

Investment Update & Net Tangible Assets Report

December 2016



NET TANGIBLE ASSETS (NTA)*	QVE-ASX
NTA before tax	1.1841
NTA after tax	1.1293

**The before and after tax NTA 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	+3.6%	+2.7%	+4.2%
3 Months	+1.5%	+1.4%	+0.8%
6 Months	+8.5%	+7.0%	+6.6%
1 Year	+13.4%	+10.8%	+16.7%
Since Inception Total Return [^]	+10.7%	+8.6%	+9.7%

*^% Performance per annum. *The above returns are after fees and assumes all declared dividends are reinvested*

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	221.5
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

SHAREMARKET COMMENTARY

Global equity markets continued their march higher in December with the MSCI World Index rising +2.3%, rounding out a solid calendar year return of +7.5%. The US S&P 500 gained +1.8% for the month, adding more than +10% for the year as investors continued to bank on an improving economy in the wake of Donald Trump's election victory and policies. The US Fed's decision to raise interest rates in December had little impact on the major bourses as it was long expected. Of note however, was the disclosure by Fed Officials of expectations for another three US interest rate rises in 2017. Europe's Stoxx 50 and Japan's Nikkei surged +7.8% and +4.4% respectively for the month, with the Italian referendum result having little impact on continental markets.

Domestically, the AUD came under pressure in December falling 2.4% against the USD, as the USD continued to find support from the expected further US rate rises in 2017. Commodities continued to bounce strongly to finish 2016 in a surprisingly buoyant mood as iron ore gained a further +9% in December, whilst the oil price jumped +13% as the OPEC production cuts announced late in November continued to push the price higher. Gold continued to lose its lustre falling a further -2% over the month, bringing its losses to -12% in the second half of the year.

The broader market as measured by the ASX300 finished the year in solid fashion gaining +4.3% in December, largely driven by both the Financials and Resources sectors which added +5.5% and +3.8% respectively. The ASX ex20 Index also fared well in December gaining +4.2%, led by Financials up +4.5%, along with Energy and Materials up +6.6% and +4.4% respectively. Utilities were the standout performer up +8.7%, as Duet received its takeover bid from Chinese Infrastructure firm CKI, gaining +19% for the month, while AGL Energy also performed well as wholesale electricity prices continued to firm.

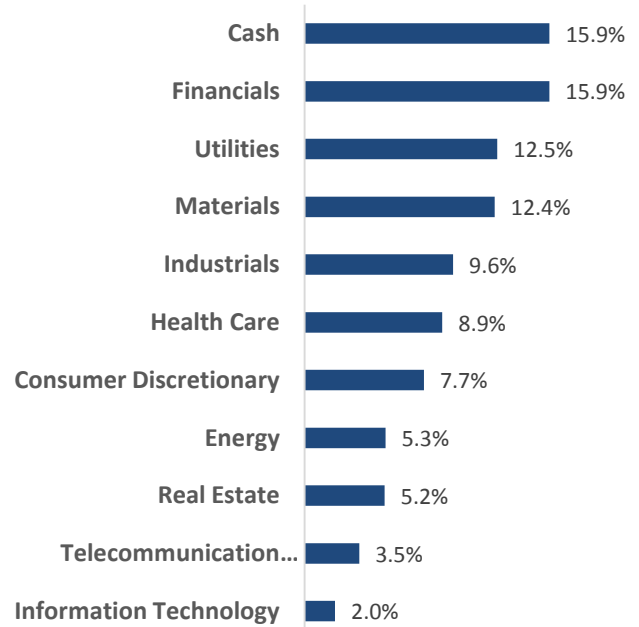
The QVE portfolio's pre tax NTA performed well gaining +3.6%, which was a pleasing result albeit slightly behind its benchmark return of +4.2%. The portfolio benefited from strong performances by several of our core holdings in good quality companies such as Duet, Tox, Ansell, AGL and Spark Infrastructure. For calendar year 2016, the portfolio's pre-tax NTA increased +13.4%. We believe this is a pleasing result given the at times, volatile and highly unpredictable nature of the markets as various surprise political events unfolded, particularly in the last 6 months of the year.

While sentiment amongst sharemarket investors has improved markedly since the election of Trump and his proposed economic policies has excited many, we believe a cautious approach is still warranted given the prospect of further increases in US interest rates in 2017 as well as other global uncertainties. Given the recent strong rally both here and overseas, in our view many stocks are now trading at or above fair value. While sentiment may carry stockmarkets higher in the short term, we believe it continues to be important for investors to remain patient and positioned in defensive, good quality stocks where the earnings and dividend outlooks look sustainable in the years ahead. We continue to monitor our portfolio closely and continue to look for opportunities to deploy the portfolio's cash as the appropriate opportunities present themselves in the months ahead.



KEY EQUITY INVESTMENTS	ASX Code	Weight
Bank of Queensland	BOQ	3.7%
Fletcher Building	FBU	3.5%
Steadfast Group	SDF	3.4%
Sonic Healthcare	SHL	3.3%
Ansell	ANN	3.1%
Pact	PGH	3.1%
Tox Free Solutions	TOX	3.1%
GWA	GWA	3.0%
Ancor	AMC	2.9%
AGL Energy	AGL	2.9%

SECTOR ALLOCATION



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