

Investment Update & Net Tangible Assets Report

June 2016



NET TANGIBLE ASSETS (NTA)		QVE-ASX	QV EQUITIES	
NTA before tax		1.1085	ASX Code	QVE
NTA after tax		1.0727	Listed	22 Aug 14
<p>*The NTA per share is the ex price as at 30 June 2016. The before and after tax numbers relate to the provision for deferred tax on the un-realised 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.</p>			Shares on issue	221.4
PERFORMANCE	QVE's NTA (after tax)	BENCHMARK	Benchmark	S&P/ASX 300 Ex20 Accumulation
1 Month	-0.8%	-0.7%	Number of stocks	20 – 50
3 Months	+3.1%	+6.0%	Dividend Frequency	Half yearly
6 Months	+3.6%	+9.4%	Suggested investment time frame	5+ years
1 Year	+6.7%	+14.7%	Investment Objective	To provide a rate of return which exceeds the return of its benchmark on a rolling 4 year basis
Since Inception Total Return	+14.0%	+17.4%		

The above returns assumes all declared dividends are reinvested

SHAREMARKET COMMENTARY

In another volatile month for global sharemarkets, investors were caught off guard late in the month by Britain's surprise referendum vote to leave the European Union, known as the Brexit vote, which spurred uncertainty as to what this decision would mean for both investment and trade.

As a result of the Brexit vote, key global equity benchmarks fell markedly during June with the European Banks index falling -24%, while the overall Euro Stoxx 50 & Japan's Nikkei posted -6.5% and -9.6% losses respectively. The US&P500 managed to eke out a flat return in June posting +0.1%, to finish a lacklustre year up +1% while Europe's EuroStoxx50 and Japan's Nikkei fared much worse over the year falling -16% and -23% respectively.

The broader Australian sharemarket, fresh from gains in May, fell -2.4% in June, with sector performance continuing to diverge. Defensive sectors, such as Utilities and REITs continued to perform positively, posting gains of +4.8% and +2.1% respectively, while the highly volatile Resources sector rounded out the mix, bouncing back +2% off last month's decline. In comparison, Financials (ex REITs) finished the month down -6%, as weakness in banks around the world impacted confidence.

The small-medium segment of the Australian sharemarket proved more resilient in a falling market, with **QVE's benchmark** losing -0.7% for the month. Most sectors fell over the month, while gains were recorded in the more defensive sectors. In addition, the Materials sector pushed higher following gains in the gold and iron ore price over the month.

Mayne Pharma (MYX) performed well over the month after announcing the acquisition of a portfolio of 37 approved drugs and 5 FDA filed products from Teva and Allergan for USD650m. This acquisition transforms Mayne's US generics division and places them in the top 25 retail US generic companies. The acquisition more than doubles the company's existing earnings and is significantly EPS accretive. Importantly it fits with MYX's strategy of focusing on higher margin formulations for which there is less competition. To fund the acquisition Mayne's announced an entitlement issue at \$1.28 and a placement at \$1.50 to raise \$890m. QVE increased its stake in Mayne's through participation in both issues.

Spark Infrastructure also had a good month after announcing a positive final regulatory determination for its Victorian Power Networks operation. This allowed the company to upgrade their future dividend guidance to 14.5c, 15.25c and 16c for FY16, FY17 & FY18.

Packaging company **Pact Group** continued to rally in June after announcing the acquisition of a crate pooling operation in New Zealand. Pact continues to identify incremental investment opportunities and we are confident the business can deliver earnings and dividend growth over the next few years despite continued subdued economic conditions.

The UK retail bank **Clydesdale Bank** (recently spun off by NAB) gave back its gains following the Brexit result as the British pound fell over -10% against the Australian dollar and UK banks fell over -20% on fears of a UK recession due to the vote. While the Brexit vote has caused uncertainty, the bank remains well positioned, with a strong capital position and a conservative loan book, funded by customer deposits. We believe Clydesdale remains attractive, trading at a significant discount to book value and with an excellent management team. We remain confident the company will perform well in the next few years as it continues to reduce costs and increase market share.

QV EQUITIES PORTFOLIO

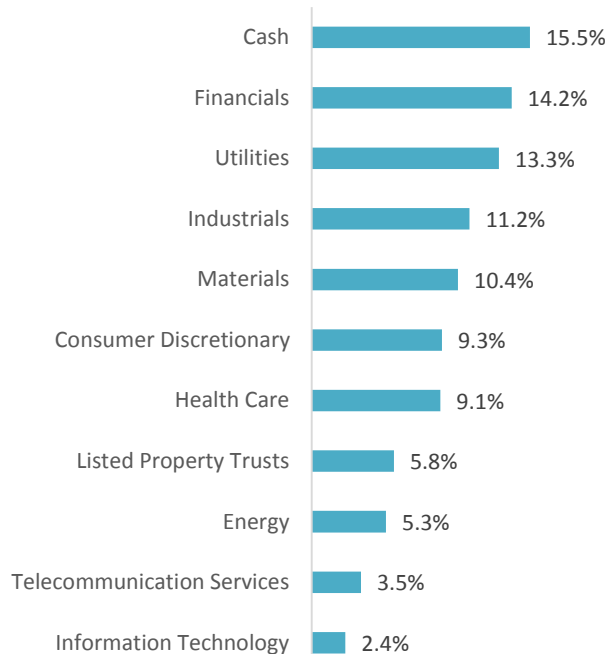
QVE portfolio's NTA declined -0.8% in June, which was in line with the index. For the financial year QVE returned +6.7% which lagged the benchmark's as many of the larger stocks in the benchmark, such as Sydney Airport and property stocks Goodman, Stockland and GPT as well as the gold miners such as Newcrest continue to perform well. In our view these stocks look overvalued and we continue to find much better long term value elsewhere.

During the month **Myer** was added to the portfolio. Under new management Myer is undergoing a significant transformation with a renewed focus on lifting the profit per store by focusing on "wanted brands", reducing the space dedicated to private label and exiting unprofitable space and stores. With an improved balance sheet and trading on a PE of around 12 times 2017 earnings, in our view Myer is attractively priced.

With economic growth globally looking lacklustre and interest rates set to stay low for a while longer, we continue to believe that well managed companies that can grow their earnings and pay good dividends to shareholders will continue to be well sought after by investors in coming years. We continue to find good opportunities in the ex 20 sector of the Australian sharemarket and we believe the QVE portfolio remains well positioned to continue to deliver reasonable capital growth and a solid income stream to its shareholders in the years ahead.

KEY EQUITY INVESTMENTS	ASX CODE	WEIGHT
Fletcher Building	FBU	4.2%
Steadfast	SDF	3.6%
Bank of Queensland	BOQ	3.4%
Sonic Healthcare	SHL	3.3%
AGL	AGL	3.1%
Pact Group	PGH	2.9%
AusNet	AST	2.9%
Orica	ORI	2.8%
ASX	ASX	2.7%
Chorus	CNU	2.6%

SECTOR ALLOCATION



CONTACT US:

Wayne McGauley

Head of Retail &
State Manager QLD,

wayne.mcgauley@iml.com.au

P: 02 8224 0536

M: 0404 012 644

Sam Harris

Key Account Manager
NSW & ACT

sam.harris@iml.com.au

P: 02 8224 0516

M: 0429 982 159

Luke Mackintosh

State Manager
NSW & SA

luke.mackintosh@iml.com.au

P: 02 8224 0506

M: 0432 147 399

Justin Brooks

State Manager
VIC, TAS & WA

justin.brooks@iml.com.au

P: 03 9900 6262

M: 0416 194 633

INVESTMENT ENQUIRIES

info@qvequities.com

1800 868 464

CORPORATE ENQUIRIES

1300 552 895

QV Equities Limited ACN 169 154 858 (QVE) has prepared the information in this announcement. This announcement has been prepared for the purposes of providing general information only and does not constitute an offer, solicitation or recommendation with respect to the purchase or sale of any securities in QVE nor does it constitute financial product or investment advice nor take into account your investment objectives, taxation situation, financial situation or needs. An investor must not act on the basis of any matter contained in this announcement in making an investment decision but must make its own assessment of QVE and conduct its own investigations and analysis. Past performance is not a reliable indicator of future performance. QVE Equities is an Authorised Representative of Investors Mutual Limited (AFSL Number 229988)