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08 January 2016

## A note from the Chairman

Investment returns were decidedly modest over 2015, with most of the main asset classes delivering returns that were well-below their long-term average rates.

2016 seems likely to be a year of both opportunity and challenge for investors.

The continuation around the world of highly accommodative settings in monetary policy – even in the US, which has begun a gradual and drawn out return to a “normal” setting in its monetary policy – is a positive influence for share markets. Low interest rates add to the appeal of shares, particularly those paying a healthy and growing dividends.

Also, indications are that rates of economic growth in the US, Europe and Australia may turn out to be a little better than was generally expected in the closing months of 2015, although fears of continued softness in the Chinese and other emerging economies remain.

On the negative side of the ledger, the continued patchiness in economic growth means that it remains hard for many companies to grow their profits, given difficulty in growing sales revenues and continued strong competitive pressures in many industries.

My guess is that given this environment the performance of individual shares will diverge widely. It will be very much a stock-pickers’ market, especially for the selection of shares in mid-sized and smaller companies.

The investment manager of the QV Equities portfolio, Investors Mutual Limited, has a well-established reputation as a selective and patient investor, focusing on buying right quality stocks at attractive prices.

I am confident that QVE will continue to deliver a reliable dividend and favourable results over the long term for our investors, even in such challenging market conditions.

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](http://www.qvequities.com)**

# Investment Update & Net Tangible Assets Report

DECEMBER 2015



NET TANGIBLE ASSETS (NTA)	Pre Option Dilution	Diluted for QVE Options
NTA before tax	\$1.0761*	\$1.0418**
NTA after tax	\$1.0506*	\$1.0278**

\*The NTA per share is the ex price as at 31 Dec 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.

PERFORMANCE	QVE's NTA after tax	BENCHMARK
1 Month	+1.0%	+1.9%
3 Months	+4.7%	+7.7%
6 Months	+3.0%	+4.8%
1 Year	+6.7%	+10.4%
Since Inception (22 Aug 14)	+10.1%	+7.3%

The above returns assumes all declared dividends are reinvested

- Global equity markets finished the month lower in the wake of the first US rate hike in 9 years and continued concerns on global growth, particularly China. The major US indices fell circa 2%, the Nikkei lost 3.6%, while the Euro Stoxx 50 was the key laggard, slumping 7%. The torrid year in emerging markets continued with the MSCI Emerging Markets Index retreating 2.5% given the ongoing slowdown in China and concerns surrounding how emerging economies will perform in light of higher US interest rates.

- After looking weak in the first half of December, the ASX300 Accumulation index went against the trend and rallied strongly after the Fed rate hike to finish 2.7% higher for the month. However, the rally looked unconvincing as it was on relatively light volume and looked more a case of a lack of selling as opposed to an improvement in the fundamentals.

- The ex-20 sector of the Australian market performed well, climbing +1.9%. The Consumer Discretionary and Staples sectors led the gains over the month, both gaining more than +6%, helped by a strong bounce among the retail, travel and gaming sectors. Energy was the biggest drag as the oil price continued to falter. The Healthcare sector fell -4% of the back of the Federal Government's mid-year economic and the Medicare Benefit Scheme review.

- The QVE portfolio recorded a +1% gain over the month as good performances from stocks such as Trade Me, Chorus and AGL Energy offset disappointing performances by Sonic Healthcare and Aurizon. While both these latter company's share prices fell over the month, we remain positive in their ability to continue to deliver a good level of dividend as well as long term earnings growth to investors.

- During the month, we topped up our holdings to some of our existing companies such as building supplier, GWA Group, property group, Abacus and Z Energy at what we considered to be attractive prices.

- We continue to adopt a cautious approach given many uncertainties, particularly in Australia, where the large falls in the prices of many of Australia's commodity exports, as well the growing Federal Government budget deficit will at some stage have an impact on our economy. We continue to hold a higher cash level and continue to be patient in buying selectively as opportunities present themselves in what we expect to be a fairly volatile sharemarket.

QV EQUITIES	
ASX Code	QVE
Option Code	QVEO
Listed	22 Aug 14
Shares on issue	202.9 mil
Options Exercised	18.3 mill
Options Outstanding	166.3 mil

#### Benchmark

S&P/ASX 300 Ex20 Accumulation

#### 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

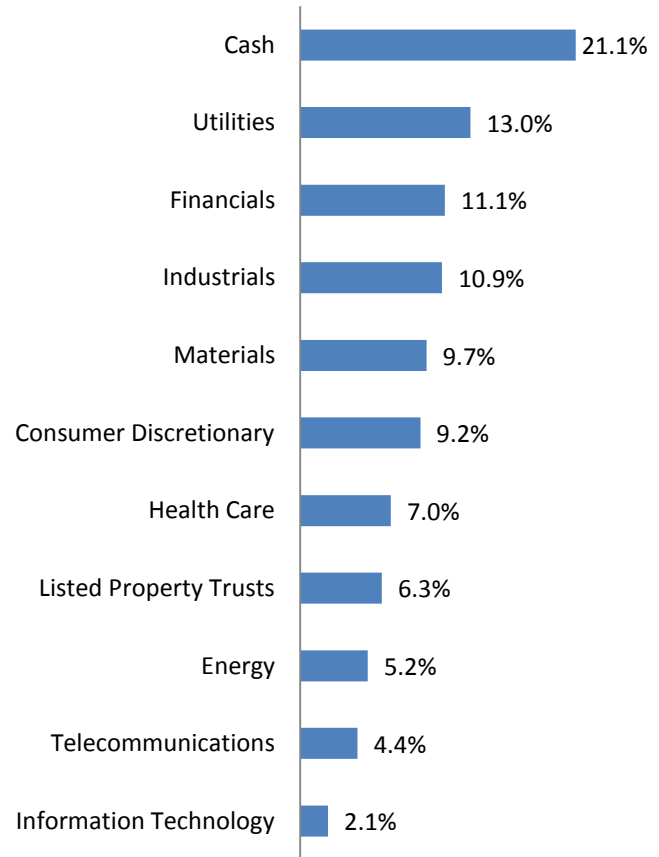
#### Investment Objective

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



KEY EQUITY INVESTMENTS	P/E 2016	YIELD 2016
Bank of Queensland	14.0	5.4%
Sonic Healthcare	15.8	4.5%
Fletcher Building	12.0	5.3%
Orica	12.9	5.4%
AGL Energy	17.3	4.0%
Steadfast	14.0	4.1%
ASX Ltd	19.9	4.5%
Ausnet Services	19.1	5.7%
Aurizon Holdings	17.0	5.9%
Trade Me	20.0	4.7%

## SECTOR ALLOCATION



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