Investment Update & Net Tangible Assets Report

January 2019

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)*	QVE
NTA before tax	$1.11
NTA after tax	$1.10

*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 31.01.19)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+2.8%	+1.9%	+5.7%
3 Months	-1.0%	-0.7%	+1.0%
6 Months	-7.2%	-5.3%	-5.8%
1 Year	-3.2%	-1.7%	-0.6%
Since Inception Total Return p.a	+6.9%	+5.9%	+9.0%

The above returns are after fees and assumes all declared dividends are reinvested and excludes tax paid for pre tax NTA. Past performance is not indicative of future performance.

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	276.0 M
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 5 year basis

SHAREMARKET COMMENTARY

Global sharemarkets rebounded strongly in the opening month of 2019 with the MSCI World Index gaining +7.8%. The gains were led by resurgent US stockmarkets with the S&P500 up +7.9%, its best January performance since 1987. Europe's Stoxx50 and Japan's Nikkei also had a good month up +5.3% and +3.8% respectively, while the Emerging Markets index which had a very tough calendar 2018 rebounding +8.7%. Fears of aggressive interest rate tightening by the US Fed Reserve - which caused much of the turmoil in world markets in the final quarter of 2018 (following the Fed's 4 rate hikes in 2018 and indication of 3 further rate rises in 2019), abated as Fed statements in January hinted at a much more gentle and patient approach in managing the future path of interest rates. In addition, late in the month Fed Chairman Jerome Powell intimated that the Fed would possibly not raise interest rates at all in 2019, a statement that further convinced investors that a hard landing in the global economy in 2019 or 2020 due to excessive interest rate tightening by the Fed was highly unlikely.

A slew of weak global macro data releases only served to highlight the importance of the Fed's changed stance on interest rates. The IMF cut its global GDP growth forecasts for both 2019 and 2020 and whilst still forecasting GDP growth of 3.5% for 2019 (down from 3.7% previously), the reduced forecast was an early sign that global growth was moderating. While US economic growth remained robust, Chinese GDP for 2018 grew at its weakest rate since 1990 with Chinese trade and manufacturing data continuing to decelerate with China's car sales (the world's largest automobile market) declining for the first time since 1990. In the Euro zone, the economy remained patchy as Italy slipped back into recession, while the German and French economies also slowed markedly towards the end of 2018.

Domestically, the broader Australian market as measured by the ASX300 had a strong month gaining +3.9% led by the Resource sector which rallied +9.2% over the month, courtesy of rebounding commodity prices. All sectors finishing in positive territory with the exception of the Banks as investors waited on the sidelines for the final Royal Commission report to be released. The ex20 segment of the market was also strong gaining +5.7%, with all sectors finishing the month higher. The Ex20 Resources sector led the way courtesy of the rebound in commodity prices with the sector gaining +11%, with the Energy sector up over +12% thanks to strength in the oil price. The Utilities and the REIT sectors had a good month gaining +6% and +7% respectively as global bond yields stayed low thanks to a more benign outlook for interest rates following the Federal reserve's statements and as global growth expectations for 2019 were wound back. The local Information Technology sector rebounded +9% following significant weakness in the back half of 2018 as the Nasdaq in the US rose strongly in January.

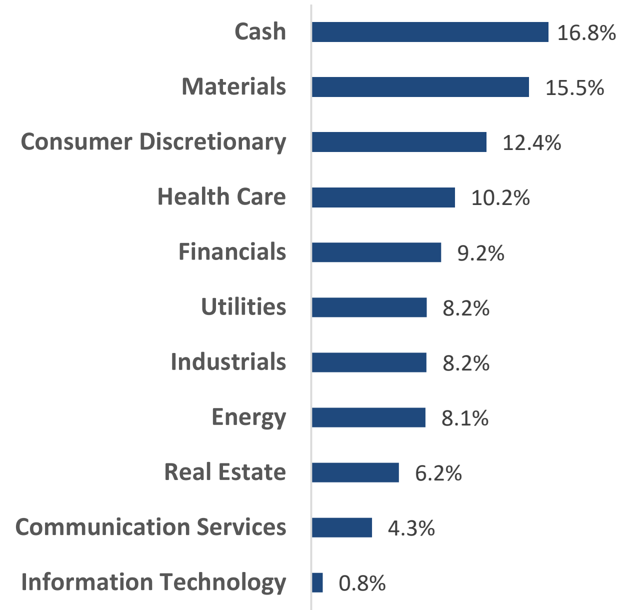
The ***QVE portfolio*** had a good month gaining +2.8% more than recovering the loss of value recorded in December, albeit the return for January for the portfolio was lower than the benchmark's strong return of +5.7%. Our caution to the volatile Resources sector held back the portfolio's relative performance as stocks we do not hold such as Fortescue and Santos surged over the month in response to positive short-term price movements in the prices of iron ore and oil. Our positioning in good quality Industrial companies such as Regis Healthcare, Skycity and Tabcorp contributed to performance as these stocks all had a good month. Pleasingly, we had used some of our cash to top up on our holdings in many of these companies at attractive prices as the market fell heavily in the December quarter.

During January, we used share price weakness in both Sims Metal (SGM) and Incitec Pivot (IPL) to initiate positions in both companies after the share prices of both companies fell heavily after the release of guidance, which fell short of market expectations, for both companies largely on short term issues. Sims Metal was purchased when it fell to below $9.50, well below its NTA of $9.80 as the stock fell heavily after announcing that December quarter earnings were below expectations. At below NTA SGM looked attractive given the company holds significant market shares in the metal recycling sector in various countries around the world (including Australia where SGM has a 40% market share). Incitec Pivot fell heavily over the month after announcing that one off unplanned plant outages at the company's Louisana ammonia plant and Phosphate Hill phosphoric acid facility would negatively impact this year's EBIT by $45m, although the company added that both issues were close to being fully resolved. We expect IPL to benefit over the medium term from the improvement in the explosives market as the mining industry continues to expand given higher commodity prices.

Despite the rebound in markets in January, we expect markets to stay fairly volatile in the short term given the outlook for world growth continues to moderate. Furthermore, the increasingly uncertain political backdrop, both domestically and abroad, will continue to reappear from time to time and will weigh on investor appetite. The company reporting season in February will highlight that growth for many Australian based companies remains a challenge, in light of increasing competition and regulatory imposts on many sectors. We will continue to use our cash opportunistically to buy into well managed companies with conservative balance sheets and which have clear, long term sensible plans to grow their earnings in the next 3 to 5 years.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Crown Resorts	CWN	4.67%
Amcor Limited	AMC	4.45%
Spark Infrastructure Group	SKI	4.32%
Pact Group Holdings	PGH	4.20%
Caltex Australia	CTX	4.11%
Sonic Healthcare	SHL	4.01%
Orica Limited	ORI	3.63%
Aurizon Holdings	AZJ	3.58%
Bank of Queensland	BOQ	3.15%
Steadfast Group	SDF	3.01%

SECTOR ALLOCATION



CONTACT US:

Wayne McGauley
Head of Retail
wayne.mcgauley@iml.com.au
M: 0404 012 644

Luke Mackintosh
State Manager NSW, ACT & SA
luke.mackintosh@iml.com.au
M: 0432 147 399

Justin Brooks
State Manager VIC, TAS & WA
justin.brooks@iml.com.au
M: 0416 194 633

Jason Guthrie
State Manager QLD
Jason.Guthrie@iml.com.au
M: 0435 690 377

INVESTMENT ENQUIRIES
info@qvequities.com
1800 868 464

CORPORATE ENQUIRIES
1300 552 895

PORTFOLIO MANAGERS:

Simon Conn and Anton Tagliaferro

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Level 24, 25 Bligh Street, Sydney NSW 2000 I PO Box H104, Australia Square, Sydney NSW 1215 I ACN 169 154 858
Contact QV Equities Ltd. for further information I (+61) 1800 868 464 I www.qvequities.com I **info@qvequities.com**