

Investment Update & Net Tangible Assets Report

November 2017



NET TANGIBLE ASSETS (NTA)*		QVE-ASX	QV EQUITIES		
NTA before tax		1.21	ASX Code	QVE	
NTA after tax		1.16	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. All figures are unaudited and approximate.			Shares on issue	275.3m	
PERFORMANCE*	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK	Benchmark	S&P/ASX 300 Ex20 Accumulation
1 Month	+1.8%	+1.4%	+2.6%	Number of stocks	20 – 50
3 Months	+3.8%	+3.1%	+8.0%	Dividend Frequency	Half yearly
6 Months	+2.8%	+2.7%	+10.3%	Suggested investment time frame	5+ years
1 Year	+9.3%	+9.5%	+21.6%	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	+9.4%	+8.2%	+12.0%		

The above returns are after fees and assumes all declared dividends are reinvested. Due to the Company's turnover being below \$25 million the Company's corporate tax rate reduced to 27.5% from 1 July 2017. *Performance is calculated to 30 November 2017. Past performance is not indicative of future performance.

SHAREMARKET COMMENTARY

Global equity markets continued their record breaking ascent in November with the MSCI World Index gaining +1.8% reaching new record highs throughout the month. US markets proved the driver of global returns yet again with the Dow Jones Industrial Index gaining +3.8%, pushing through the 24,000 level, as the broader S&P500 index gained +2.8%. President Trump's tax overhaul looked to overcome a major hurdle late in the month with the US Senate narrowly approving the President's plan to cut both corporate and personal tax rates. Japan's Nikkei finished the month +3.2% higher, continuing its strong run on the continuation of the highly accommodative monetary policies known as Abenomics and the weaker Yen. Conversely, Europe's Stoxx 50 index paused for breath following its recent strength, falling -2.8% over the month.

Domestically, the RBA kept rates unchanged at 1.5% for the 15th consecutive month, delivering a downward revision to the inflation trajectory, despite a modest pick up in wages growth. Highlighting the challenging conditions for Australia's heavily indebted consumer, retail sales for the September quarter disappointed, contracting -0.3%. Commodity markets were mixed, with the iron ore price rebounding +16.4% to a 10 month high as Chinese steel producers look to ramp up production before reforms to cut pollution are introduced. Oil gained +3.2% as OPEC and non-OPEC countries agreed to extend production cuts, whilst both Coal and the Base Metals were slightly weaker down -3.1% and -2.6% respectively.

The broader Australian sharemarket as measured by the ASX300 index had a solid month gaining +1.7%. The Financials index finished the month flat as ANZ, NAB and Westpac reported their results and also traded ex dividend. Sentiment was impacted by the increasing likelihood of a Royal Commission of inquiry into the culture and practices of the financial sector – which was announced in early December.

The ex 20 benchmark had a strong month, gaining +2.6%, with all sectors finishing in positive territory, outperforming the broader ASX300. In the ex 20 segment of the market, REITs had a strong month gaining +4.1% courtesy of bond yields both domestically and in the US falling sharply. The Energy sector gained +6.0% as investors reacted positively to strength in the oil price courtesy of an OPEC led production agreement as stocks like Santos and Origin rallied significantly.

The **QVE portfolio** had a solid month gaining +1.8%, although this was below the benchmark's return. Our caution toward the volatile Resource sector held back relative performance as many of the mid and small energy names that are highly leveraged to the oil price rallied strongly. The portfolio benefited from its holdings in GWA Group, Steadfast, Tox Free, Ausnet and Clydesdale Bank which all did well over the month.

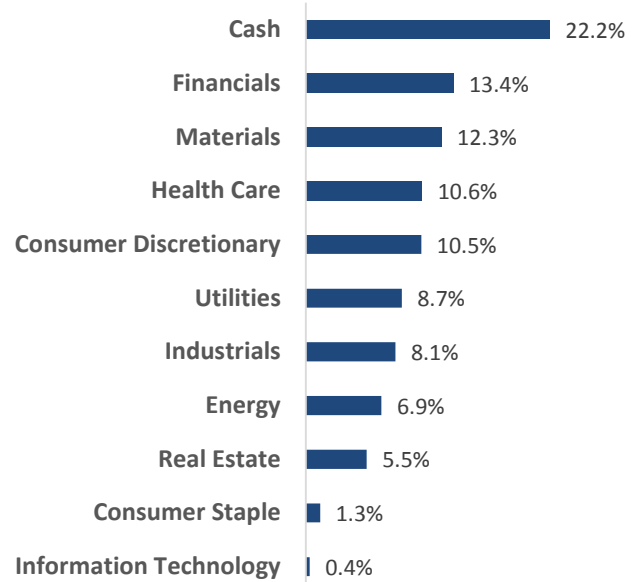
We continued to add to our holding in Crown Casino over the month as we believe that through the company's focus on maximising the returns from its Australian operations – namely Crown Melbourne, Burswood and Barangaroo (which opens in 2021) – that the company's earnings and dividends should increase substantially in the years ahead. We also used weakness in the share price of Orica following a softer than expected trading update, as we believe the company is well positioned to benefit from the upturn in mining volumes in the years ahead. We also added to the portfolio's holding in Sonic Healthcare following its full year result which showed many encouraging signs. We also increased our holding in Pact by participating in a rights issue undertaken to fund two acquisitions (an Asian and an Australian materials handling acquisition) with the Asian acquisition giving Pact scale in a growing part of the world.

Investor sentiment continues to remain buoyed as the global economy appears likely to grow fairly strongly in 2018. While this may be so, it remains a challenging environment for many companies to grow their earnings given the intensely competitive nature of most sectors. With US interest rates set to increase further in the near future, we remain cautious as many markets are at record highs and some excesses are beginning to appear. We continue to focus our attention on good quality companies that we believe are well positioned to grow their earnings and dividends in the years ahead.



KEY EQUITY INVESTMENTS	ASX Code	Weight
Sonic Healthcare	SHL	4.0%
Clydesdale Bank	CYB	3.9%
Pact Group	PGH	3.8%
Ansell	ANN	3.4%
Spark Infrastructure	SKI	3.4%
Caltex	CTX	3.3%
Tox Free	TOX	3.1%
Steadfast	SDF	3.1%
Fletcher Building	FBU	2.9%
Orica	ORI	2.7%

SECTOR ALLOCATION



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