Investment Update & Net Tangible Assets Report

May 2017

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)*	QVE-ASX
NTA before tax	1.1956
NTA after tax	1.1515

*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.

PERFORMANCE	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	-0.5%	-0.3%	+0.3%
3 Months	+4.6%	+4.9%	+5.1%
6 Months	+6.4%	+6.6%	+10.3%
1 Year	+10.2%	+10.1%	+12.0%
Since Inception Total Return p.a	+10.0%	+8.7%	+10.4%

The above returns are after fees and assumes all declared dividends are reinvested

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	275.1m
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

SHAREMARKET COMMENTARY

Global equity markets as measured by the MSCI World Index gained a further +1.9% in May, the 7th straight monthly increase and the longest winning streak in over a decade. US markets led the gains with the S&P500 clocking up new record highs as the market nudged forward another +1.2%, while Japan's Nikkei gained +2.4%. Conversely, Europe's Stoxx 50 was relatively flat as markets absorbed Macon's victory over Le Pen in the French Presidential elections. Despite increasing concerns over the stability of Trump's presidency, the US market ended in positive territory thanks to the release of solid US Q1 corporate earnings, a firming economic outlook as well as continued strong share price momentum in the large technology stocks colloquially known as the FANGs (Facebook, Amazon, Netflix and Google).

Domestically, the retail sector had a tough month with weaker consumer sentiment along with fears of the impact of Amazon entering Australia weighing on the sector. Sentiment was not helped by news of the Australian arm of UK fashion retailer Top Shop falling into administration during the month. As a result, the share prices of listed retailers such as Myer, Harvey Norman, Super Retail and JB HiFi all fell heavily during the month as short sellers made the most of the prevailing negative sentiment.

The broader Australian sharemarket as measured by the ASX300 declined -2.7%. This was mainly led by the Financials which fell -8% as bank shares de-rated over the month as ANZ, NAB and Westpac went ex-dividend after reporting lacklustre interim results. In addition, forward earnings were adjusted downwards to reflect the impact of the surprise impost of the Government's 6 basis point levy announced in the May Budget.

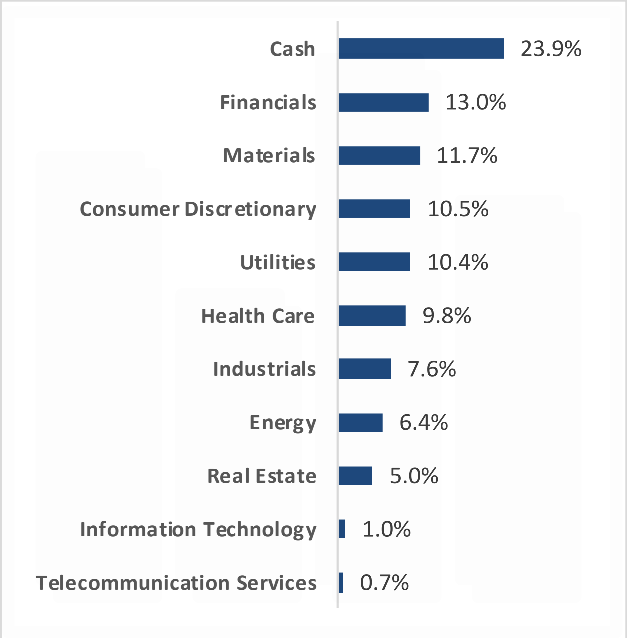
The QVE portfolio fell -0.5% over the month as the ASX ex 20 sector of the market held up well thanks to strong performances from stocks like Qantas and Aristocrat. While several of QVE's core industrial holdings such as Caltex, Genesis, Spark Infrastructure, Z Energy and SkyCity had a good month. This was offset by a disappointing performance over the month from stocks like Pact Group and Mayne Pharma following updates indicating that conditions are more challenging than expected in the second half of the year. Whilst these short-term conditions disappointed many investors, we used weakness in the share prices to top up on our holdings in these companies, as we remain confident in their long term strategies to grow their earnings in the next 3 to 5 years. Pact Group's strong cashflows from its mature packaging businesses are being used to help the company expand into the contract manufacturing and pallet pooling sectors while Mayne Pharma is investing in a $100m state of the art new manufacturing plant in the US which in coming years will produce the company's new products as well as contract manufacture for other pharma companies based outside the US.

Over the month we took profits on our holding in NZ telephone infrastructure company, Chorus, as in our view it is now fully valued and used the funds to buy a stake in Bunnings Warehouse Properties Trust (BWP). BWP has been sold down heavily in the last 12 months after Westfarmers announced the decision to relocate 7 of its Bunning stores from BWP sites into former Masters sites. Based on our detailed analysis we remain confident that BWP will continue to generate a yield of close to 6% plus some growth from its remaining extensive property portfolio in years to come.

In our view, the current correction to the Australian sharemarket was overdue and a reality check in many sectors where the outlook remains mixed in the short term. Thus our Banking sector, despite a continued subdued earnings outlook, had rallied strongly in the last 6 months in sympathy with US banks while many Resource companies share prices need to correct further to reflect the current weakness in the prices of commodities such as iron ore and oil. We continue to avoid much of the noise surrounding markets and continue to focus on using our healthy cash balance to take advantage of any opportunities to add to our holdings in good quality shares that in our opinion remain attractively priced on a 3 to 5 year view.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Spark Infrastructure	SKI	3.7%
Sonic Healthcare	SHL	3.7%
Clydesdale Bank	CYB	3.2%
Amcor	AMC	3.1%
Pact	PGH	3.1%
Fletcher Building	FBU	3.0%
Ansell	ANN	3.0%
Steadfast	SDF	3.0%
Bank of Queensland	BOQ	2.9%
Tox Free	TOX	2.9%

SECTOR ALLOCATION



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