Monthly Investment Update & Net Tangible Assets Report

February 2020

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)* as at 29 Feb 2020	QVE
NTA before tax (ex div)	$1.03
NTA after tax (ex div)	$1.04

*The before and after tax NTA numbers relate to the provision for tax on net profit in addition to deferred tax on the unrealised gains/losses 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/losses that might arise on such a theoretical disposal, after utilisation of brought forward losses. All figures are unaudited and approximate.

PERFORMANCE (as at 29.02.20)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	-9.2%	-6.5%	-9.7%
3 Months	-9.2%	-6.4%	-8.2%
6 Months	-5.3%	-3.2%	-3.1%
1 Year	-2.9%	-1.3%	+7.5%
Since Inception Total Return p.a	+5.3%	+4.8%	+9.6%

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	270.3M
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

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 sharemarkets endured a turbulent month due to heightened investor concern from the spread of the COVID-19 outside of mainland China and the negative impact that this will have on global economic growth. The MSCI World Index fell -7.6% over the month, with the losses coming in the final week of the month as all major stockmarkets sold off heavily.

In a dramatic shift from earlier in the month when investor confidence drove US stockmarkets to new record highs, the US S&P500 fell -13% in the final week of February resulting in a monthly loss of -8.2%, with all sectors finishing lower. In similar fashion Europe's Stoxx50 and Japan's Nikkei index fell -8.4% and -8.8% respectively. The VIX volatility index – often referred to as the market's 'fear gauge' - reached an intraday high of 50, its highest reading since 2011. As the concerns and selling in sharemarkets intensified, investors looked for safety in perceived safe haven assets. Thus, the US 10-year yield fell to its lowest level on record, falling 0.4% to 1.1%, whilst its Australian counterpart also fell to a record low of 0.7% over the month. The rally in global bonds was further supported by the US Fed announcing that they would "act as appropriate to support the economy" in light of the evolving risks to economic activity. Other Central Banks added to this narrative - namely the Bank of Japan, the European Central Bank and the Bank of England.

The impact of the virus on the global economy has been significant due to the extensive travel bans and factory closures which have ensued since its outbreak. China's factory and non-factory purchasing (PMI) data from February sank to its lowest level on record (from 51 to 35) as the closures took effect. In addition, US manufacturing data pointed to a slowdown as producers reported bottlenecks in their supply chains hampering their ability to get parts. Domestically, as world growth forecasts were trimmed, our key commodity prices came under sustained pressure. The iron ore price fell -12% over the month on softening Chinese demand, whilst the oil price fell -13%. The AUD shed -3.7% against the USD to its lowest level in over 10 years. In a move to try and shore up investor confidence and domestic economic activity, the RBA cut interest rates by 0.25% in early March to a new record low of 0.5% with the Fed in the US also cutting rates to seek to ease the economic impact of the virus.

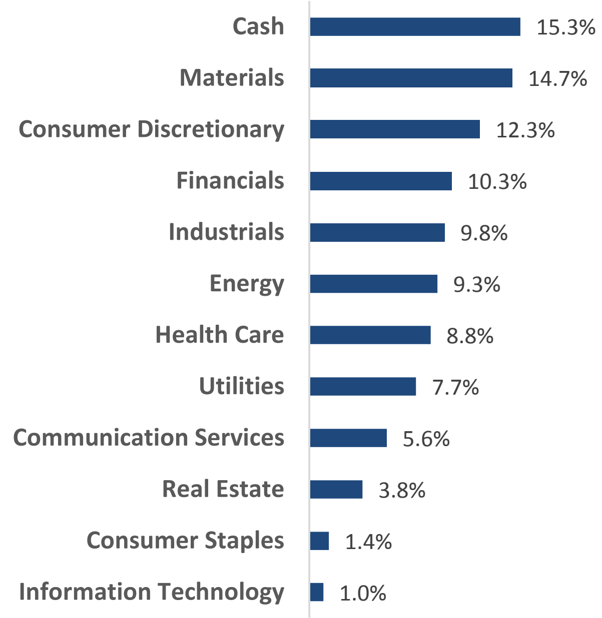
The ex 20 segment was similarly challenged, down almost -10% with all sectors finishing firmly lower. Over the month, the Utilities sector proved the most resilient falling -4% given the defensive qualities of the business models within this sector. The Resources and Technology sectors fared the worst falling -14% and -16% respectively. The Resources sector fell in sympathy with the sell off in underlying commodity prices, whilst the Technology sector tumbled as a number of previous market darlings such as Wisetech and Altium fell heavily as speculators sold out. The 1H20 reporting season was mixed with earnings growth remaining hard to achieve in many sectors. Companies that posted good results and whose share prices held up relatively well during the month included Sonic Healthcare, Integral Diagnostics, Steadfast and Shopping Centres Australasia.

The QVE Portfolio endured a difficult month with the NTA falling -9.2%, slightly better than the benchmark's fall of -9.7%. It was a month in which just about every stock in the index finished in negative territory, despite some companies having very little direct exposure to the coronavirus. Our holdings in gaming stocks such as Crown and SkyCity had a tough month due to fears over attendance levels at these casinos should the virus worsen. Having said this both companies have long licences and strong balance sheets and should come out the other side of this crisis in good shape. Tabcorp had a disappointing month despite a strong result from its lotteries division as the wagering division's results disappointed due to a delay in the integration with Queensland TAB operations into Tabcorp's. Media stocks Nine Network and Southern Cross also fell heavily due to concerns over the advertising cycle, although both companies remain leaders in their fields.

This is clearly a challenging time for investors in the sharemarket and in QVE. The uncertain length and impact of the COVID 19 virus on various economies around the world remains a major uncertainty for investors and this will weigh on sharemarkets for a while. This uncertainty will continue to cause volatility in sharemarkets – and while not immune to these moves, the QVE portfolio remains in reasonable shape comprised of 42 well established and profitable companies and with over 15% cash which we can deploy selectively when good value is apparent.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Amcor	AMC	5.1%
Caltex	CTX	4.5%
Crown Resorts	CWN	4.4%
Aurizon	AZJ	4.3%
Sonic Healthcare	SHL	4.2%
Steadfast	SDF	4.0%
Tabcorp	TAH	3.4%
Virgin Money UK	VUK	3.3%
GWA	GWA	3.3%
AusNet	AST	3.2%

SECTOR ALLOCATION



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Release authorised by Company Secretary, Zac Azzi.

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