

Investment Update & Net Tangible Assets Report

April 2017



NET TANGIBLE ASSETS (NTA)*		QVE-ASX	QV EQUITIES		
NTA before tax		1.2022	ASX Code	QVE	
NTA after tax		1.1550	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. The NTA for March 2017 published last month reflected ex dividend numbers.			Shares on issue	275.1m	
PERFORMANCE	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK	Benchmark	S&P/ASX 300 Ex20 Accumulation
1 Month	+1.5%	+1.6%	+1.2%	Number of stocks	20 – 50
3 Months	+4.2%	+4.8%	+6.6%	Dividend Frequency	Half yearly
6 Months	+8.4%	+8.0%	+10.6%	Suggested investment time frame	5+ years
1 Year	+14.5%	+13.3%	+16.0%	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	+10.6%	+9.1%	+10.6%		

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

SHAREMARKET COMMENTARY

Global equity markets edged higher in April, with the MSCI World Index gaining +1.4%, helped late in the month by Q1 US corporate earnings season along with French Presidential candidate Emmanuel Macron's first round election win. All major markets finished higher, with the US S&P 500 up +0.9%, Europe's Stoxx 50 up +1.7% and Japan's Nikkei up +1.5%.

Global markets received a boost mid-month with the outcome of the first round of the French Presidential elections going to centrist Emmanuel Macron. Macron is widely expected to win the second-round runoff against Nationalist Front Leader Marine Le Pen and thus reduce the political uncertainty that has been weighing on the continent in the wake of last year's Brexit referendum.

Late in the month, curtailing the optimism from Europe, the release of US Q1 GDP growth came in weaker than expected, attributable to weaker than expected consumer spending, with auto sales continuing their softening trend. The weaker release coincided with President Trump's long awaited tax reform proposals, which were seen (not surprisingly perhaps) as light on detail. Commentators remarked that the tax cuts would increase the Federal budget deficit by \$7 trillion over ten years, leaving little chance for it to be approved by Congress.

The broader Australian market as measured by the ASX300 followed global equity markets higher by edging +1.0% up over the month. Whilst Industrials performed well, the broader market was weighed down by Resources which fell -1.6% after weaker commodity prices in April with iron ore, base metals and oil prices down -14%, -3% and -3% respectively over the month.

The ASX ex20 Index performed in line with the broader market gaining +1.2% for the month. Sector performance was mixed with defensive sectors such as Utilities and Healthcare performing relatively well gaining +3.1% and +0.8% respectively. Financials had a solid month gaining +3.1% with the likes of Steadfast, Clydesdale and fund manager BT having a strong month. Conversely, the Telco sector was hit hard falling -8.2% following the prospect of TPG entering the highly competitive mobile market. The Consumer Staples sector was also weak falling -3.5% over the month after Coca Cola released disappointing earnings guidance. On the corporate side and buoying the Utilities sector, Hong Kong infrastructure giant CKI finally won approval from the Australian Government (FIRB) for its \$7.4b takeover of energy pipeline owner Duet, which followed overwhelming support from shareholders in approving the deal. Thus, Duet rallied +8.2% in April.

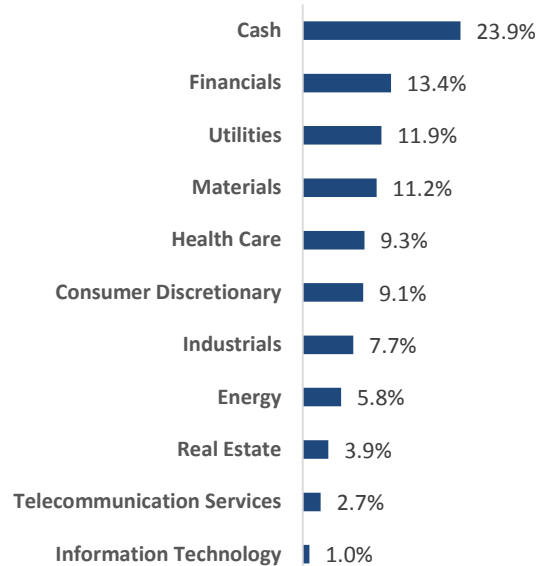
QVE's portfolio had a good month in April returning +1.5%, ahead of the benchmark's return of +1.2%. Our caution and the portfolios' minimal exposure to the ever volatile and speculative Resources sector benefited our performance, whilst several of our core mid and small cap Industrial holdings performed well over the month including Duet, Steadfast, Clydesdale, Sky City, Z Energy, Spark Infrastructure, Contact Energy, GWA, and Flight Centre. The final tranche of monies raised from QVE's recent capital raising was received during the month and was used to top up the portfolio's holdings in quality small and mid-cap companies that we believe represent good value such as Z Energy, Clydesdale Bank and Fletcher Building.

Given the steep rise in global sharemarkets over the last 6 months, we remain cautious on the short-term direction of the Australian stockmarket given that many shares appear to be trading at or above fair value. Having said this, ongoing low interest rates around the world will continue to be supportive of sharemarkets here and abroad, as economic conditions remain lacklustre. We continue to focus on good quality shares that in our opinion remain attractively priced while maintaining a healthy cash balance to take advantage of any opportunities when they appear.



KEY EQUITY INVESTMENTS	ASX Code	Weight
Sonic Healthcare	SHL	3.5%
Spark Infrastructure	SKI	3.4%
Clydesdale Bank	CYB	3.2%
Amcor	AMC	3.1%
Fletcher Building	FBU	3.1%
Bank of Queensland	BOQ	3.1%
Steadfast	SDF	3.0%
Ansell	ANN	2.9%
Pact	PGH	2.7%
Tox Free	TOX	2.5%

SECTOR ALLOCATION



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