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9 February 2015

## A note from QV Equities' Chairman Don Stammer

Despite slowing world growth, concerns about sustained deflation in Europe and Japan and the recent gloom in the Resources and Energy sectors, the Australian sharemarket moved sharply higher in the early weeks of 2015. The main driving forces impacting sharemarkets are record low interest rates and the surge in global liquidity thanks to many central banks around the world adopting very loose monetary settings, while in reality corporate earnings are fairly steady and growth remains lacklustre.

QV Equities' manager Investors Mutual continues to accumulate shares in good quality companies where, in their view, valuations still appear reasonable. IML is being cautious in employing the cash raised from investors in the IPO as many shares now look fairly fully valued. IML continues to patiently construct a portfolio of quality ex-20 stocks that it believes can deliver on our investors' medium to longer term objectives.

A handwritten signature in black ink, appearing to read 'Don Stammer', is positioned above the printed name.

*Don Stammer*

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



JANUARY 2015

NET TANGIBLE ASSETS (NTA)	AMOUNT
NTA before tax	\$1.033*
NTA after tax	\$1.019*

\*The NTA per share is as at 31 Jan 2015 and is before any provision for dividends. 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

PERFORMANCE	QVE's NTA	BENCHMARK
1 Month	+1.5%	+3.2%
Since Inception**	+4.7%	+0.3%

\*\*Inception date: 22 Aug 2014

- The Australian sharemarket posted strong gains in January as speculation of an interest rate cut by the RBA and the announcement of a 1 trillion Euros QE programme by the European Central Bank offset the continued weakness in commodity prices.
- QVE recorded another positive month as its NTA rose another 1.5% so that NTA at the end of January was \$1.033 (pre tax) bringing the rise in the NTA to almost 5% since inception.
- During the month, we used share price weakness to top up substantially on our holdings in good quality financial companies such as ASX Limited and Bank of Queensland which were both trading at reasonable prices and attractive fully franked yields.
- We also took advantage of price weakness in early January to increase our weightings in casino operator Crown Resorts, NZ based Trade Me Group, global explosives manufacturer Orica and utility company Energy Developments (ENE). Later in the month, ENE announced an earnings upgrade for FY2015 as well as upgrade of its dividend guidance for the 1<sup>st</sup> half from 15c to 20c, thereby demonstrating confidence in the outlook.
- During the month we added Amalgamated Holdings to the portfolio. Whilst the company's shares have been substantially rerated in the last few years, we believe that they still represent reasonable value given a debt free balance sheet, substantial excess franking credits, a large property portfolio as well as a fully franked dividend yield of nearly 4%. The dividend is underpinned by the company's excellent cinema and hotel businesses.
- We continue to carefully add good quality companies to the portfolio although with the Australia sharemarket at new 5-year highs, we continue to adopt a very cautious and selective approach given the elevated valuations of many stocks. QV Equities was 55% invested in the ASX Ex-20 shares at 31 January 2015. We continue to patiently construct the portfolio of what we believe are reasonably priced companies which fulfill our criteria of strong competitive advantage, recurring earnings and good management that we believe over time can deliver a good stream of dividends and long term capital growth to QVE's shareholders.

QV EQUITIES	
ASX Code	QVE
Option Code	QVEO
Listed	22 Aug 2014
Shares on issue	184.6 mil
Dividend per share	n/a

#### Benchmark

S&P/ASX 300 Ex20 Accumulation Index

#### 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

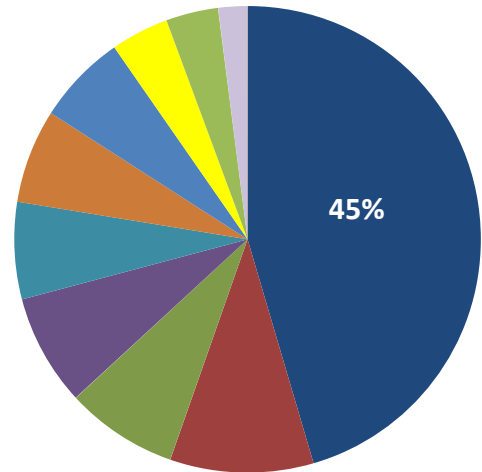
To provide a rate of return which exceeds the return of the relevant benchmark on a rolling 4 year basis



KEY EQUITY INVESTMENTS	P/E 2015	YIELD 2015
AGL Energy	15.5	4.4%
Orica	11.6	5.3%
Sonic Healthcare	18.8	3.7%
Bank of Queensland	13.9	5.8%
ASX Limited	19.1	4.7%
Salmat*	46.9	3.1%
Ansell	14.5	2.4%
Fletcher Building	14.8	4.6%
Energy Developments	13.0	7.3%
Oil Search	10.1	2.4%

\* Net cash of \$50m

## SECTOR ALLOCATION



- Cash
- Materials
- Industrials
- Health Care
- Listed Property Trusts
- Consumer Staple
- Utilities
- Financials
- Consumer Discretionary
- Energy
- Telecommunications
- Information Technology



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### Disclaimer

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