

# Investment Update & Net Tangible Assets Report

March 2017



NET TANGIBLE ASSETS (NTA)*		QVE-ASX	QV EQUITIES		
NTA before tax cum div		1.1839	ASX Code	QVE	
NTA after tax cum div		1.1369	Listed	22 Aug 14	
*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. QVE went ex with a 2 cent fully franked dividend on 17 March 2017.			Shares on issue	250.2	
PERFORMANCE	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK	Benchmark	S&P/ASX 300 Ex20 Accumulation
1 Month	+3.6%	+3.6%	+3.5%	Number of stocks	20 – 50
3 Months	+1.7%	+2.4%	+4.3%	Dividend Frequency	Half yearly
6 Months	+3.2%	+3.9%	+5.1%	Suggested investment time frame	5+ years
1 Year	+14.5%	+13.0%	+17.9%	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 p.a	+10.3%	+8.7%	+10.5%		

## SHAREMARKET COMMENTARY *The above returns are after fees and assumes all declared dividends are reinvested*

Global markets continued their upward trend in March with the MSCI World Index posting a return of +1.0%, to end the quarter up +6.5%. Regionally performance was mixed, as the US S&P 500's strong run since President Trump's election last November lost momentum finishing the month flat, although posting a strong +6.1% gain for the quarter, its 6th consecutive quarterly gain. Europe enjoyed a strong month gaining +5.5%, to finish the quarter up +7.0%. Emerging Markets Indices gained +2.4% over the month, taking total gains to +12% over the quarter as investors continue to price in stronger global growth and a softening of the Trump administration's previously proposed trade protectionist measures.

Over the month, the US Federal Reserve raised interest rates 0.25% and signalled two further rate increases throughout 2017, with potentially another 3 rises indicated for 2018. Commodities had a lacklustre month, with the oil price slipping -6% as an increase in the US rig count as well as increase in US inventories outweighed the benefits of production cuts previously announced by OPEC. The iron ore price fell -12% over the month as the restocking cycle in China slowed.

Domestically, APRA released a new set of macro-prudential rules for mortgage lending in Australia in a bid to cool the overheated property market. With the RBA reluctant to raise interest rates from the current 1.5% level, it was left to APRA to attempt to reign in bank lending, specifically targeting interest only and investor lending

**The QVE's portfolio returned +3.6 % for March**, made up of a combination of an increase in the NTA and the 2 cent per share interim dividend as QVE went ex dividend during March. The first tranche of monies raised from QVE's recent capital raising was received during the month and was used to top up the portfolio's holdings in companies on any share price weakness – thus further shares were purchased in good quality ex 20 stocks such as Amcor, Sonic Healthcare, Tox Free, Clydesdale Bank, Event Hospitality, Pact, Spark Infrastructure & Caltex at prices that we believed were very attractive long term prices.

Over the month the portfolio benefited from several strong performances from our holdings in companies such as electricity generator AGL, global glove manufacturer Ansell and bathroom products company GWA. The portfolio also benefitted from rallies in the share prices of Myer and Fairfax which both rallied as Solomon Lew's Premier Investments picked up a 10.8% strategic stake in Myer at \$1.15, while private equity firm TPG Capital was rumoured to be contemplating a takeover bid for Fairfax. Fletcher Building had a disappointing month falling -14% after announcing one off write downs on two of the company's larger building projects. We used this weakness to top up our holding in the portfolio to NZ's largest building companies as we believe the share price fall is an overreaction and Fletcher's profits are set to continue to increase in the next few years thanks to the company's ongoing restructuring and cost cutting programmes.

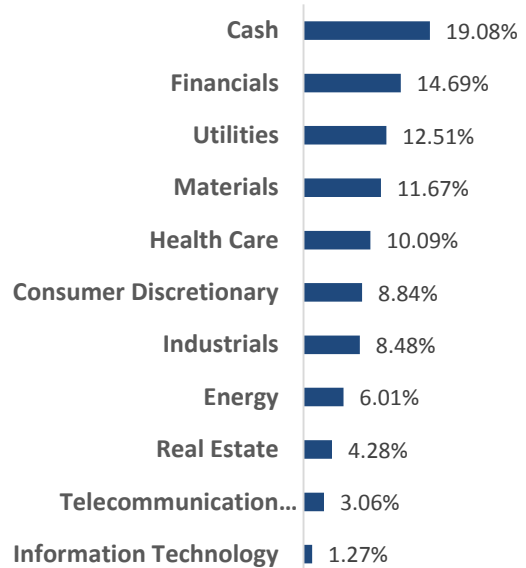
The global sharemarket rally which started after the election of Donald Trump in November continued unabated into the March quarter with investors continuing to focus on the new President's pro-growth rhetoric as well as on forward indicators pointing to global growth remaining largely positive. In Australia, higher commodity prices and optimism towards our banking sector despite lack lustre earnings growth, continued to help our market surge to new 2 year highs.

Given that approval for many of the new US President's proposed policies now appearing to be facing many hurdles and delays and given the rerating that has occurred in sharemarkets around the world, including Australia's since November, we continue to tread cautiously. We continue to be very careful in selecting companies for the QVE portfolio as we continue to patiently invest in companies that our research shows as looking attractive from both a value and quality perspective. As such we continue to be on the lookout for companies that we believe can grow their earnings and dividends in the next 3 to 5 years despite what we consider to be a fairly unpredictable environment.



KEY EQUITY INVESTMENTS	ASX Code	Weight
Sonic Healthcare	SHL	3.6%
Bank of Queensland	BOQ	3.5%
Spark Infrastructure	SKI	3.5%
Amcor	AMC	3.4%
Clydesdale Bank	CYB	3.4%
Ansell	ANN	3.3%
Steadfast	SDF	3.1%
Tox Free	TOX	3.0%
Pact	PGH	3.0%
Caltex	CTX	2.7%

## SECTOR ALLOCATION



## CONTACT US:

### Wayne McGauley

Head of Retail &  
State Manager QLD,  
[wayne.mcgaleay@iml.com.au](mailto:wayne.mcgaleay@iml.com.au)

P: 02 8224 0536  
M: 0404 012 644

### Sam Harris

Key Account Manager  
NSW & ACT  
[sam.harris@iml.com.au](mailto:sam.harris@iml.com.au)

P: 02 8224 0516  
M: 0429 982 159

### Luke Mackintosh

State Manager  
NSW & SA  
[luke.mackintosh@iml.com.au](mailto: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](mailto:justin.brooks@iml.com.au)

P: 03 9900 6262  
M: 0416 194 633

## PORTFOLIO MANAGERS:

Simon Conn and Anton Tagliaferro



## INVESTMENT ENQUIRIES

[info@qvequities.com](mailto:info@qvequities.com)  
1800 868 464

## CORPORATE ENQUIRIES

1300 552 895

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