

8 December 2015

A note from the Chairman

When I sat down to type this note, the accumulation index for the Australian sharemarket was about where it was at the beginning of 2015. And it's been a similar experience for US shares. This is because many companies have found it hard to grow or even maintain their earnings while the world economy has been slowing.

Sharemarkets have traded sideways over the past eleven months although with increased volatility since August. Share price movements have been more uneven than usual by sector and by company and increasingly it has become a stock-picker's market.

The prevailing sentiment among investors is that global economic growth will be sub-par in 2016 and very disparate by country and by industry with companies continuing to struggle for earnings growth.

Even while a general attitude of caution prevails in sharemarkets, investors in QV Equities can, I believe, take comfort from these features of our investment processes and style:

- ✓ Our focus is on selecting listed stocks in Australia and New Zealand outside the top-twenty (ex-20) companies by market capitalisation. This grouping of stocks includes a good number of companies that, in my view, can grow their earnings and dividends even when overall economic growth is relatively subdued.
- ✓ Many of these ex-20 companies have not been closely researched by other investors. The investment manager for QV Equities, Investors Mutual Limited has an experienced team of analysts appraising a selection of these mid-sized and smaller businesses.
- ✓ Our investment manager has a well-established reputation as a patient investor, looking to buy good quality stocks at attractive prices.
- ✓ Particularly at times when investment returns are modest, attention will be given to investment fees and charges. QV Equities has one of the lowest fees for an actively managed LIC fund of its type and does not levy any performance fees.



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

NOVEMBER 2015



NET TANGIBLE ASSETS (NTA)	Pre Option Dilution	Diluted for QVE Options
NTA before tax	\$1.0616*	\$1.0336**
NTA after tax	\$1.0404*	\$1.0220**

*The NTA per share is the ex price as at 30 Nov 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	+0.1%	-0.6%
3 Months	+3.0%	+4.4%
6 Months	+0.0%	-4.2%
1 Year	+7.5%	+11.1%
Since Inception (22 Aug 14)	+9.0%	+5.3%

The above returns assumes all declared dividends are reinvested

- Global equity markets were volatile again in November although most major sharemarkets ended up in the positive with the Euro Stoxx 50 up +2.6%, the Nikkei up +3.5% while the US markets finished relatively flat.

- Australia continued its underperformance relative to these larger markets with the ASX300 Accumulation index slipping -0.7% as Resource related stocks continued to fall due to the ongoing slump in commodities. Growth concerns in China as well as continued oversupply gluts saw the iron ore and oil price slump a further -14% and -10% respectively over the month, while base metal prices also remained under pressure with the LME Metals Index falling -7%.

- The ex-20 sector of the Australian market was also weaker, down -0.6% with the Materials and Energy sectors providing the biggest drag on the benchmark as the price of commodities continued to falter. The QVE portfolio held up reasonably well in a falling market mustering a +0.1% gain for the month thanks to our low weight to the Resource sector and our bias towards Healthcare and Utilities stocks. Strong performers over the month were Sonic Healthcare, Ansell and Ausnet.

- There were several trading updates over the month with Caltex upgrading its earnings forecast for FY15 and FY16 due to higher refiner margins while the likes of Dick Smith and Primary Healthcare disappointed investors. In corporate activity, Seek sold out of its testing and student placement arm by listing IDP Education, while REA Group acquired iProperty Group for \$750m gaining exposure into the South East Asian market.

- We took advantage of price weakness over the month to top up on some of our existing companies such as freight operator Aurizon and shopping centre owner Shopping Centres Australia. We also bought more shares in building supplier, GWA Group which fell sharply after a disappointing AGM update. We also used our cash to participate in new share issues from companies such as Spark Infrastructure and ALS Limited at what we considered to be very attractive long term prices.

- The need to remain very selective was clearly shown during the month with several companies in the ex 20 sector, such as Dick Smith, Spotless Group and Slater and Gordon falling heavily following disappointing updates. We continue to adopt a cautious approach as we head into 2016 given the collapse in the prices of many of Australia's commodity exports, as well as the many global economic uncertainties. We continue to hold a higher cash level and buy very selectively as opportunities present into companies that we believe can grow and provide healthy income to its investors.

QV EQUITIES	
ASX Code	QVE
Option Code	QVEO
Listed	22 Aug 14
Shares on issue	201.1 mil
Options Exercised	16.5 mill
Options Outstanding	168.1 mill

Benchmark

S&P/ASX 300 Ex20 Accumulation

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

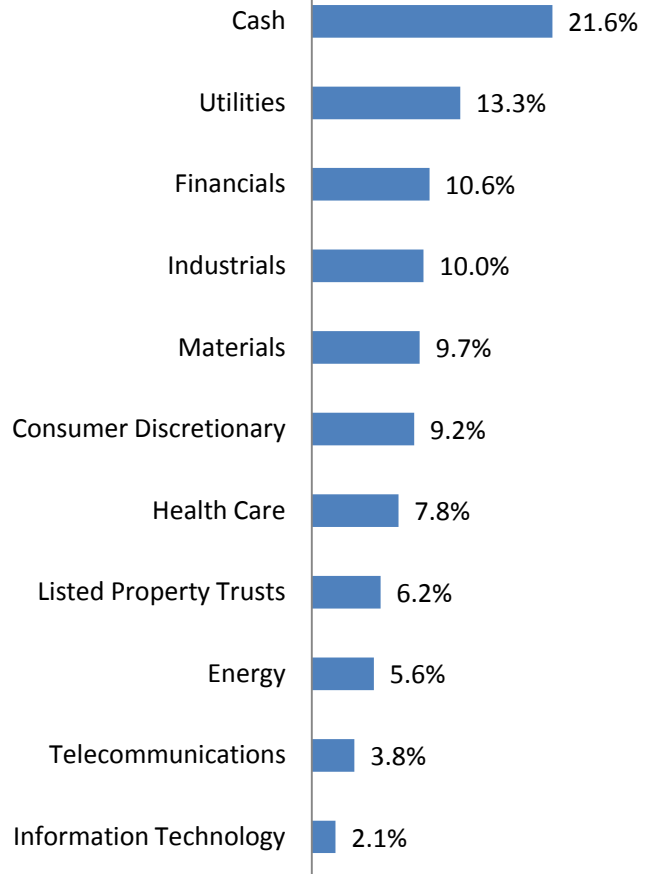
Investment Objective

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



KEY EQUITY INVESTMENTS	P/E 2016	YIELD 2016
Sonic Healthcare	18.0	3.9%
Bank of Queensland	13.7	5.5%
AGL Energy	16.3	4.3%
Orica	13.2	5.3%
Fletcher Building	11.9	5.4%
AusNet Services	19.3	5.7%
Steadfast	12.8	4.5%
ASX Ltd	19.4	4.6%
Aurizon Holdings	18.3	5.5%
Trade Me	18.1	5.2%

SECTOR ALLOCATION



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