Level 24, 25 Bligh Street, SYDNEY NSW 2000
PO Box H104, Australia Square, SYDNEY NSW 1215
1300 551 132 Ph +61 2 9232 7500 Fax +61 2 9232 7511

www.qvequities.com ACN: 169 154 858

QV Equities Ltd.

24 October 2018

QV Equities 2018 AGM Chairman's Address

Before I commence my address, I would like to congratulate the Manager, Investors Mutual Limited, on their 20th anniversary. In 1998 Anton Tagliaferro established Investors Mutual with the purpose of creating a research-driven fund manager that was focused on the specific needs of the end investor. The Company's co-Portfolio Manager Simon Conn has also been with the Manager since the beginning. Over the last 20 years, investors in the Manager's funds have received returns that are more consistent and less volatile than the Australian sharemarket.

On behalf of shareholders, the Manager continues to adhere to its disciplined 'quality and value' investment strategy which has defined its approach to investing for the past 20 years – through all market cycles.

In alignment with the Manager's long-standing investment philosophy, QV Equities' investment objectives also remain unaltered. We aim to provide you with both long-term capital growth and a sustainable, growing income stream over a timeframe of 5 or more years. This will be achieved by our investment manager adhering to an investment strategy that targets quality and undervalued entities outside the S&P/ASX 20 Index.

For the 12 months to 30 June 2018, the Company's portfolio returned +6.0% before tax. It lagged the ASX ex 20's return of +15.9% primarily as a result of the portfolio's low weighting to the volatile Energy, IT and Materials sectors which all had exceptional returns.

With the market at a ten-year high our Manager is investing with caution and at 30 June 2018, held 19% of the total portfolio in cash.

Dividends per share rose from 4.0 cents in FY 2017 to 5.2 cents in FY18, which included a one cent per share special dividend.

During the year, the Australian share market reached a ten-year high driven by upward momentum which may have taken many companies' valuations beyond their fundamentals. The market was affected by both economic and political factors. These included:

- The Australian economy continued to grow with GDP up 3.4% for the year, while the unemployment rate fell to 5.3%.
- Wage growth and the inflation rate remained low at 2.1%, and 2% respectively.
- The Reserve Bank of Australia has kept interest rates at the record low rate of 1.5%, a reflection of the Australian economy's reliance on the highly leveraged consumer and housing sectors.
- A lower Australia dollar that favoured the materials sector, as most commodity prices are quoted in US dollars.
- The rise in global interest rates combined with global geo-political events, which affected markets during the year included President Trump's trade tariff war with China and uncertainty in emerging markets.
- Locally we saw continued policy uncertainty that affected many parts of the economy.

Level 24, 25 Bligh Street, SYDNEY NSW 2000
PO Box H104, Australia Square, SYDNEY NSW 1215
1300 551 132 Ph +61 2 9232 7500 Fax +61 2 9232 7511

www.qvequities.com ACN: 169 154 858

I will now report on the Company's financial performance and dividend reinvestment plan.

The net profit for the year ended 30 June 2018 was $11.1 million, an increase of $2.6 million on the previous year. After tax earnings per share rose from 3.61 cents to 4.05 cents excluding capital gains.

The net asset value of the Company at 30 June 2018 was $326 million compared to $320 million at 30 June 2017 after dividend payments of $11.3m during the year.

The management expense ratio for the year ended 30 June 2018 was 0.99 percent. For the years ended 30 June 2017 and 2016 respectively, it was 1.01 percent and 1.09 percent.

I am pleased that the Company's MER fell below 1 percent for the year ended 30 June 2018, and expect the MER to continue to fall as the Company's NTA grows. My confidence is based on the investment management fee of 0.90 percent, on assets up to $150 million, and 0.75 percent on assets above that figure. In addition, no performance fee is payable to the Manager.

Turning to the Dividend Reinvestment Plan which is now in its third year of operation.

The DRP raised $566,410 resulting in an additional 466,054 shares being issued to participants during the year ended 30 June 2018. A discount of 3 percent was introduced from August 2017.

Looking now at the investment performance for the first quarter of the 2019 Financial Year:

Pre-tax, the portfolio returned negative 0.2 percent compared to the benchmark's return of +1.5 percent for the quarter. This underperformance was mainly due to continued strength in the Energy, IT and Materials sectors over the quarter. Our investment manager has remained cautious of these sectors due to volatile and unpredictable prices of commodities, as well as many companies in these sectors trading well above the prices the manager considers to represent value for shareholders.

Our recommended investment timeframe for shareholders is 5 or more years. After approximately 4 years the Company's pre-tax return was 9 percent per annum compared to 11.6 percent for the benchmark.

One of the Company's objectives is to deliver income to our shareholders. Those shareholders who subscribed to the IPO 4 years ago in August 2014, have now been paid a total of 11.4 cents per share in fully franked dividends to 30 June 2018.

The Board remains confident that the Company will meet its investment objectives over a 5-year timeframe.

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.