

# Investment Update & Net Tangible Assets Report

April 2019



NET TANGIBLE ASSETS (NTA)*		QVE	QV EQUITIES	
NTA before tax		\$1.16	ASX Code	QVE
NTA after tax		\$1.13	Listed	22 Aug 14
			Shares on issue	276.3M
			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 5 year basis

PERFORMANCE (as at 30.04.19)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+2.9%	+1.9%	+3.0%
3 Months	+6.7%	+4.8%	+9.5%
6 Months	+5.6%	+4.1%	+10.6%
1 Year	+3.1%	+2.6%	+7.6%
Since Inception Total Return p.a	+8.0%	+6.7%	+10.7%

\*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.

The above returns are after fees and assumes all declared dividends are reinvested and excludes tax paid from pre tax NTA. Past performance is not indicative of future performance.

## SHAREMARKET COMMENTARY

Global equity markets continued their ascent in April with the MSCI World index gaining a further +3.2% and closing in on its all time highs reached in January 2018. Markets continued to recover from the sell off of late 2018 thanks to the renewed accommodative stance from all major central banks. All major bourses performed well over the month with the US S&P 500 index gaining a further +3.9% and hitting new record highs in the process, while Europe's Stoxx 50 and Japan's Nikkei gained +4.2% and +4.5% respectively.

April's gains were supported by a solid set of US corporate earnings, while the release of benign US inflation continued to support the Federal Reserve's accommodative stance following its U-turn on interest rates earlier in the year. However, late in the month Fed Chairman Jerome Powell's comments that the current low inflationary environment is "transitory" rather than "permanent" ruffled equity markets, as the comments seemed to remove the potential for a rate cut later in the year.

Domestically, inflation data also came in weaker than expected with inflation reported to be at 1.8%, its lowest reading in 2 years and below the RBA's target of 2 to 3%. In commodity markets, the oil price leapt +7%, largely attributable to protestations by the US for countries to stop importing oil from Iran, which has the potential to lead to a reduction in global supply. Conversely, the Base Metals Index (BMI) fell -3% as metal prices such as that of copper continue to drift lower on softening manufacturing activity expectations.

The broader Australian sharemarket, as measured by the ASX300 index, recorded another robust month gaining +2.5%. The ex 20 segment of the market was similarly strong gaining +3.0% for the month, with the Consumer Staples sector jumping +10.2%, as China export-related stocks such as A2Milk and Treasury Wine Estates rallied strongly. Similarly, the IT sector gained a further +7.4% as investors continue to wade into the handful of locally listed IT stocks all of which are trading on eye watering and unsustainable valuations. The Financials sector gained +6.2%, driven by listed fund managers reflecting the rebound in financial markets over the past 4 months. On the negative side of the ledger, ex 20 Resources finished down -2.1%, primarily led by the Miners on expectations of softer manufacturing activity as expectations for global growth are wound back. The REIT sector also recorded a soft month down -1.7% following its strong run of the past few months - this sector continues to look fully valued.

The **QVE portfolio** enjoyed a solid month in line with its benchmark, gaining +2.9%. The portfolio benefitted from solid performances from several of its holdings - including Crown Resorts which gained +15% off the back of takeover interest from Wynn, a US based casino operator. Other stocks to enjoy a stronger month included Steadfast, Amcor, GWA, Southern Cross Media, Orica and Aurizon. Integral Diagnostics (Australia's 4th largest radiology provider) also had a strong month up +23%. The company continues to see revenue growth from strong increases in imaging volumes, while is also set to benefit from proposed indexation of Medicare benefits under both Liberal and Labor policies. Over the month we used strength in the share prices of Origin, IPH and Crown to realise part profits, we also used our cash to opportunistically top up our holdings in good quality industrials such as Nine Entertainment. We believe Nine will continue to benefit from the realisation of synergies following its merger with Fairfax and the ongoing monetization of its digital assets such as Stan, which already has almost 2m active subscribers. During the month, we also participated in the Caltex off market buyback – as a result QVE received a healthy injection of franking credits.

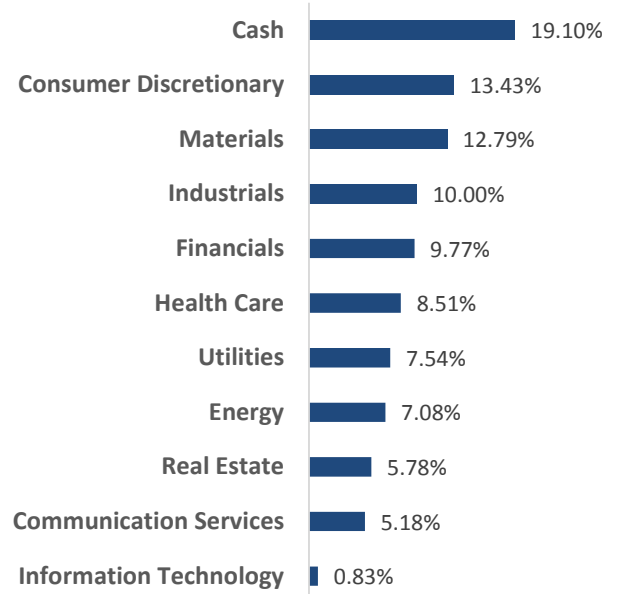
Since the start of 2019 most sharemarkets around the world have recovered most of their December quarter losses. We remain cautious about the outlook going forward. While interest rates remain low, the earnings growth outlook for most companies remains fairly lacklustre given the expectations for slowing economic growth both in Australia and globally over the next 12 months. The increasingly uncertain political backdrop, both domestically and overseas will also continue to weigh on investor sentiment and cause volatility as we progress through 2019.

The portfolio remains well positioned with a good spread of quality Industrial stocks diversified across many sectors. We also continue to hold a healthy cash weighting and look for opportunities to invest this cash in companies that we believe are well positioned to do well in the next 3 to 5 years.



KEY EQUITY INVESTMENTS	ASX Code	Weight
Crown Resorts	CWN	4.7%
Amcor	AMC	3.9%
Steadfast	SDF	3.7%
Sonic Healthcare	SHL	3.7%
Aurizon	AZJ	3.7%
Spark Infrastructure	SKI	3.7%
Caltex	CTX	3.6%
GWA	GWA	3.0%
Clydesdale Bank	CYB	3.0%
Pact Group	PGH	2.9%

## SECTOR ALLOCATION



## CONTACT US:

### Wayne McGauley

Head of Retail

[wayne.mcgale@iml.com.au](mailto:wayne.mcgale@iml.com.au)

M: 0404 012 644

### Justin Brooks

State Manager VIC, TAS & WA

[justin.brooks@iml.com.au](mailto:justin.brooks@iml.com.au)

M: 0416 194 633

### William Kim

Business Development Manager

NSW/ACT

[william.kim@iml.com.au](mailto:william.kim@iml.com.au)

M: 0408 135 242

### Luke Mackintosh

State Manager NSW, ACT & SA

[luke.mackintosh@iml.com.au](mailto:luke.mackintosh@iml.com.au)

M: 0432 147 399

### Jason Guthrie

State Manager QLD

[Jason.Guthrie@iml.com.au](mailto:Jason.Guthrie@iml.com.au)

M: 0435 690 377

## INVESTMENT ENQUIRIES

[info@qvequities.com](mailto:info@qvequities.com)

1800 868 464

## CORPORATE ENQUIRIES

1300 552 895

## PORTFOLIO MANAGERS:

Simon Conn and Anton Tagliaferro



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