

Investment Update & Net Tangible Assets Report

July 2016



NET TANGIBLE ASSETS (NTA)	QVE-ASX
NTA before tax	1.1624
NTA after tax	1.1100

*The NTA per share is the ex price as at 31 July 2016. The before and after tax numbers relate to the provision for tax on net profit in addition to 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.

PERFORMANCE	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+4.9%	+3.5%	+7.3%
3 Months	+7.1%	+5.3%	+10.7%
6 Months	+11.9%	+9.1%	+21.6%
1 Year	+11.1%	+8.8%	+18.2%
Since Inception Total Return	+23.4%	+18.0%	+25.9%

The above returns are after fees and assumes all declared dividends are reinvested

SHAREMARKET COMMENTARY

All global sharemarkets, including Emerging Markets, rebounded strongly in July following the sell-off caused by the surprise Brexit referendum vote in late June. The MSCI World Index gained +4.2% to finish the month at an 11 month high, with the Dow Jones hitting new record highs and the US S&P500 gaining +3.6%, whilst Europe's EuroStoxx50 and Japan's Nikkei gained +4.4% and +6.4% respectively. Equity investors were again encouraged by central bank policy, with major central banks all indicating their willingness to add stimulus in the wake of recent uncertainty and volatility. The release of weaker than expected June quarter US GDP numbers late in the month only served to highlight the reliance on loose monetary policy, with most investors now paring back any expectation of further US interest rate increases in 2016. Emerging markets, which are a notable beneficiary of the Fed's accommodative stance, continued their recovery in July gaining +4.7%.

Domestically, inflation figures released late in the month proved to be relatively benign, with headline CPI increasing at an annualised rate of 1%, its slowest pace since 1999. This paved the way for the RBA to cut interest rates to 1.5% in its early August meeting. Oil slipped to a 3 month low, falling 15% off the back of production and inventory data which reversed the previous improving trends.

The broader Australian Sharemarket, as measured by the ASX300 index, rebounded strongly to 11 month highs in July, gaining +6.4%. The market was led higher by both the Consumer Discretionary and Consumer Staples sectors which surged 8%, buoyed by the expectations of an imminent interest rate cut in Australia as well as a strong rebound in Woolworths share price. The Materials sector performed strongly, gaining +7.8%, with the Miners benefiting from a stronger iron ore price, which rose +5.3% over the month. The Energy sector was the only laggard finishing the month flat, as the drop in the oil price weighed on the sector.

In ex 20 company news; **Clydesdale Bank** reassured investors with its Q3 trading update in the wake of the Brexit referendum, coming in line with prior guidance and noted that there are presently no current indications of a reduction in demand for credit in the short term, with new SME loans and facilities in the 9 months to June growing at 4%. The 180-year-old bank is holding a capital markets day in September to provide more detail on both its strategy and financial targets. **Myer** had a strong month, gaining +19% in July as the cold weather swept across the country which led to CEO Richard Umbers commenting in the press that buyers were snapping up winter stock. Myer recently posted a solid lift in like for like sales, an encouraging sign in its turnaround strategy as it starts to deliver early results. Myer's stock price was further buoyed by a strong results release from its closest competitor, David Jones.

The QVE portfolio's NTA rose +4.9% on a pre-tax basis in July. The portfolio benefited from recently added holdings such as CabCharge, Myer, Integral Diagnostics and Fairfax all doing well while our core holdings in stocks such as Fletcher Building, SkyCity, Spark Infrastructure and Clydesdale Bank all performed strongly. Our caution towards the highly volatile Materials sector detracted from relative performance, given the recent rebound in the prices of base metals, in particular iron ore and gold.

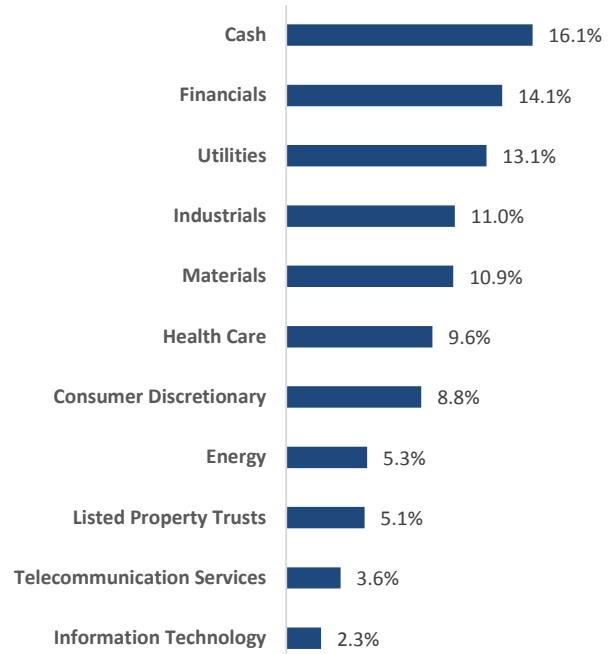
The Australian sharemarket was boosted in July by the prospect of an interest rate cut by the RBA (which happened on 2 August) as well as a record breaking rise on Wall Street on the back of the prospect of no further interest rate rises by the Fed in 2016. The latest rally has taken many stocks to, what we consider as, full value and as a result we have taken a few profits on some holdings in the portfolio and increased our cash weighting slightly. We now await the reporting season, which we believe could hold its fair share of surprises given the continued inconsistency and competitiveness in so many sectors of the economy.

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	221.4
Benchmark	S&P/ASX 300 Ex20 Accumulation
Number of stocks	20 – 50
Dividend Frequency	Half yearly
Suggested investment time frame	5+ years
Investment Objective	To provide a rate of return which exceeds the return of its benchmark on a rolling 4 year basis



KEY EQUITY INVESTMENTS	ASX Code	Weight
Fletcher Building Limited	FBU	4.5%
Steadfast Group Limited	SDF	3.7%
Orica Limited	ORI	3.3%
Sonic Healthcare Limited	SHL	3.2%
Bank of Queensland Limited	BOQ	3.2%
AGL Energy Limited.	AGL	2.9%
AusNet Services Limited	AST	2.9%
ASX Limited	ASX	2.7%
Clydesdale Bank	CYB	2.7%
Pact Group Holdings Ltd	PGH	2.6%

SECTOR ALLOCATION



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