Monthly Investment Update & Net Tangible Assets Report

March 2020

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)* as at 31 Mar 2020	QVE
NTA before tax	$0.80
NTA after tax	$0.89

*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 31.03.20)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	-22.0%	-15.1%	-22.9%
3 Months	-27.6%	-19.3%	-27.7%
6 Months	-26.9%	-18.6%	-26.4%
1 Year	-25.4%	-17.1%	-18.0%
Since Inception Total Return p.a	+0.7%	+1.7%	+4.5%

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	269.8 M
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 equity markets endured one of their most challenging and volatile months on record, with the MSCI World Index falling -13% amidst the grim reality of a global economy that has been paralysed by the impact of the coronavirus pandemic. The national lockdowns imposed by Governments across the globe to mitigate the spread of the virus has weighed significantly on economic activity, with several industries forced to a near standstill as consumers stay at home and staff are laid off. The US S&P500 registered its biggest monthly decline since the financial crisis in 2008 falling -12%. Similarly, Europe's Stoxx 50 and Japan's Nikkei fell -16% and -10% respectively.

Whilst the health crisis will hopefully resolve itself in the coming 3 to 6 months due to the severe measures in place in many parts of the world, the economic and financial fallout will likely persist for longer. With businesses closing and unemployment in many parts of the world looking to rise sharply, Governments and Central Banks around the globe were forced into taking emergency measures. Thus, the US Federal Reserve cut its benchmark interest rate twice in March, first by 0.5% and again by 1%, to effectively zero percent. Quantitative Easing (QE) was also back in full swing as Central Banks did all they could to keep credit markets functioning effectively. Additionally, the US Government unveiled an historic $2.2 trillion economic rescue package, representing around 10% of US GDP.

In a dramatic shift from the record highs set in mid-February, the Australian sharemarket - as measured by the ASX300 index - endured its worst month since the 1987 crash by falling over 20% in March. Just about every company in the index fell heavily over the month in the sell-off. The Consumer Staples sector managed to finish flat as companies like Coles and Metcash benefitted from a pick up in sales as a result of massive buying from customers as they switched to home meals as many restaurants, canteens and coffee shops closed down. The Utilities sector was also resilient, with the sectors loss limited to -6% thanks to solid performances from the likes of Ausnet, which was one of the few companies that finished the month in positive territory. Conversely, the Energy sector lead the losses falling nearly -40% as the oil price dropped -56% over the month to new multi-year lows as demand fell heavily and the Saudis increased supply to drive the US shale oil producers out of business. The REIT sector fell -36% with the expectation that many tenants may not be in a position to pay their rents as many businesses are forced to close their doors. Similarly, the Consumer Discretionary sector was also heavily impacted falling -34% over the month with businesses exposed to the tourism, travel and gaming industries were particularly hard hit as a result of the Government shutdown of many services.

The ***QVE Portfolio*** had a tough month falling -22.0% which was not dissimilar to the benchmark's decline of -22.9%. Our caution to the speculative Energy, Mining and REITs sectors, along with our aversion to much of the speculative froth within the Technology sector helped the portfolio. The portfolio – which was constructed in a cautious manner to show resilience in an economic slowdown – wasn't immune to the unprecedented various forms of shutdowns.

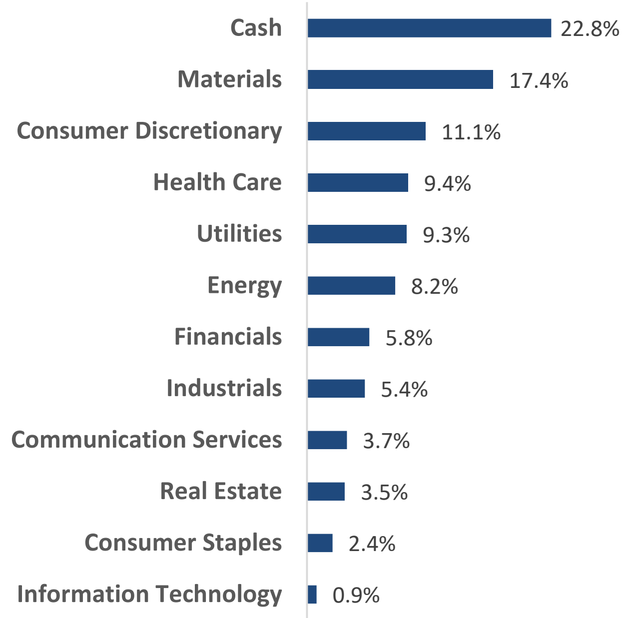
Thus, our holdings in gaming stocks such as Crown Resorts and SkyCity endured a challenging month as a result of many closures imposed. Whilst the next 6 months will weigh on the earnings of both Crown and SkyCity, both companies own very unique real estate assets and continue to hold decades long gaming licences. Crown and SkyCity both have strong balance sheets and very capable management teams. Our holding in Tabcorp also endured a tough month as the wagering business suffered due to the complete cessation of most sporting fixtures and closure of TAB outlets although the company continues to generate good cashflow from its robust Lotteries business. Media stocks such as Southern Cross Media and Ooh Media also fell heavily as advertising volumes fell heavily with both companies undertaking heavily discounted fund raisings to reduce debt levels to be in a position to see out the economic slowdown if it is prolonged.

Given the uncertain environment, it is not surprising that many companies have withdrawn their earnings guidance for 2020 as the measures in place disrupt business operations. While the economy after the lockdowns will recover in many areas, the length and depth of the downturn is unknown at this stage making forecasting for many companies' earnings post FY 2020 very difficult. We are thus reviewing each company on a case by case basis and trying to look through the current disruptions. Most companies with strong durable franchises and strong balance sheets should come out of this in a relatively good position. Indeed, many of the stronger companies may actually emerge better positioned as several weaker competitors potentially fall by the wayside. We have been repositioning the portfolio, selling out of stocks such as GWA and Unibail which we believe will struggle for a while as it takes time for demand to pick up, and buying what we believe are better positioned companies for the next 3 to 5 years such as Incitec Pivot and Bunnings Warehouse Trust.

Clearly this is a very challenging time for all sharemarket investors. IML has been through corrections several times in our near 22-year history and we remain disciplined in our approach to investing at all times. It is impossible to say exactly when the current volatility will settle down. However, when the sharemarket does stabilise, sound companies with real businesses and sustainable earnings– which is where the QVE portfolio has always focused on - should again be sought after by investors and should recover over time.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Amcor	AMC	6.0%
Aurizon	AZJ	4.9%
Sonic Healthcare	SHL	4.5%
Caltex	CTX	4.4%
AusNet	AST	4.3%
Crown Resorts	CWN	4.3%
Orica	ORI	3.7%
Tabcorp	TAH	2.9%
Spark Infrastructure	SKI	2.7%
Pact Group	PGH	2.7%

SECTOR ALLOCATION



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Release authorised by Company Secretary, Zac Azzi.