

## SUMMARY

The fund fell -11.3% versus -9.0% for the Small Ords Accumulation index taking since inception returns to 19.8% p.a.

## COMMENTARY

Global and domestic equity markets fell heavily in January prompted by Central Bank actions to combat inflation. Our underperformance in a down month is frustrating but we are careful not to take our lead from share prices and remain focused on the operating performance of our companies. With this in mind, here's a snapshot of news from January:

Software company **Objective Corp** gave a trading update for the 6 months to December which showed they grew revenue 13% and pretax profits by 28%.

Fund manager and investment bank **MA Financial** increased CY21 and CY22 earnings guidance.

IT distributor **Data#3** announced they'll beat the top end of their \$15-18m pretax profit guidance for the first half.

E-Commerce company **City Chic** gave a trading update which showed 44% organic sales growth; albeit margins were impacted by COVID mandated store closures.

Lottery ticket reseller **Jumbo Interactive** announced the acquisition of a UK-based lottery services company. The acquisition is a low-risk bolt-on, is earnings accretive and strategic as it will accelerate adoption of Jumbo's existing lottery management software.

Financial platform **HUB24** gave a Q2 market update which showed net flows had further accelerated from Q1.

Lighting retailer **Beacon Lighting** issued first half earnings guidance well ahead of consensus.

Family tracking app **Life360** beat contracted revenue, EBITDA and new customer forecasts in the December Quarter.

And in more mixed news:

Natural skincare company **BWX** announced the unexpected resignation of their CEO Dave Fenlon. As the architect of capital raisings for a new manufacturing facility and acquisition of half of *Go-To Skincare* the resignation was taken poorly by the market.

It's easy to get distracted by the dramatic price moves we've seen over the past month. Our focus remains on the operating (as opposed to share price) performance of portfolio holdings. Hopefully from this month's commentary you can see there were lots of positive updates over the month.

This is our third meaningful drawdown since the inception of the fund. From this experience we've learnt a few things about market corrections:

1. They're difficult to forecast but are inevitable. Expect them.
2. Decisions made (or not made) in times of stress dictate future returns
3. 'Risk management' (i.e. selling) of carefully selected companies during a crisis is rarely a good idea
4. Time horizons compress in bear markets; this presents opportunity

Bold predictions about the future of markets often reveal more about the forecaster than markets themselves. While we are keen observers of macroeconomic debates (arguably a bad habit!) we try to confine our analytical efforts to things that are both relevant and knowable. We believe much of this month's media commentary about future Central Bank actions is relevant but, ultimately, unknowable. Our expertise resides at the stock specific level as evidenced by the solid earnings performance of our companies. We also believe that in time, shareholders with patience (and a high pain threshold) will be well rewarded.

## NET PERFORMANCE

PERIOD	FUND RETURN	BENCHMARK RETURN	OUT / UNDER-PERFORMANCE
1 month	-11.29%	-9.00%	-2.29%
1 year	+17.00%	+6.65%	+10.35%
Since Incept p.a.	+19.84%	+9.33%	+10.51%
Since Incept	+122.46%	+48.31%	+74.15%

## TOP 5 HOLDINGS

1. Uniti Group (UWL)
2. Johns Lyng (JLG)
3. Hansen Technologies (HSN)
4. Tyro Payments (TYR)
5. Index (IMD)

## 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



**TONY WATERS**

Tony has 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.



**CHRIS PRUNTY, CFA**

Chris has 19 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.

## 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.

FUND INFORMATION			
<b>Name</b>	QVG Opportunities Fund	<b>Investor Eligibility</b>	Wholesale or 'sophisticated' investors only
<b>Structure</b>	Wholesale Unit Trust	<b>Minimum Investment</b>	\$250,000 (unless otherwise agreed)
<b>Investment Universe</b>	ASX-listed smaller companies	<b>Liquidity</b>	Daily Unit Pricing Applications and Redemptions
<b>Benchmark</b>	S&P/ASX Small Ords Accum	<b>Fees</b>	1.2% management and 20.5% performance
<b>Stock Holdings</b>	32	<b>Admin &amp; Custodian</b>	Link Fund Solutions
<b>Stock Limit</b>	10% at cost	<b>APIR Code</b>	QVG9204AU
<b>Trust FUM</b>	\$685m	<b>Platform Availability</b>	Netwealth, HUB24, AUSMAQ, POWERWRAP

### CONTACT INFORMATION

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