Monthly Investment Update & Net Tangible Assets Report

December 2019

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)* as at 31 Dec 2019	QVE
NTA before tax	$1.13
NTA after tax	$1.12

*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 31.12.19)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	-2.1%	-1.5%	-2.1%
3 Months	+1.0%	+0.8%	+1.8%
6 Months	+1.2%	+1.3%	+6.5%
1 Year	+9.9%	+7.6%	+27.5%
Since Inception Total Return p.a	+7.0%	+6.0%	+11.3%

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	271.5M
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 enjoyed a strong end to the year with the MSCI World Index gaining +2.7% in December, taking 2019 gains to +26%, the best year since 2013. The strong gains across global sharemarkets were largely attributed to the easing policies of the world's central banks in a bid to spur lacklustre global economic growth. Indeed, both the US Federal Reserve and the RBA cut rates 3 times in 2019, with the RBA cutting rates to a record low of 0.75%.

Over the month, the US S&P500 led the charge higher, returning +3.0% with the market receiving a boost in December as the US and China outlined their intent to sign a phase one trade deal which led to optimism that additional increases in tariffs will be averted. However, details remain sketchy and a re-escalation is possible given the volatile nature of Trump's administration and their posturing for re-election in late 2020. Europe's Stoxx50 and Japan's Nikkei gained +1.2% and +1.7% respectively. The UK's FTSE100 index had a strong month gaining +2.8%, helped by the Conservatives landslide victory in December, which gave rise to realistic hopes that the Brexit saga can be resolved in a sensible manner.

As investor optimism improved following a thawing in trade tensions between the US and China, the Australian dollar enjoyed a solid bounce, gaining +4% against the USD, whilst bond yields across the globe also ticked higher. Minutes from the RBA's December meeting intimated that rates may need to be cut again, with the RBA becoming increasingly concerned that poor wages growth and overleveraged home owners are crimping household spending, whilst businesses are becoming increasingly risk averse. Following a poor 6 months which saw the iron ore price retreat -21% and oil and copper flatline on lacklustre economic growth expectations, commodity prices rebounded in December following optimism over a US-China trade deal with iron ore, copper and oil all rebounding around +6%. Despite improving sentiment, the gold price continued its strong run with a gain of +4% for the month.

The broader Australian market as measured by the ASX300, bucked the trend of its global peers in December by selling off -2.0%. The market in December was weighed down by weakness primarily in the Financials and Consumer Staples sectors. The ex 20 segment of the market was similarly soft returning -2.1% for the month. Whilst the ex20 Resources sector gained +0.8% supported by buoyant commodity prices, the industrials segment of the market shed -2.9%. Within the industrials segment of the market, Consumer Staples shed -7% for the month, with the harrowing effects of both the bushfires and the drought weighing on companies such as Treasury Wines, GrainCorp, Costa and a raft of other soft commodity producers. The IT sector also came under pressure shedding -4%, with Wisetech falling -14% following yet another research firm questioning the company's accounting practices. In addition, one of the many copy cat 'buy now pay later' providers Sezzle fell -13% after the Californian regulator rejected the company's application for a credit licence. The REIT sector also had a challenging month shedding -4% as the sector reached fully valued levels with most REITs trading at a generous premium to their underlying NTA.

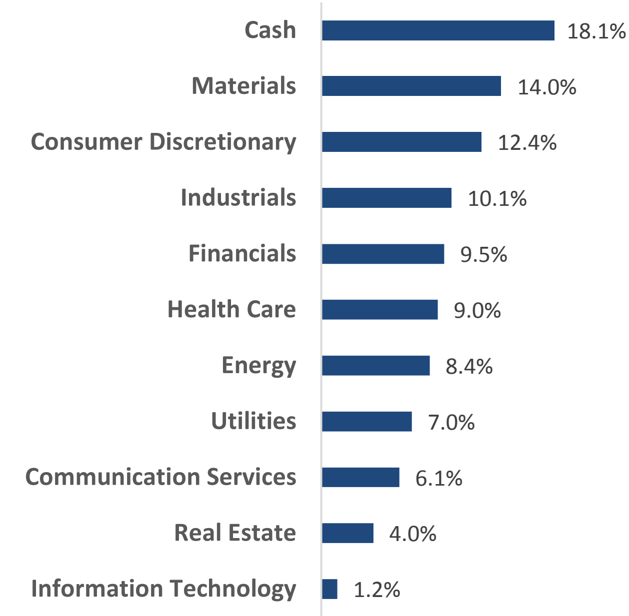
The QVE portfolio shed -2.1%, in line with the benchmark's fall. Our caution to the ever volatile Resources sector held back our relative performance. Having said this, we remain very comfortable with this positioning given the inherent volatility of the Resources sector and given the elevated levels at which many Resource companies are trading at relative to our longer-term commodity price assumptions. The portfolio was held back by a disappointing month for our holdings in Aurizon, Southern Cross Media and Tabcorp although we used weakness in the share prices of these companies to top up on the portfolio's holdings in these well established, high-calibre companies. On the positive side of the ledger, our holdings in Pact Group, oOh! Media (following a positive update), Virgin Money UK, Integral Diagnostics and Amcor all enjoyed a good month.

Over the month we further reduced our exposure and took profits on the portfolio's holding in AGL as the share price firmed thanks to the company's on market buyback as we remain concerned on the long term outlook for the company. We also exited the portfolio's holding in Hotel Property Investments (HPI) and crystallised good profits as we believe that HPI's distributions may have to be reduced in the years ahead as our research indicated a sharp deterioration in the underlying profitability of many of the pubs and hotels held by the trust. In addition, we trimmed our holdings and took part profits in both Steadfast and Virgin Money UK, given the strong rally in both companies' share prices.

Given the mixed economic outlook going forward and the very strong rally in sharemarkets over 2019 many stocks look fairly stretched from a valuation point of view. Whilst we believe record low interest rates will continue to support sharemarkets, we continue to be very selective and to focus on good quality companies that we believe represent good value and which can do well over the next 3 to 5 years. We also continue to hold a solid weighting to cash which we will deploy on any weakness in the share prices of good quality companies in the ex 20 sector of the stockmarket.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Crown Resorts	CWN	4.3%
Aurizon	AZJ	4.2%
Caltex	CTX	4.2%
Amcor	AMC	4.1%
Sonic Healthcare	SHL	4.0%
Virgin Money UK	VUK	3.5%
Steadfast	SDF	3.4%
Tabcorp	TAH	3.4%
Pact Group	PGH	3.3%
GWA Group	GWA	3.2%

SECTOR ALLOCATION



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