

11 May 2015

A note from the Chairman

The prevailing sentiment in investment markets seems to be changing.

In the early months of 2015, interest rates around the world declined to their lowest levels ever. Central banks were seen as “doing whatever it takes” to get their economies moving again by setting cash rates near zero and buying massive amounts of bonds. Hints of deflation also helped to bring about the record lows in interest rates.

The big falls in interest rates over recent years has led to a “hunt for yield” on the part of investors. In turn, this has boosted share prices, and caused market valuations to become very stretched – even though many companies have been finding it hard to grow their profits.

Market sentiment is now becoming choppy again. In most countries, bond yields rose sharply during early May, because of signs that global economic growth may not be as low as had been feared and that expectations of deflation had been exaggerated. Ten year government bond yields in the US, Germany and Australia jumped by half to three quarters of a percentage point in the three weeks to 8 May, which is a significant move. Sentiment towards Australian shares was also hurt by disappointing profit results from two of Australia major banks as well as a continued lack lustre update from Woolworths.

The volatility in bond yields, if sustained, is likely to see sharemarkets remain volatile for a time, and give back some of the gains they made in the first four months of the year.

QV Equities’ investment strategy capitalises on the Manager’s disciplined approach to selecting and managing our portfolio of shares. If, as seems likely, the share market softens for a time - and becomes more volatile - the Manager will have the enhanced opportunity to acquire, at reasonable prices, shares that offer prospects of good returns over the medium and long term.



Don Stammer
QV Equities Chairman

For further up to date information on the company and its investment philosophy, please go to: www.qvequities.com

Investment Update & Net Tangible Assets Report



APRIL 2015

NET TANGIBLE ASSETS (NTA)	Pre Option Dilution	Diluted for QVE Options
NTA before tax	\$1.0692*	\$1.0356**
NTA after tax	\$1.0445*	\$1.0229**

*The NTA per share is as at 30 April 2015. 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. **This NTA per share is calculated allowing for the dilution effect assuming all outstanding options are exercised.

PERFORMANCE	QVE's NTA	BENCHMARK
1 Month	0.0%	+0.2%
Since Inception~	+7.9%	+7.1%

~Inception date: 22 Aug 2014

- Global equity markets were mixed during April with gains in Japan and the US offset by drops in European markets. The US S&P 500 finished the month +0.9% higher, supported by positive earnings results coming from the first wave of Q1's reporting season. Further support for the US market came from weak US economic data releases with first quarter GDP and nonfarm payrolls both weaker than expected. Investors interpreted these as a positive as a weaker US economy would delay any interest rate increases by the US Federal Reserve.
- The Australian sharemarket, as measured by the ASX 300 Accumulation Index declined -1.7% in April as the market paused for breath following the strong performances in the first two months of the year. The market was led lower by the large cap segment with Financial stocks being sold off. QVE's benchmark, the ASX300 Ex 20, fared much better, finishing with a slight positive performance.
- Given the large falls in the market the flat return recorded by QVE's portfolio was a reasonable outcome as the benchmark recorded a small 0.2% gain.
- During the month, the AUD gained +3.9% against the USD, supported by the RBA decision to leave rates, with a rebound in the commodity prices also supporting our Dollar. Thus iron ore gained almost +10% over the month to finish at around US\$56 per tonne while the Brent crude oil price rebounded 21% and the base metals LME index gained almost +7% over the month on short covering from hedge funds.
- During the month of April, stock performances were mixed in the QVE portfolio. Healthcare companies, Ansell and Sonic Healthcare fell on the back of the stronger AUD given a large portion of their income is derived from overseas while our Energy stocks, Oil Search and Santos rebounded significantly on the back of the strengthening oil price. Other strong performers for the month included New Zealand's largest telecommunication utility company, Chorus, Energy retailer, ERM Power and entertainment provider Amalgamated Holdings.
- During the month, we used price weakness to buy further shares in rigid plastic packaging company Pact Group, household supplier of fixtures and fittings, GWA Group and NZ building and construction company, Fletcher Building.
- We continue to monitor the sharemarket closely and are looking to use any weakness to continue to use our cash holdings to buy shares in quality companies for the portfolio that can grow their earnings in the next 3 to 5 years and which can provide a consistent income stream to our investors.

QV EQUITIES	
ASX Code	QVE
Option Code	QVEO
Listed	22 Aug 14
Shares on issue	189.7 mil
Options Exercised	5.1 mill
Options Outstanding	179.5 mil
Interim dividend per share (paid 2 nd April)	0.5 cents

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

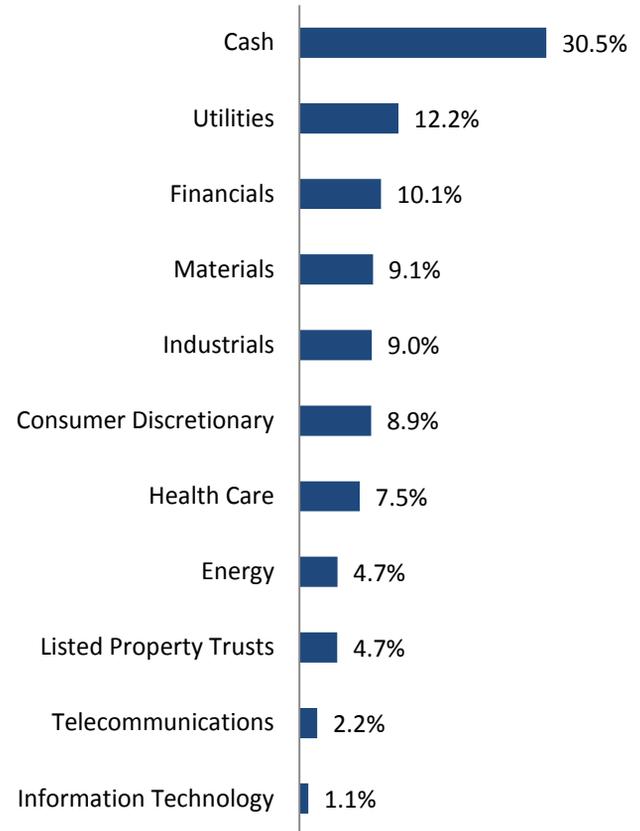
Investment Objective

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 2016	YIELD 2016
AGL Energy	13.7	4.2%
Orica	13.5	4.5%
GWA Group	15.2	5.6%
Sonic Healthcare	18.0	3.9%
Energy Developments	16.4	5.6%
Bank of Queensland	12.8	5.9%
Fletcher Building	12.8	5.2%
Ansell	15.5	2.3%
Steadfast Group	13.1	4.4%
ASX Ltd	19.9	4.5%

SECTOR ALLOCATION



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