Investment Update & Net Tangible Assets Report

January 2018

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)*	QVE-ASX
NTA before tax	$1.23
NTA after tax	$1.18

*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.

PERFORMANCE (as at 31.01.18)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	-0.8%	-0.6%	-0.6%
3 Months	+3.3%	+2.5%	+3.8%
6 Months	+5.1%	+4.2%	+12.4%
1 Year	+8.0%	+8.5%	+19.3%
Since Inception Total Return p.a	+9.3%	+8.1%	+11.8%

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	275.3m
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

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. Past performance is not indicative of future performance.

SHAREMARKET COMMENTARY

Global sharemarkets extended their 2017 gains into January with the MSCI World Index returning +5.6% in January, its best start to the year since 1987. The US S&P 500 returned +5.6% to log its longest monthly winning streak in nearly 60 years. Europe's Stoxx50 index also enjoyed a solid start to the year returning +3.0% while Nikkei 225 finished the month +1.5% higher, reaching a 26 year high in mid January. Reflecting the very bullish mood, the MSCI Emerging Markets index spiked +8.3% as strong commodity prices and improving global economic growth forecasts increased many investors' appetite for riskier assets.

Equities showed signs of strain late in the month as investors reacted to weakness in the bond markets as yields spiked higher reflecting increased expectations for higher inflation and less accommodative monetary policy moving forward. The US 10yr yield jumped 30bps to 2.73%, a near 4 year high, whilst the German 5 year yield finally moved back into positive territory, the first time since 2015. Similarly the Australian 10yr yield also moved higher finishing the month up 18bps to 2.8%.

The US Federal Reserve left rates unchanged in their January meeting, although expectations remain of a further three US rate hikes in 2018. The Fed's narrative was a little more hawkish than in December. Commodity markets extended their upward trajectory with iron ore and oil prices gaining +4.8% and +3.7% respectively, once again reflecting many global investors bullish frame of mind.

Domestically, the broader ASX300 index had a soft month, shedding -0.4%, as strength in the Resources sector was offset by a sluggish Industrials sector. The Resources sector continues to follow short-term strength in commodity prices, despite many of these prices trading well above consensus long-term estimates. The Industrials sector was held back by the upward movement in bond yields with many interest rate sensitive and defensive sectors retreating.

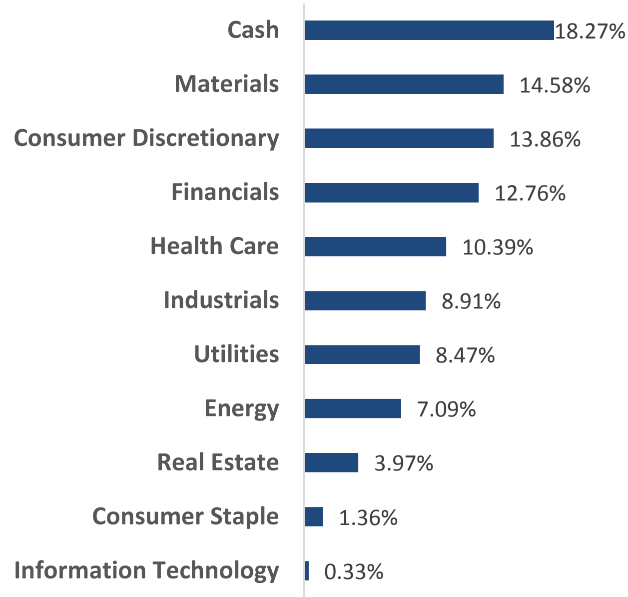
This was evidenced in the ASX ex20 segment of the market, which retreated -0.60%, with the upward movement in bond yields weighing on both the Utilities and REIT sectors which shed -4.4% and -3.7% respectively. Within ex 20 industrials, the Consumer Staples sector gained +3.7% as soft commodity plays with exposure to China continued to be chased by investors with the likes of Bellamy's and A2 Milk benefitting from this popular – and in our view overhyped - theme. The momentum within the Technology sector continued in sympathy with the strong gains in the NASDAQ with many investors prepared to pay significantly high valuations for Australian small hi tech stocks with little or no recurring earnings. The Healthcare sector had a good month thanks to a 66% jump in Sirtex following a bid from US pharmaceutical giant Varian, while Resmed jumped +14% after delivering a strong quarterly result.

The ***QVE portfolio*** retreated -0.8% broadly in line with the movement in its benchmark. We continue to maintain a strong bias towards quality Industrial stocks while the focus of many other investors remains on chasing momentum sectors such as Resources, soft commodity and Technology sectors. With stocks such as Shopping Centres Australasia and Spark Infrastructure back to sustainable yields of 6% plus, we used weakness in these companies' share prices to increase our exposure over the month. We also used weakness in the price of Fairfax to increase our holding, following the surprise resignation of the Domain CEO (of which Fairfax owns 60%). We believe the market overreacted to the news and we continue to believe Fairfax – with its mix of new and old media businesses – represents good longer term value.

During January, investor sentiment continued to remain buoyed given the view that the global economy appears likely to grow fairly strongly throughout the year. This bullishness is being reflected in strength in riskier assets such as commodities and Emerging Markets. While the direction of world growth does remain positive, 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 and with the ECB due to slow or stop its QE policy some time in 2018, we remain cautious as many markets are at record highs and excesses are beginning to appear. We continue to use weakness in good quality industrial names to put to work some of the portfolio's healthy cash holding of over 20% (when adjusted for the expected Tox takeover bid proceeds).

KEY EQUITY INVESTMENTS	ASX Code	Weight
Sonic Healthcare	SHL	4.1%
Tox Free Solutions	TOX	4.0%
Clydesdale Bank	CYB	3.9%
Pact Group	PGH	3.6%
Caltex	CTX	3.6%
Orica	ORI	3.6%
Crown Resorts	CWN	3.5%
Fletcher Building	FBU	3.3%
Amcor	AMC	3.2%
Bank of Queensland	BOQ	3.2%

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

Luke Mackintosh
State Manager
NSW & SA
luke.mackintosh@iml.com.au
P: 02 8224 0506
M: 0432 147 399

Sam Harris
Key Account Manager
NSW & ACT
sam.harris@iml.com.au
P: 02 8224 0516
M: 0429 982 159

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

PORTFOLIO MANAGERS:

Simon Conn and Anton Tagliaferro

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. Sharemarkets can move up and down and this may adversely impact your investment return. Past performance is not a reliable indicator of future performance. QVE Equities is an Authorised Representative of Investors Mutual Limited (AFSL Number 229988)