Investment Update & Net Tangible Assets Report

June 2019

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)*	QVE
NTA before tax	$1.15
NTA after tax	$1.13

*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 30.06.19)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+0.6%	+0.4%	+3.0%
3 Months	+1.9%	+1.3%	+6.6%
6 Months	+8.6%	+6.2%	+19.7%
1 Year	-0.4%	-0.1%	+7.7%
Since Inception Total Return p.a	+7.5%	+6.3%	+11.0%

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	276.3M
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 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 rebounded sharply in June with a gain of +6% as a combination of supportive comments from the US Federal Reserve and hopes for a positive outcome in trade relations between the US and China at the G20 buoyed markets. Performance across the major bourses was broad based, the US S&P 500 gained +7% over the month, reaching another record high, whilst taking its first half gain to +18%, its best half yearly performance since 1997. Similarly strong was Europe's Stoxx50 index which gained +6% over the month as the ECB remains on call to support their flagging economy with further stimulus.

Aside from optimism on the potential for a truce in the trade war between the US and China, sentiment was supported by another soft US inflation reading. Whilst the Fed's U turn on interest rates back in January has been the catalyst for much of this year's sharemarket rally, markets received another boost with Fed Chairman Jerome Powell intimating that should economic data continue to soften and inflation fail to pick up – the Fed's hand could be forced to cut interest rates.

Commodity prices were well supported through the month, iron ore gained +10%, ongoing supply issues out of Brazil given Vale's tailings dam disaster earlier in the year continues to curtail global supply. The oil price recovered from a sharp correction in May and was given a further boost on increasing geopolitical tensions between the US and Iran. The gold price continues to be well supported gaining +9% on safe haven buying, along with the potential for US dollar weakness should the Fed cut interest rates. Domestically, having left interest rates unchanged since August 2016, the RBA took drastic action to help revive a sluggish Australian economy by cutting the official cash rate by 0.25% in June to a record low of 1.25%. At its July meeting, the RBA followed with a further 0.25% reduction in the Australian cash rate to a fresh record low of 1%.

The broader Australian sharemarket as measured by the ASX300 enjoyed a solid month gaining +3.6%, the banks and the miners were the biggest contributors to index gains. The banks enjoying somewhat of a reprieve following their challenging year in the wake of the Royal Commission, whilst the miners rose in sympathy with higher commodity prices.

The ex20 segment of the market also enjoyed a solid month gaining +3.0%. Sector performance was mixed, ex20 Resources were strong with a gain of +7%, largely driven by the miners on higher commodity prices, namely iron ore, gold and copper. Within the Industrials segment; healthcare was buoyant with a gain of +4% with strong performances from the likes of Sonic Healthcare, Ansell and Resmed. The Financials sector was also well supported with the listed fund managers benefiting from more buoyant financial markets. Whilst the REITs continue to find support with the ongoing search for income as bond yields crunch lower across the globe, namely in Australia with our 10yr bond yield hitting a record low of 1.3%.

The ***QVE portfolio*** finished with a gain of +0.6% over the month, well below the benchmark's strong rise of +3.0%. Our caution towards the Resource sector held back performance. However, given the inherent volatility of many of the resource companies and their over-reliance on Chinese economic growth, we remain comfortable with this positioning. Our caution towards the REIT sector also held back our relative performance, although in our opinion, the sector is looking fully valued with many of the larger REITs trading well above NTA.

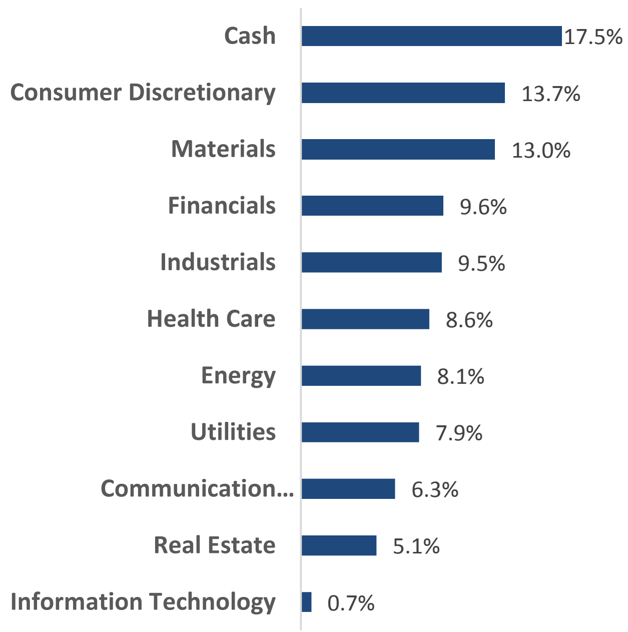
Our holding in Caltex disappointed over the month after the company warned its first-half profit would be impacted by margin in both its refining and convenience fuels divisions. Whilst disappointing, we see these issues as temporary and took advantage of weakness in the share price to top up our holding. On the positive side, our holdings in good quality industrials such as Steadfast and Aurizon enjoyed a strong month.

Over the month, we took profits in stocks such as Abacus Property and AGL on valuation grounds following strength in the share prices of these companies. Conversely, we topped up on good quality industrials such as oOh! Media and Tabcorp believing these companies are strongly positioned to do well over the next 3-5 years.

Despite the renewed optimism across global sharemarkets, the outlook for most companies remains fairly lacklustre given the outlook for slowing economic growth both in Australia and globally over the next 12 months. We thus remain very selective in our purchases, continuing to focus on companies we believe can do well in the next 3 to 5 years and we believe the portfolio is well placed for any impending volatility.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Crown Resorts	CWN	4.4%
Aurizon	AZJ	4.2%
Sonic Healthcare	SHL	3.9%
Amcor	AMC	3.9%
Steadfast	SDF	3.7%
Caltex Australia	CTX	3.5%
Spark Infrastructure	SKI	3.4%
Pact Group	PGH	3.2%
GWA	GWA	3.0%
Bank of Queensland	BOQ	2.8%

SECTOR ALLOCATION



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