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02 March 2016

A note from the Chairman

Sharemarkets have been volatile and the mood generally gloomy since the start of 2016. In times such as these, it's useful to look at the headwinds share markets are facing as well as the positive influences on the outlook for shares.

The headwinds buffeting sharemarkets

Global growth is subdued. Investors fear the Chinese economy will have a hard landing. Most commodity prices, especially oil is trading at very low levels.

In December, the US central bank increased its cash rate, for the first time in nine years. At the time, senior central bankers in the US indicated they expected four further increases in the US cash rate during 2016.

Despite highly accommodative settings in monetary policy around the world, including the negative cash rates that apply in Europe and Japan, global inflation has remained just about non-existent and many investors fear deflation.

The positive influences for shares

In China, retail sales and services are providing a partial but useful offset to the slowing in manufacturing. In the US, consumer spending, usually the mainstay of the US economy, seems to be picking up.

The US central bank says increases in its cash rate will be "gradual" and "data dependent".

The dividend yields on quality shares look very attractive relative to interest rates.

Outside the resources sector, the financial results of most Australian Industrial companies for the half-year to December were, on average, better than had been expected. Two-thirds of all companies raised their dividends relative to a year earlier.

The outlook

Regardless of the volatility and short-term gloom in share markets, the QVE Board is confident that the carefully-selected holding of ex-20 stocks, managed by Investors Mutual Limited, will provide our investors with good long-term capital growth and sustainable income.

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

FEBRUARY 2016

NET TANGIBLE ASSETS (NTA)	Pre Option Dilution	Diluted for QVE Options
NTA before tax	\$1.0508*	\$1.0283**
NTA after tax	\$1.0312*	\$1.0174**

*The NTA per share is the ex price as at 29 Feb 2016. 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%	+2.8%
6 Months	+2.1%	+5.6%
1 Year	+0.5%	-0.9%
Since Inception (22 Aug 14)	+8.0%	+6.5%

The above returns assumes all declared dividends are reinvested

Global equity markets endured another volatile month with the MSCI World Index finishing -0.5% lower. Regional performances were mixed with the US gaining +2.3%, whilst Europe's EuroStoxx 50 and Japan's Nikkei fell -3.4% and -3.2% respectively. European markets were dragged lower following large falls in the share prices of many major European banks, as speculation intensified surrounding their exposure to both the deteriorating Emerging Market economies and to the commodities sector. Japanese markets continued their falls as investors were surprised by the recent move to a negative interest rate stance by the Bank of Japan to stimulate its economy.

The Australian sharemarket was no exception to the volatility with the ASX300 finishing the month down -1.7% as reporting season entered full swing. Sector performances were mixed with the Financials, Consumer Staples and Telco sectors all weaker. A surge in the gold price and a bounce in the prices of iron ore, oil and many base metals, saw the Materials and Energy sectors both record good gains for month as stocks such as South 32 and Newcrest surged 35% and 28% respectively over the month.

The QVE portfolio's value was virtually unchanged over the month, lagging the benchmark's rise. Disappointing performances from stocks such as Bank of Queensland, Pact Group, Tox Free and Amaysim all held back performance. We used share price weakness in all these stocks to top up our holdings, as we remain happy with the valuation and long term direction of all these stocks. Our almost zero weighting to the Resources sector also held back our performance for the month. We remain comfortable not holding many shares in this highly volatile sector.

Strong performers over the month included Trade Me Group, Steadfast and GWA Group. We also initiated positions in global packaging company, Amcor before the release of its better than expected result, as well as buying a position in Clydesdale Bank which was recently demerged and listed by NAB at a very attractive 0.6 x of book.

Results released over the reporting season were generally well received by investors. The majority of the companies held in the QVE portfolio- such as ASX, Steadfast, GWA and Sonic Healthcare- all reported an increase in profits from a year ago as well as healthy increases in their interim dividends.

We continue to adopt a cautious approach given continued mixed signals from the global economy, although we used recent weakness in sharemarkets to buy shares in good quality companies in the ex 20 segment when they represented good value.

QV EQUITIES

ASX Code	QVE
Option Code	QVEO
Listed	22 Aug 14
Shares on issue	205.4 mil
Options Exercised	20.7 mill
Options Outstanding	163.9 mil

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

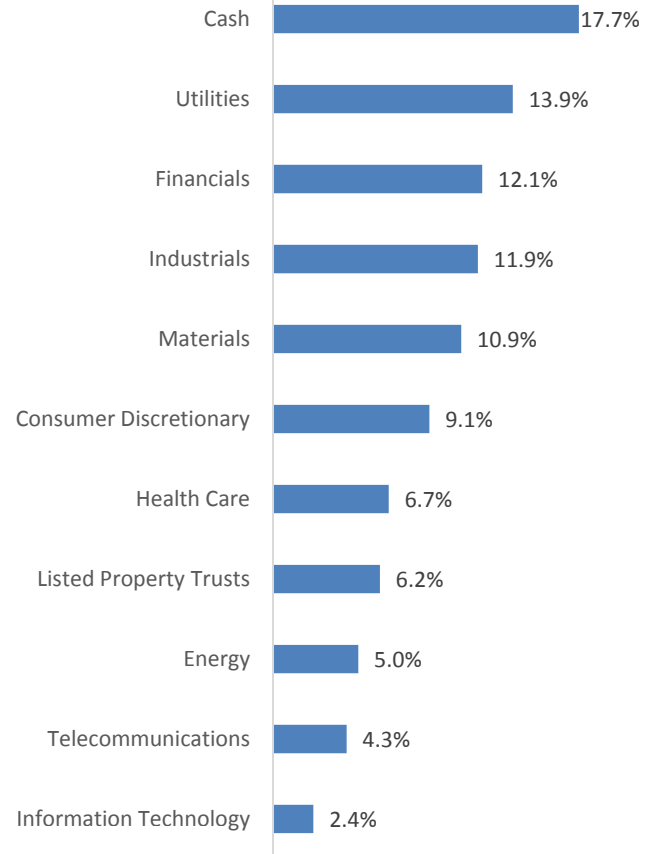
To provide a rate of return which exceeds the return of its benchmark on a rolling 4 year basis



KEY EQUITY INVESTMENTS	P/E 2017*	YIELD 2017*
Fletcher Building	10.2	5.9%
Sonic Healthcare	16.3	4.8%
AGL Energy	14.9	4.1%
Steadfast	13.3	4.5%
Bank of Queensland	10.8	6.9%
ASX Limited	19.1	4.7%
Orica	12.3	5.8%
GWA Group	13.4	6.1%
Ausnet Services	23.3	6.1%
Aurizon	15.0	6.6%

*IML Estimates

SECTOR ALLOCATION



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Disclaimer

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