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07 September 2015

A note from the Chairman

In recent weeks, share markets have fallen sharply and have been highly volatile. Globally, there's heightened concern about flow-on effects from the slowing Chinese economy and also worries that the US cash rate, which has been held close to zero for almost seven years, will soon be raised.

With the added influences of our lacklustre economy, the mixed earnings season and the impact of the large capital raisings by banks, the average share price in Australia has declined by about eleven per cent since the end of July.

When there's a lot of gloom around, and much of the media is headlining the bad news, some investors are taking a shorter-term perspective and selling off their quality investments, even at depressed prices.

Experienced investors know the benefits of taking a longer-term view and holding a carefully selected, diversified portfolio that favours companies that can grow their earnings and pay sustainable dividends. Times of gloom are initially seen as a time to quit even quality investments and is often recognised, in retrospect, as a very good time to have invested.

A handwritten signature in black ink, appearing to read 'Don Stammer'.

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

AUGUST 2015

NET TANGIBLE ASSETS (NTA)	Pre Option Dilution	Diluted for QVE Options
NTA before tax	\$1.0391*	\$1.0210**
NTA after tax	\$1.0251*	\$1.0135**

*The NTA per share is as at 31 Aug 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 after tax	BENCHMARK
1 Month	-2.4%	-5.4%
Since Inception (22 Aug 14)	+5.9%	+0.8%

- August was a tumultuous month for investors around the world as stock markets sold off heavily. In one of the most volatile months in recent memory, the MSCI World Index fell 7% with all major markets posting significant losses. This was driven by concerns surrounding earnings and global growth, caused most notably by the continued economic weakness in China, leading to a surprise move by the People's Bank of China to engineer a 3.5% devaluation of the Yuan. The sharp falls in the Shanghai stockmarket and clear signs that many emerging economies are struggling amid low commodity prices, continued to add further uncertainty to the global outlook.

- The local sharemarket was no exception to the chaos losing -7.7% as measured by the ASX300, its worst monthly performance in about 7 years. A disappointing reporting season did little to help local investor confidence with many companies reporting little top line growth for FY15 and muted FY16 guidance.

- All sectors of the Australian sharemarket recorded losses over the month, led by the Financials and Resource sectors. Given its defensive nature, the Utilities sector exhibited strong resilience in the face of the carnage elsewhere.

- The ex-20 sector of the market fared relatively better with the benchmark falling -5.4% in August, insulated from the sharp falls in the share prices of the large banks as they embarked on their capital raising to appease the regulators. The QVE portfolio recorded a loss of -2.4% helped by our relative overweight in the Utilities sector as well as due to the portfolio's relatively high cash position. Some of QVE's core holdings such as AGL Energy, GWA Group and Trade Me were strong performers over the month.

- We took advantage of the price weaknesses to top up our holdings in our favored companies. This included regulated utility, Ausnet, rail freight operator, Aurizon, as well as packaging companies, Pact Group and Orora. These are good quality companies which were bought at what we consider to be excellent prices and on very healthy, sustainable dividend yields.

- It is likely that sharemarkets will remain volatile in the short term and given our belief that interest rates will remain low, several Industrial stocks are beginning to look attractive. We continue to calmly and selectively buy stocks when we adjudge them to be at attractive long term prices and look oversold, which can often happen at times of uncertainty.

QV EQUITIES

ASX Code	QVE
Option Code	QVEO
Listed	22 Aug 14
Shares on issue	198.6 mil
Options Exercised	13.9 mil
Options Outstanding	170.7 mil

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

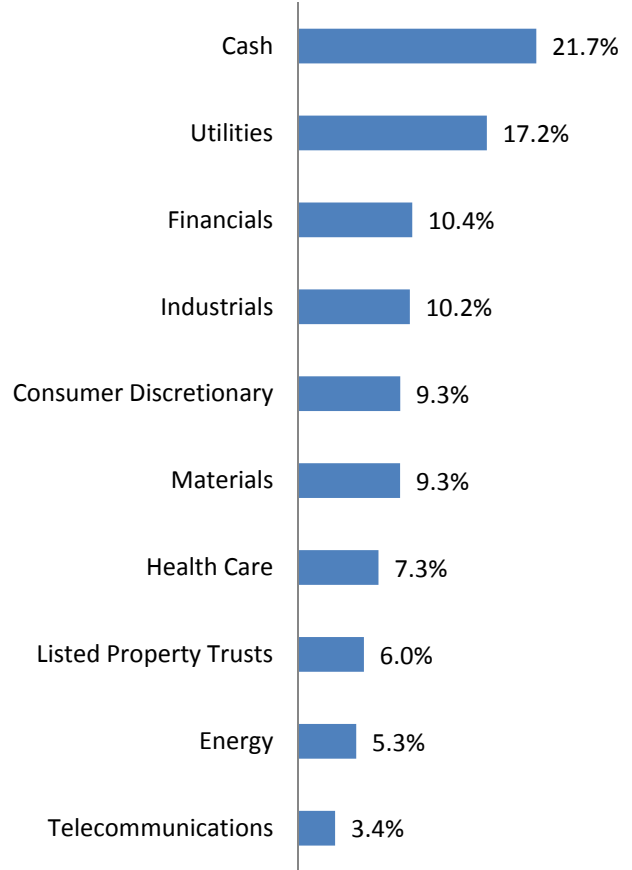
Investment Objective

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	15.5	4.4%
Sonic Healthcare	17.8	3.9%
Energy Developments	Under Take over	
Bank of Queensland	12.5	6.1%
GWA Group	15.9	5.4%
Orica	12.5	6.1%
Steadfast	13.3	4.3%
Fletcher Building	12.7	5.8%
ASX Ltd	18.7	4.8%
AusNet Services	16.8	6.5%

SECTOR ALLOCATION



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