Investment Update & Net Tangible Assets Report

September 2017

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)*	QVE-ASX
NTA before tax cum div	1.19
NTA after tax cum div	1.15

*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*	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+0.3%	+0.4%	-0.1%
3 Months	-1.9%	-0.8%	+1.4%
6 Months	+0.3%	+1.3%	+3.6%
1 Year	+3.4%	+5.3%	+8.8%
Since Inception Total Return p.a	+8.7%	+7.7%	+10.0%

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

*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. *Performance is calculated to 30 September 2017. Past performance is not indicative of future performance.*

SHAREMARKET COMMENTARY

Global equity markets finished September on a stronger footing with the MSCI World Index gaining +2.3%, following a softer month in August. The gains across major global bourses were broad based. The Dow Jones continued to post record highs and the S&P500 Index finishing the month up +2.1%. Europe's Stoxx50 and Japan's Nikkei were similarly strong over the month finishing +5.2% and +4.2% respectively.

Sentiment improved in September as equity markets looked to brush aside geopolitical rumblings such as the threat of nuclear war with North Korea. Markets reacted positively as the Republican Administration finally released a blueprint of corporate tax reforms. Also in the US, the Federal Reserve minutes released during the month highlighted the need for further policy normalisation by enacting a program to wind back its balance sheet, a move which pundits labelled QT (quantitative tapering). The Fed also flagged its intention for a further US rate increase by the end of the year.

Domestically, the AUD lost -1.4% against the USD in September, a welcome reprieve given its strength over the previous 6 months. Commodities had a volatile month with the iron ore price falling -21.4%, reversing its strong gains of the prior months. Base metals and the gold prices similarly had a weaker month falling -2.9% and -3.1% respectively. The oil price gained +7.5% in September as production cuts by OPEC gained traction.

In contrast to its global counterparts, the broader Australian market as measured by the ASX300 Accumulation Index had a lacklustre month finishing flat, rounding out a +0.8% gain over the quarter. The Resources sector came under pressure during the month, reversing its strong momentum, falling -1.4% courtesy of a hefty fall in the iron ore price. The Industrials sector fared a little better edging out a small gain of +0.3% with gains from both Healthcare sector and the Banks buoying the market.

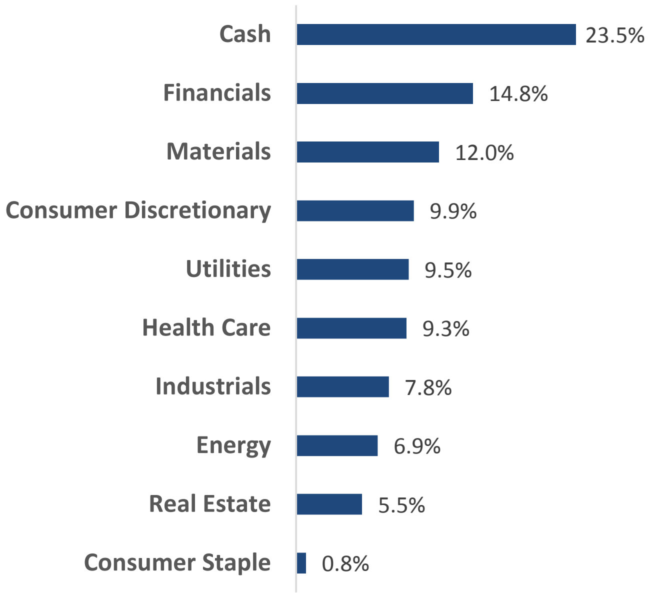
The ex20 segment of the market was fairly flat overall, finishing the month slightly lower, down -0.1%. The Resource sector weighed on the ex20 index given the weakness in core commodity prices. Utilities came under pressure late in the quarter as investors reacted to upward pressure on short term interest rates and weakness in AGL as the Government held discussions with the company regarding its closure of Liddell. On a positive footing, ex20 Financials were one of the better performing Industrial sectors gaining +0.7% over the month. Clydesdale Bank gained +9.4% in September following a market update where the bank announced that it was ahead of schedule on its cost out programmes. The Bank of England's announcement that UK rates may be raised later this year also led to strength in financials and banks in the UK as this would help the sector's profitability.

The ***QVE portfolio*** had a solid month gaining +0.3% against its benchmark's flat return of -0.1%. Our virtual zero weighting to the volatile Resources sector helped our relative performance with many mining stocks having a challenging month given the weakness in core commodity prices. Mid cap Industrial holdings such as Spark Infrastructure, Sonic Healthcare, Z Energy, along with small caps Southern Cross Media and GWA had a disappointing month although we remain very comfortable with the management and long-term outlook for all these companies. On a positive note, Clydesdale Bank, Steadfast, Shopping Centres Australia and Events all had a positive month. In a fairly quiet month for the portfolio, we took part profits on our holding in Abacus. We took advantage of weakness in Events to buy some more shares for the portfolio.

We remain cautious given the continued low growth and highly competitive economic environment which is making it difficult for many companies to grow their earnings. We continue to focus our attention on good quality companies that we believe are well positioned to sustainably grow their earnings and dividends in the years ahead while also maintaining a healthy level of cash in the portfolio as we await further opportunities to buy good quality stocks at the right level. We remain cautious on the Resource sector given the continued high levels of supply apparent in most commodity markets.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Clydesdale Bank	CYB	3.7%
Spark Infrastructure	SKI	3.5%
Bank of Queensland	BOQ	3.5%
Pact Group	PGH	3.3%
Sonic Healthcare	SHL	3.2%
Fletcher Building	FBU	3.2%
Caltex	CTX	3.2%
Ansell	ANN	3.2%
Steadfast	SDF	3.1%
Tox Free Solutions	TOX	3.1%

SECTOR ALLOCATION



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