looks relatively insulated from artificial intelligence is **Catapult Sports**. Its blend of hardware and software - once seen as undesirable - now provides defensive cover. Embedded devices, proprietary data and workflow integration make displacement a long shot. Generic AI may talk a good game, but Catapult still owns the playbook. What's equally exciting is that Catapult is no longer expensive. With a recent promotion into the big leagues - the ASX200 - the stock rose over \$7. This was a premiership valuation for a company that just breaks even. Now ~\$4 it's time to let the CAT out of the bag.

OUTLOOK

2025 glittered, though not always for the right reasons. QVG finished the calendar year up more than +26%. Solid progress, pacing the Small Ords +25% sprint. Small Industrials managed a workmanlike +9% Small resources, by contrast, struck paydirt, rising by +73%! Gold being the commodity that did the heavy lifting. Not owning any of the shiny yellow stuff explains our only modest outperformance despite owning notable winners such as Life360 and Generation Development.

The journey was not without its drawdowns. The fund fell more than 10% in April and again in November. Neither proved terminal. Both were reminders that compounding rarely moves in a straight line, and that patience is often rewarded with interest, sometimes payable in bullion.

Looking ahead, the opportunity set looks anything but barren. At the time of writing you can lend money to the Aussie government for 10-years and earn 4.80%. Higher rates, renewed anxiety over artificial intelligence's disruptive impacts, and a stellar run in resources have left plenty of QVG-style businesses in the dirt. For long-term investors, lower share prices are gold dust, and it is this which underpins our optimism for 2026.

NET PERFORMANCE

PERIOD	FUND RETURN	BENCHMARK RETURN	OUT / UNDER-PERFORMANCE
1 month	-1.85%	1.42%	-3.27%
1 year	26.32%	24.96%	1.37%
3 year p.a.	18.90%	13.43%	5.47%
5 year p.a.	11.42%	6.85%	4.57%
Since Inception	218.24%	94.20%	124.04%
Since Incept p.a.	14.90%	8.23%	6.61%

TOP 5 HOLDINGS

1. Generation Development (GDG)
2. ZIP Co. (ZIP)
3. Life360 (360)
4. Aussie Broadband (ABB)
5. MA Financial (MAF)

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 two decades and 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 1 August, 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	30	Admin & Custodian	MUFG Corporate Markets
Stock Limit	10% at cost	APIR Code	QVG9204AU
Trust FUM	\$787m	Platform Availability	Netwealth, HUB24, AUSMAQ, POWERWRAP

CONTACT INFORMATION

Email contactus@qvgcapital.com.au Phone +61 2 8039 9060

Email qvg@cm.mpms.mufg.com Phone +61 2 8767 1114