

MEDIA RELEASE:

QVE announces record profits and increased dividends for FY 16

Year in Summary FY2016

Profit after tax \$5,717,941		Management Expense Ratio 1.09%		
Earnings Per Share (cents) 2.77 Basic		Portfolio Return (Pre-tax)* +8.2%	Benchmark** +14.7%	ASX 300 +0.87%
Full Year Dividends 3.3 cps Fully Franked	Final Dividend 1.8 cps Fully Franked	Portfolio Return (Post-tax)* +6.7%		
Net Assets \$237,579,502		QVEO exercised*** 36,767,958		

All data as at 30 June 2016

*Returns are measured for the 2016 financial year

**S&P/ASX300 ex20 index

*** Options exercised since listing 22 August 2014

Key Points

QV Equities Limited (QVE) is pleased to announce an after tax profit of \$5.72 million for the year to 30 June 2016. On a per share basis, that translates as after-tax basic earnings of 2.77 cents.

The QVE board has declared a 1.8 cps fully franked final dividend, which is higher than the interim '16 dividend of 1.5 cps bringing the total dividends for FY2016 to 3.3 cps fully franked.

QVE Portfolio of shares & performance

Over the course of the year the Manager proceeded to cautiously invest, reducing the cash position from 25% at 30 June 2015 to 15% by year end.

March saw the options which were issued at the time of the IPO expire. Some 27.9m options were exercised raising a further \$27.9m for the Company. At 30 June 2016 the Company's portfolio had a market value of just under \$250m.

Anton Tagliaferro said: "IML took advantage of any pullback in share prices to invest these additional funds so that at the date of writing the Company is around 85% invested in equity holdings. We remain alert to opportunities in periods of weakness to add to the Company's holdings. Given the strong increase recorded by many share prices we have also looked to exit positions that look fully valued."

For the 12 months to 30 June 2016, the QVE portfolio enjoyed another solid year, returning +8.2% before tax, however this return lagged the benchmark. **Anton Tagliaferro** said: "The benchmark return reflects strong gains by the cyclical Materials sector, with gold miners also rallying strongly following an increase in the gold price, while stocks such as iron ore miner Fortescue were also strong performers over the 15/16 financial year. Also boosting the benchmark were gains posted by the property stocks, such as Goodman Group, GPT and Stockland and infrastructure stocks Transurban (now top 20) and Sydney Airport. We believe these stocks do not represent good value and we continue to find better long term value elsewhere."

“Importantly, we are pleased to deliver to QVE shareholders a final dividend of 1.8 cps. We continue to stay disciplined in our investment approach and will continue to work hard to deliver consistent fully franked dividends to our shareholders over time.”

In Summary

Investment markets remain uncertain and volatile, however investors need to focus on the underlying companies in the portfolio. Share prices may move through time, however the nature of the underlying companies’ operations do not necessarily change.

QV Equities believes that a carefully-selected holding of ex-20 stocks, managed by Investors Mutual Limited, will provide good opportunities for investors going forward. This portfolio should be able to deliver long-term capital growth and sustainable income from a more diversified range of investments than is currently available from those companies that comprise the top-20 index.

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