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11 August 2015

A note from the Chairman

It will soon be a year since the shares and options in QV Equities Limited first traded on the Australian Securities Exchange. Anniversaries are always a good time to renew promises and commitments – and to consider how performance is tracking against the stated goals!

Our objective

QV Equities was set up to provide investors with an opportunity to invest in a diversified portfolio of securities, listed on the stock exchange, other than those included in the S&P/ASX top-20 index.

The ex-20 part of the market is more diversified in both industry exposure and market capitalisation than the top-20 segment. Being less researched than the larger companies, investment in selected ex-20 securities offers investors enhanced opportunity to gain the long-term capital growth and income they are seeking.

The QV Equities portfolio is managed by Investors Mutual Limited, a multi award-winning and experienced fund manager with an excellent record of successfully managing Australian equities. The Manager seeks to target quality entities led by capable management, which are operating with competitive advantages, have recurring and predictable earnings with the ability to grow over time, and whose securities can be bought at an attractive entry price.

Our achievements

QVE's portfolio of ex-20 securities has been patiently and carefully built up and now encompasses 42 individual stocks across various ASX sectors.

The value of net tangible assets per share has risen from 97.3 cents on listing to \$1.076 pre-tax and \$1.05 post-tax on 31 July. In April, shareholders received the inaugural dividend of half a cent a share, fully franked.

Shareholders would, I believe, generally be well pleased with QV Equities' achievements in its first year as a listed company. The Board will report in more detail on the Company's activities in the financial year to 30 June when our financial results are released shortly.

A handwritten signature in black ink, appearing to read 'Don Stammer'.

Don Stammer
QV Equities Chairman

For further up to date information on the company and its investment philosophy, please go to: www.qvequities.com

Investment Update & Net Tangible Assets Report

JULY 2015

NET TANGIBLE ASSETS (NTA)	Pre Option Dilution	Diluted for QVE Options
NTA before tax	\$1.0757*	\$1.0404**
NTA after tax	\$1.0500*	\$1.0266**

*The NTA per share is as at 31 July 2015. The before and after tax numbers relate to the provision for deferred tax on the unrealised gains in the Company's investment portfolio. The Company is a long term investor and does not intend disposing of its total portfolio. Under current Accounting standards, the Company is required to provide for tax on any gains that might arise on such a theoretical disposal, after utilisation of brought forward losses. **This NTA per share is calculated allowing for the dilution effect assuming all outstanding options are exercised.

QV EQUITIES	
ASX Code	QVE
Option Code	QVEO
Listed	22 Aug 14
Shares on issue	196.9 mil
Options Exercised	12.3 mil
Options Outstanding	172.4 mil

PERFORMANCE	QVE's NTA after tax	BENCHMARK
1 Month	+1.5%	+4.1%
Since Inception (22 Aug 14)	+8.4%	+6.6%

Benchmark

S&P/ASX 300 Ex20 Accumulation Index

Number of Stocks

20 – 50 ASX listed securities which fall outside the S&P/ASX 20 Index

Suggested investment time frame

5+ Years

Dividend Frequency

Half-Yearly

Options expiry

15 March 2016

Investment Objective

To provide a rate of return which exceeds the return of the relevant benchmark on a rolling 4 year basis

- All major global markets moved higher in July, with the MSCI World Index rebounding +1.7% as the uncertainty surrounding a 'Grexit' dissipated and Chinese market regulators intervened in a bid to restore confidence and stabilise their stock market.

- The Australian Share market, as measured by the ASX300 index, rebounded +4.3% over the month, a welcome reprieve following June's sell-off. The positive performance was broad based with most sectors recording good gains.

- The ex-20 sector of the market rebounded well in July after its -6.9% fall in June. The performance of the QVE portfolio lagged the benchmark's strong surge due to the portfolio's relatively high cash position as well as its relative underweight position to cyclical stocks, which rose sharply over the month. Some of QVE's core holdings such as Energy Developments, AGL Energy, Sky City and Mayne Pharma all performed well over the month.

- In corporate news, Asciano received a conditional bid from US based Brookfield Infrastructure Group while Duet announced a proposal to buy 100% of outstanding shares in Energy Developments for \$8 per share.

- During July, Amaysim, a reseller of mobile services for the Optus network successfully listed on the ASX - QVE had taken up shares in this IPO. The company is a low cost operator selling sim cards only (no phones) at very attractive prices. The company is debt free and has a highly credentialed, experienced management team that we are comfortable will lead the company to delivering growing earnings and dividend streams in the years ahead.

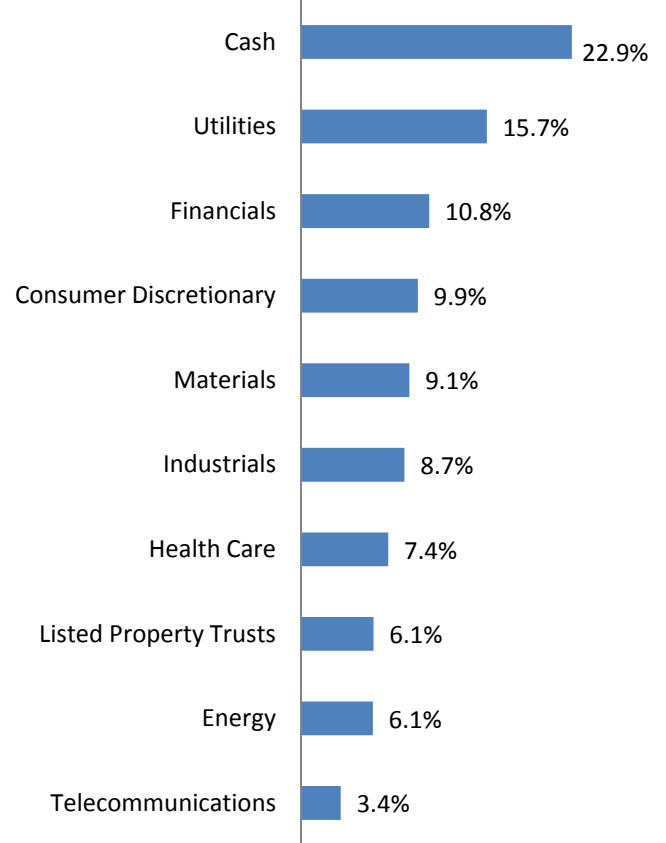
- QVE also initiated a position in Flight Centre over the month after the share price dropped heavily following an earnings update from the company, which disappointed investors. While the company's Australian operations are currently under some pressure due to the slowing domestic economy, we believe the company is attractive given it is debt free and is successfully growing its operations overseas. The company has in excess of \$500 million in net cash on its balance sheet and is trading on a cash adjusted PE of 14 times earnings, which we believe is a good entry point.

- We continue to maintain a cautious approach to the sharemarket and will continue to use bouts of weakness in the sharemarket to use the portfolio's cash to buy good quality stocks that conform to our investment philosophy and that appear attractive.



KEY EQUITY INVESTMENTS	P/E 2016	YIELD 2016
AGL Energy	15.3	4.5%
Sonic Healthcare	17.8	3.9%
Energy Developments	16.1	5.3%
Orica	15.1	5.0%
Bank of Queensland	13.6	5.6%
Steadfast Group	14.1	4.1%
GWA Group	14.6	5.8%
Fletcher Building	13.0	5.2%
ASX Ltd	21.0	4.3%
Ansell	16.0	2.4%

SECTOR ALLOCATION



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Disclaimer

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