Investment Update & Net Tangible Assets Report

March 2018

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)*	QVE-ASX
NTA before tax (ex 2.1 cent div)	1.1701
NTA after tax (ex 2.1 cent div)	1.1402

*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 (as at 31.03.18)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	-1.4%	-0.9%	-2.5%
3 Months	-2.7%	-1.8%	-3.2%
6 Months	+3.0%	+2.6%	+6.4%
1 Year	+3.6%	+3.9%	+10.2%
Since Inception Total Return p.a	+8.8%	+7.4%	+10.4%

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	275.3m
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 4 year basis

The above returns are after fees and assumes all declared dividends are reinvested and excludes tax paid for pre tax NTA. Due to the Company's turnover being below $25 million the Company's corporate tax rate reduced to 27.5% from 1 July 2017. Past performance is not indicative of future performance.

SHAREMARKET COMMENTARY

Global equity markets endured a volatile month in March with the MSCI World Index falling -2.4%. Markets remained on edge following the volatility in February on the prospect of higher US inflation with concern that the Federal Reserve may have to hike rates at a faster than anticipated rate. March brought its own uncertainties as Trump unveiled his tariffs on imports such as Steel and Aluminium into the US and with the Chinese retaliating with their own set of tariffs on US imports. Another 0.25% increase in US rates by the Federal Reserve at the end of the month did little to soothe investors nerves. Over the month the US S&P 500 fell -2.7%, with the tech laden NASDAQ index falling as much as -10% at one point following regulatory imposts on the big tech space, whilst Europe's Stoxx 50 and Japan's Nikkei slipped -2.3% and -2.8% respectively.

On the domestic front, the RBA kept rates on hold as expected, with the RBA cash rate now at a level below the US Fed Funds rate. The Australian Q4 GDP reading came in softer than expected at +0.4%, highlighting the relatively patchy and at times challenging economic environment for Australia, further highlighted by a weak January retail sales number released during the month. Commodity markets were mixed with the price of oil gaining +8% over the month, whilst iron ore prices fell -18% and markets reacted to the potential impact of US tariffs on Chinese steel production. Base metal prices fell -4% over the month, whilst Gold gained +1% on safe haven buying.

The broader Australian market as measured by the ASX 300 similarly had a challenging month falling -3.7%, with all sectors finishing in negative territory, with resilience shown from both the defensive Utilities and the REITs sectors which benefitted from some strength in bonds as investors sought safe havens given continued sharemarket volatility. The Resource sector weighed on the broader market as mining stocks weakened in line with softer iron ore and base metal prices. The Banks fell -6.3% weighed down by the ongoing regulatory inquiries and concerns over funding costs. The ASX ex 20 segment of the market fared a little better than the overall market, finishing the month down -2.5%, with only the REIT sector edging out a positive return. Financials proved soft over the month shedding -5.6%, with Fund management companies hit particularly hard given their exposure to the increasingly volatile markets. The ex 20 Resources sector was also softer with the Energy and Materials sectors both weaker on lower commodity prices.

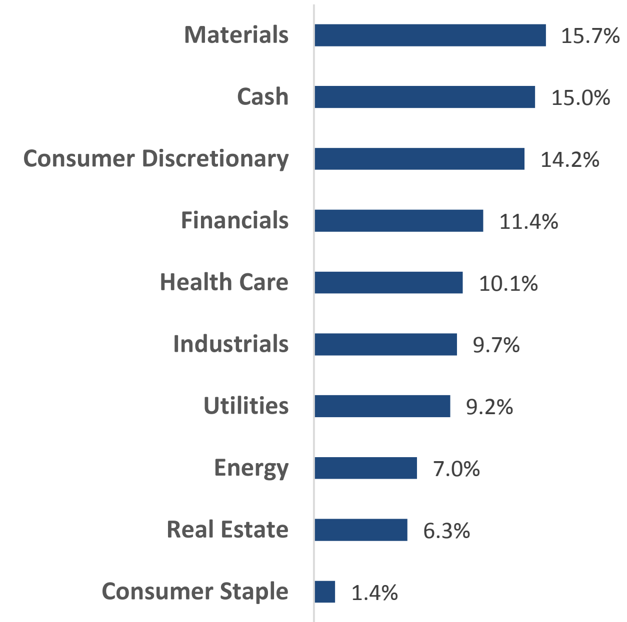
The ***QVE portfolio*** finished the month slightly lower, shedding -0.9%, which whilst disappointing was a much better return than the benchmark which fell -2.5%. The portfolio's zero holding in the highly volatile and unpredictable Resources sector and Funds Management companies helped the portfolio value hold up well. The portfolio's exposure to good quality REITs, which require little in the way of CAPEX spend such as Shopping Centres Australasia, Bunnings Property Trust, Abacus and recent addition Charter Hall Retail, also served the portfolio well. In addition, portfolio holdings such as Sky City, GWA, Spark Infrastructure, Genesis Energy, Amcor and Mayne Pharma all had resilient months.

In terms of portfolio activity, we took part profits on our holding in Ansell and GWA and exited our My State holdings for good profits on valuation grounds. We continued to use weakness in the share price of global packaging company Amcor to top up our holding, as the issues impacting the business in the first half look likely to ease. We also added Charter Hall Retail to the portfolio with the company trading on a sustainable yield of +7% and a discount to NTA. We topped up on our holdings in Mayne Pharma as its US generics division looks set for improvement in the next 12 months. We also added to the portfolio's holdings in Crown Resorts and Sky City on weakness given the expected growth from both companies' operations in the coming years thanks to a sharper focus of both companies' respective management teams on optimising the returns from their existing assets.

In our opinion, the recent increase in volatility and correction in global markets was well overdue and has to be kept in context of the strong rises in many of these markets over 2017. While the direction of world growth remains positive, it remains a challenging environment for many companies to grow their earnings given the intensely competitive nature of most sectors. With US interest rates set to increase further in the near future and with the ECB due to slow or stop its QE policy sometime in 2018, we remain cautious and continue to use any further weakness in good quality industrial names to put the portfolio's cash holding to work, as we did during March.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Amcor	AMC	4.4%
Sonic Healthcare	SHL	4.3%
Tox Free Solutions	TOX	4.2%
Pact Group	PGH	4.0%
Clydesdale Bank	CYB	3.8%
Crown Resorts	CWN	3.8%
Spark Infrastructure	SKI	3.7%
Orica	ORI	3.6%
Caltex	CTX	3.4%
Bank of Queensland	BOQ	2.9%

SECTOR ALLOCATION



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