

# Investment Update & Net Tangible Assets Report

February 2017



NET TANGIBLE ASSETS (NTA)*		QVE-ASX	QV EQUITIES		
NTA before tax cum div		1.1624	ASX Code	QVE	
NTA after tax cum div		1.1170	Listed	22 Aug 14	
*The before and after tax NTA numbers relate to the provision for tax on net profit in addition to deferred tax on the un-realised 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. QVE goes ex with a 2 cent fully franked dividend on 17 March 2017.			Shares on issue	221.5	
PERFORMANCE	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK	Benchmark	S&P/ASX 300 Ex20 Accumulation
1 Month	-1.0%	-0.4%	+1.8%	Number of stocks	20 – 50
3 Months	+1.7%	+1.6%	+4.9%	Dividend Frequency	Half yearly
6 Months	-0.2%	0.7%	+1.1%	Suggested investment time frame	5+ years
1 Year	+14.0%	+11.7%	+18.4%	Investment Objective	To provide a rate of return which exceeds the return of its benchmark on a rolling 4 year basis
Since Inception Total Return p.a	+9.2%	+7.5%	+9.4%		

## SHAREMARKET COMMENTARY

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

Global equity markets as measured by the MSCI World Index gained a further +3.1% in February. This was the fourth consecutive month of gains and the longest winning streak since mid 2014. The US S&P 500 was the standout performer for the month gaining +3.7% to new record highs, largely supported by optimism over the new President's expansionary promises and a well received US corporate reporting season. Europe's Stoxx 50 and Japan's Nikkei also firmed, up +2.8% and +0.4% respectively.

The Australian sharemarket followed global markets upwards with the ASX300 gaining +2.2%, despite a mixed reporting season. While Industrial stocks rallied, the Resource sector fell -3.4% on profit taking following the sector's recent good run. This was despite further strength in commodity prices during February with the iron ore price spiking a further +9%, whilst oil and the Base Metals Index both gained +1%.

The ASX ex 20 Index also had a positive month up +1.8% although the return lagged the overall market's gains. Ex 20 REITs led the gains to rally +5.5% as the sector recovered from its sell off over the last few months. The Consumer Discretionary sector also performed well up +3.0%, as casino operators; namely Crown and SkyCity gained +11% and +6% respectively. This was after Crown announced a special dividend and share buyback while Sky City showed improving performance in the December quarter of 2016 following a softer than expected September. Fairfax Media also had a strong month gaining +11% after the company announced a strategic review and potential spinoff of its successful Domain business into a new Fairfax controlled ASX listed Entity.

QVE portfolio's pre tax NTA fell -1.0% in February which was a disappointing result. Poor performances from some of the mid cap stocks such as Tox Free, Clydesdale Bank and Ansell impacted the portfolio during February. We remain satisfied with the long-term outlook of all these quality mid cap companies and used current share price weakness to top up on our holdings.

Tox Free fell after the company reduced its earnings guidance for the FY17 after dry weather on the eastern seaboard negatively impacted volumes at the company's Worth's liquid waste division. Over the last few years, the company has successfully diversified itself away from its reliance on the Resource sector by now becoming one of the largest waste management companies in Australia in areas such as health and industrial services. We believe the impact to earnings is a temporary issue and believe the company will do well in the growing waste management services sector over the next 3 to 5 years.

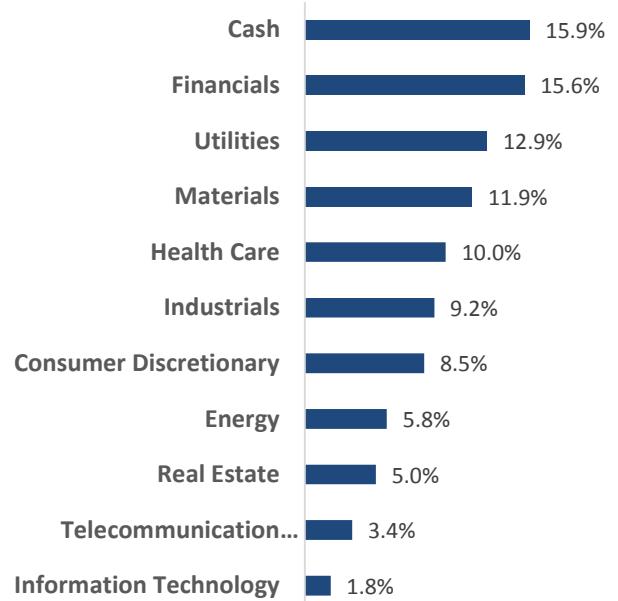
Ansell posted a broadly positive interim result although investors were concerned that rising input prices would impact future profitability. We remain confident that Ansell remains well positioned given its scale as a global industrial and medical glove supplier. We also remain confident that the company will extract a price of more than \$500m for its condom division, which the company is currently in the process of selling. Clydesdale Bank also had a poor month after it withdrew its proposal to acquire Williams and Glyn banking operations and as fears of a new independent referendum for Scotland gathered pace. Clydesdale remains a conservatively managed mortgage bank with ample opportunity to cut costs, increase profits and return excess capital to shareholders in the years ahead.

Despite most Industrial companies reporting sluggish earnings growth for the six months to December, the latest rally in the Australian sharemarket has taken it back to near 12 month highs. Resource companies continue to benefit from the current strength of most commodity prices. The sustainability of current prices remains largely reliant on growth in China, which remains unpredictable and reliant on Government stimulus. We continue to tread cautiously only selecting companies that look good from a value and quality aspect and remain focused on identifying and holding companies that we believe can grow their earnings steadily in the next 3 to 5 years.



KEY EQUITY INVESTMENTS	ASX Code	Weight
Steadfast	SDF	3.7%
Bank of Queensland	BOQ	3.7%
Sonic Healthcare	SHL	3.3%
Ansell	ANN	3.3%
Spark Infrastructure	SKI	3.1%
Pact	PGH	3.1%
Amcor	AMC	3.0%
Orica	ORI	3.0%
Tox Free	TOX	2.8%
Fletcher Building	FBU	2.8%

## SECTOR ALLOCATION



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