

1 November 2017

QV Equities 2017 AGM Chairman's Address

Before I commence my address, I would like to draw shareholders attention to the announcement on 3 October 2017, that Natixis Global Asset Management acquired a 51.9% stake in Investors Mutual Limited. The remaining balance of equity, 48.1% is retained by Anton Tagliaferro and other key Investors Mutual Limited employees.

Natixis is a highly reputable, global funds management company that owns more than 20 asset management firms globally.

There will be no changes to the way in which IML is managed and Anton Tagliaferro has committed to being IML's Investment Director until at least 2023.

Natixis has reinforced IML's investment management philosophy and approach, QVE's investment objectives remain unaltered in aiming to provide you with both long-term capital growth and sustainable growing income streams over a timeframe of 5 or more years.

These objectives were achieved in the year ended 30 June 2017 through our investment manager adhering to an investment strategy that targets quality and undervalued entities outside the S&P/ASX 20 Index.

The annual increase in the NTA (pre-tax) was 12.7% almost matching the benchmark return of 13.6% while the dividends per share rose from 3.3 cents to 4.0 cents.

During the year, the Australian share market was affected by both economic and political factors. These included:

- Australian economic growth at around 2%, unemployment and under-employment rates at 5.5% and 8.8% respectively, combined with continuing low wage growth and inflation.
- A reduction in the official interest rate from 1.75% to a historic low of 1.5% in August 2016.
- Higher commodity prices that favoured the materials index and strengthened the Australian dollar.
- Growing risks associated with geo-political issues especially North Korea.
- The May Federal Budget that included increased infrastructure spending, lower small business tax rates and a 6 basis points levy on the major banks.

Anton and Simon will expand on these and other issues in their investment presentations.

I am proud to announce that QVE was named as one of 3 finalists for the Listed Investment Company of the Year in the Professional Planner/Zenith Fund Awards for 2017. We are proud of this achievement and the independent recognition of QVE as a listed investment company.

I will now report on the Company's capital raisings and financial performance.

During March and April, the planned capital raising of \$65 million before costs was completed. This was achieved through the issue of new shares at \$1.22 each to private investors and all shareholders through a share purchase plan.

The capital raising was beneficial to all shareholders as it reduced the Company's management expense ratio (MER) and increased the NTA of the Company.

On 26 July 2016 the Board introduced a Dividend Reinvestment Plan (DRP). During the first year the DRP raised \$333,461 resulting in an additional 271,545 shares being issued to participants. On 16 August 2017 the Board decided to introduce a 3% discount to the DRP.

Turning to the operating results of the Company, the net profit for the year ended 30 June 2017 was \$8.5 million, an increase of \$2.8 million on the previous year. After tax earnings per share rose from 2.77 cents to 3.61 cents.

The net asset value of the Company at 30 June 2017 was \$320 million compared to \$238 million at 30 June 2016.

The management expense ratio for the year ended 30 June 2017 was 1.01% compared to 1.09% for the year ended 30 June 2016 and 1.18% for the annualised rate for the 10-month period to 30 June 2015.

I am confident that the Company's MER will fall below 1% for the year ending 30 June 2018 for the following reasons:

- No performance fee is payable to the manager
- The investment management fee is 0.90%, on assets up to \$150 million and 0.75% on assets above that figure; and
- At 30 September 2017 the Net Tangible Assets before tax was \$326 million.

Turning to the investment performance for the first quarter of the 2018 Financial Year.

The pre-tax returns of -1.9% compared to the benchmark's return of +1.4%. This underperformance was mainly due to the strength in the Resources sector over the quarter. A sector our investment manager tends to avoid due to the volatile and unpredictable prices of commodities.

Our recommended investment timeframe for shareholders is 5 or more years. After approximately 3 years the Company's pre-tax return was 8.7% compared to 10.0% for the benchmark. It is pleasing to see that on the original \$1 invested in the IPO, the Company has so far paid fully franked dividends of 9.3 cents per share over this period.

The Board remains confident that the Company will continue to meet its investment objectives.

About QV Equities: QV Equities Limited (QVE) is a Listed Investment Company established with the primary objective of providing both long term capital growth and income, through a diversified portfolio of ASX listed entities outside of the S&P/ASX 20 Index. The portfolio is managed by Investors Mutual Limited (IML), a multi award-winning and experienced investment management company, with an excellent track record of successfully managing Australian equities since 1998.