

Investment Update & Net Tangible Assets Report

November 2016



NET TANGIBLE ASSETS (NTA)*		QVE-ASX	QV EQUITIES	
NTA before tax		1.1427	ASX Code	QVE
NTA after tax		1.0994	Listed	22 Aug 14
			Shares on issue	221.5
			Benchmark	S&P/ASX 300 Ex20 Accumulation
			Number of stocks	20 – 50
			Dividend Frequency	Half yearly
			Suggested investment time frame	5+ years
			Investment Objective	To provide a rate of return which exceeds the return of its benchmark on a rolling 4 year basis

PERFORMANCE	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+1.3%	+1.0%	+0.6%
3 Months	-1.9%	-0.9%	-3.7%
6 Months	+3.6%	+3.3%	+1.6%
1 Year	+10.9%	+9.0%	+14.2%
Since Inception Total Return p.a	+9.4%	+7.6%	+8.2%

The above returns are after fees and assumes all declared dividends are reinvested

SHAREMARKET COMMENTARY

In a volatile month, global equity markets gained +1.3% in November, led chiefly by the US S&P500 which jumped +3.4% to a new record high following the surprise election of Donald Trump as US President on hopes that his proposed fiscally led expansion plans would lead to higher GDP growth in the US. Conversely, globally bonds had one of their worst months on record with fears that Trump's economic policies will prove to be inflationary. A growing expectation that the US Fed Reserve will raise interest rates by 25 basis points in December also weighed on bonds. As a result, the US 10yr Government Bond sold off heavily with its yield moving 56bps higher to 2.4%, whilst Australia's 10-year bond yield rose 38bps to 2.7%.

Japan's Nikkei surged +5.1% courtesy of the Bank of Japan's ongoing stimulus measures causing continued weakness in the Yen, benefiting Japan's exporters. Conversely Emerging Markets came under renewed pressure falling -5% due to higher bond yields across the globe with weakness in their currencies due to strength in the USD and fears of more restrictive trade policies from the new US President's administration.

In a welcome reprieve for the RBA and our exporters, the AUD depreciated -3% against the USD which continued to firm in anticipation of the impending US interest rate rises. Commodities had another strong month, with sentiment receiving a boost courtesy of China's stimulus measures and on speculation that Trump's proposed increased infrastructure spend will lead to stronger US growth. Iron ore and the base metal prices leapt +12%, while the Oil price moved +4.5% higher courtesy of an OPEC led production cut on the last day of the month with the cartel agreeing to cut production by 1.2m barrels per day.

Domestically, the broader Australian market as measured by the ASX300 had recovered from the losses suffered in October to record a +2.8% gain, led by the Financials and the Resources sector which gained +6.0% and 3.4% respectively. The Banks found strong support on the perception that the tide has turned on the interest rate cycle, with the potential for higher rates translating into increased net interest margins. The ASX ex20 Index lagged the overall sharemarket's gain to eke out a +0.6% rise for the month.

The QVE portfolio's pre tax NTA performed well gaining +1.3%, which was better than the benchmark's gain of +0.6%, with our core holdings in good quality companies AGL, Sonic Healthcare, Clydesdale Bank, SkyCity and Ansell all performing well.

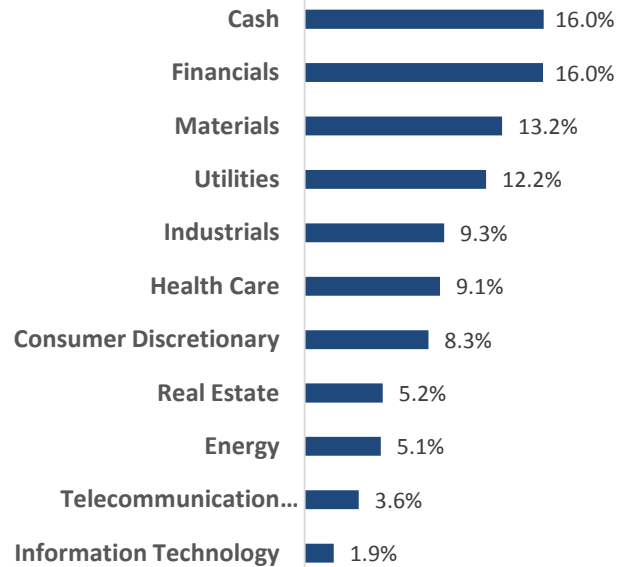
Due to the ongoing volatility, we decided to take profits on certain stocks that had been substantially rerated. In the last few months we have taken profits by selling completely out of stocks into strength such as ALS and Generation Healthcare as we deemed them to be fully valued. More recently we have trimmed our holdings in stocks such as AGL and Orica which have risen strongly in recent months. This increased turnover will lead to higher realised capital gains than in the previous year, thus moving us away from our previously disclosed strategy of passing on a component attributable to LIC capital gains in our future QVE dividends. Exiting stocks which the company deems fully valued is aligned to IML's (the Manager) usual style of management and we are confident that this move will help with the franked component of the QVE dividend going forward.

While sharemarkets have reacted optimistically to Trump's proposed expansionary economic policies, we continue to adopt a cautious approach as the prospect of near term higher US interest rates, along with the potential for higher inflation in the medium to longer term will lead to further volatility at some point. In addition, the outlook for many parts of the global economy, such as Europe and Emerging Economies still looks fairly uncertain. We continue to skew the portfolio towards good quality Industrial companies whose valuations we find attractive and that we believe can grow their earnings and dividends in the next 3 to 5 years.



KEY EQUITY INVESTMENTS	ASX Code	Weight
Fletcher Building	FBU	3.9%
Bank of Queensland	BOQ	3.7%
Sonic Healthcare	SHL	3.4%
Steadfast	SDF	3.3%
Pact	PGH	3.1%
Ancor	AMC	3.0%
GWA	GWA	3.0%
Ansell	ANN	2.9%
AGL Energy	AGL	2.9%
Orica	ORI	2.9%

SECTOR ALLOCATION



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