Investment Update & Net Tangible Assets Report

March 2019

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)*	QVE
NTA before tax	$1.13
NTA after tax	$1.11

*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 31.03.19)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+1.5%	+1.2%	+0.9%
3 Months	+6.6%	+4.8%	+12.3%
6 Months	-2.1%	-1.3%	-0.4%
1 Year	+2.4%	+2.3%	+8.5%
Since Inception Total Return p.a	+7.5%	+6.4%	+10.1%

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	276.3 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

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

SHAREMARKET COMMENTARY

Global equity markets extended their rebound in March with the MSCI World Index returning +1.4%, rounding out its best quarterly performance in a decade. The Index returned +10% during the quarter recovering much of the -13% decline from the final quarter of 2018. Over the month, the US continued to drive global markets higher as the S&P500 gained +1.8%, Europe's Stoxx50 gained +1.6% and the UK's FTSE 100 returned a healthy +2.8% despite the ongoing uncertainty of Brexit. Japan's Nikkei fell -0.8%, beset by a stronger Japanese yen weighing modestly on Japan's exporters. The rebound in global markets was mainly courtesy of the Federal Reserve's U-turn on monetary policy, holding steady on US interest rates, with the Fed clearly swayed by continued indicators that global growth was slowing sharply. This included clear signs that many parts of Europe, including Germany, were stagnating and that China was struggling to keep its economy growing strongly due in part to the imposition of the US tariffs.

Domestically, Australian 4th quarter 2018 GDP released in March was weak for a second consecutive quarter recording growth of only +0.2%. Removing the impact of population growth, on a per capita basis the economy declined over the quarter. Thus, in lockstep with many of other central banks, the RBA intimated that the direction of any move in interest rates is now evenly balanced, as the domestic economy grapples with a slowing housing market and softening consumer activity.

A bright spot for the Australian economy was the continued recovery in commodity prices from the weakness seen in late 2018. The oil price rose +2% over the month as OPEC's production cuts to rebalance the market continued to support the oil price. The iron ore price gained a further +3% as the market continues to adjust to over 40 million tonnes of supply being taken out of the market due to Vale's burst tailings dam disaster in Brazil. The broader Australian market as measured by the ASX300 index gained +1.9% in March, extending its quarterly rally to +11%, courtesy of a 20% rally in the Resources sector on recovering commodity prices.

The ex 20 segment of the market returned +0.9% in March. Sector performance was mixed - the REIT sector rose strongly, up +5.3%, thanks to the sharp fall in bond yields with the Australian 10-year bond yield falling -0.3% over the month to an all-time low of 1.78%. Similarly, the Utilities sector was also buoyant with the likes of AGL and Ausnet benefiting from lower bond yields. The Technology sector continued its rebound following the savage sell off it suffered in late 2018, with a gain of +2.6%, with some of the more speculative names once again capturing investors' imagination. On the negative side of the ledger Financials shed -0.7%, with listed fund managers moderating post their strong performance in the first two months of 2019. The Resources sector came in for a breather edging out a small gain following the two prior months effusive rally off the back of recovering commodity prices.

As sharemarkets continue to recover from their losses from the December quarter, the QVE portfolio enjoyed a solid month with a gain of +1.5%, ahead of its benchmark's return of +0.9%. The portfolio's positioning in good quality Industrial companies contributed to the performance over the month as Genesis Energy, Crown Resorts, Shopping Centres Australasia, Regis Healthcare and Sonic Healthcare all performed well. The portfolio also benefited from Myer rallying substantially during the month following the release of a well-received set of 1H results. The new management team continue to make solid progress in turning the retailer around, taking costs out of the business and enhancing both the store and online experience - highlighted by sales in their omni channel and online platforms growing +18% year on year.

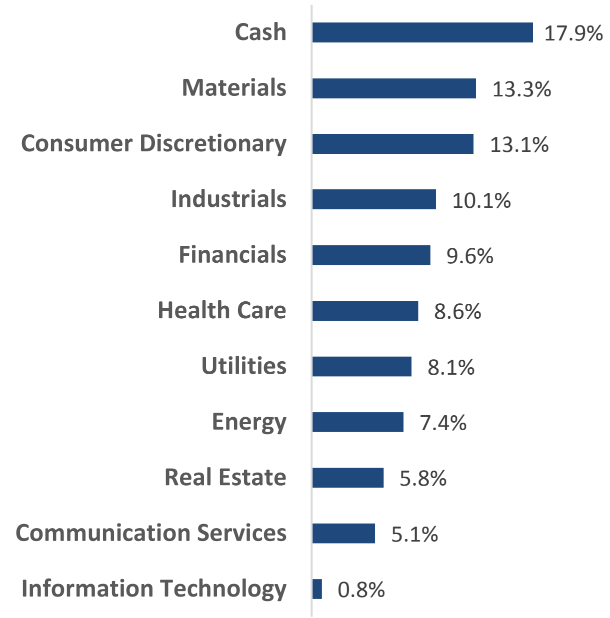
Disappointing performers over the month include Caltex which pulled back in March after announcing that first quarter profits were tracking below expectations. On roughly 12 x earnings, a growing offshore business, surplus franking credits and underpinned by a very strong infrastructure, Caltex continues to look attractive. Over the next few years we believe Caltex will benefit from the restructuring of its business into two divisions – Retail and Fuels & Infrastructure – which will allow management to focus on driving opportunities in each part of these separate divisions.

During the month we used our cash to top up on our holding in Nine Entertainment. In our opinion the company is an attractive long-term prospect following the merger of Nine and Fairfax as this has created the opportunity to extract significant cost synergies as well as carving out additional revenue opportunities. The newly merged company is now in the process of divesting non-core assets and this will allow management to drive growth in media assets such as Domain and streaming platform Stan, which already has over 1.5m subscribers. With a strong balance sheet, the company also has the flexibility to pursue further acquisitions or make capital returns.

While lower interest rates have helped sharemarkets rally over the March quarter, we continue to be cautious about the overall outlook with earnings expectations for many companies remaining lacklustre given the forecast of slower economic growth both in Australia and globally. Furthermore, the increasingly uncertain political backdrop, both domestically and overseas will continue to weigh on investor sentiment. The Australian company reporting season in February highlighted that the outlook for many Australian based companies remains quite challenging given increasing competition and regulatory imposts in many sectors. We will continue to use our cash opportunistically to buy into well managed companies with conservative balance sheets and which have clear, sensible, long-term plans for growing their earnings in the next 3 to 5 years.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Crown Resorts	CWN	4.4%
Amcor	AMC	4.2%
Caltex	CTX	3.9%
Spark Infrastructure	SKI	3.8%
Sonic Healthcare	SHL	3.8%
Aurizon	AZJ	3.6%
Steadfast	SDF	3.6%
Pact Group	PGH	3.1%
Orica	ORI	3.1%
GWA	GWA	3.0%

SECTOR ALLOCATION



PORTFOLIO MANAGERS:

Simon Conn and Anton Tagliaferro

CONTACT US:

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

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

William Kim
Business Development Manager NSW/ACT
william.kim@iml.com.au
M: 0408 135 242

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

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