Monthly Investment Update & Net Tangible Assets Report

April 2020

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)* as at 30 April 2020	QVE
NTA before tax	$0.90
NTA after tax	$0.96

*The before and after tax NTA numbers relate to the provision for tax on net profit in addition to deferred tax on the unrealised gains/losses 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/losses that might arise on such a theoretical disposal, after utilisation of brought forward losses. All figures are unaudited and approximate.

PERFORMANCE (as at 30.04.20)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+12.5%	+8.0%	+13.5%
3 Months	-20.3%	-14.3%	-21.0%
6 Months	-17.3%	-11.9%	-16.6%
1 Year	-18.3%	-12.2%	-9.6%
Since Inception Total Return p.a	+2.8%	+3.1%	+6.8%

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	269.6 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 sharemarkets rebounded in April with the MSCI World Index returning +10% recovering some of the previous months' losses. The rebound was led by the US S&P500 which rose +13% over the month, with softer rebounds from Europe's Stoxx50 and Japan's Nikkei returning +5% and +7% respectively. Large fiscal programmes and huge central bank intervention, led by the US Federal Reserve, helped markets regain their poise.

The economic fallout from the pandemic continues to unfold with US weekly jobless claims topping 30 million over the past 6 weeks, as the US grapples with the worst unemployment crisis in its history. The US economy shrank -4.8% in the first quarter, marking the biggest contraction in US GDP since the GFC. Having said this sentiment was helped when on April 9 the US Federal Reserve announced its intent to purchase corporate bonds (including junk bonds) as part of its QE program, a first for the Fed in its 107-year history. In another unprecedented move, this time on the fiscal front, the Trump administration announced they were considering taking equity stakes in beleaguered US energy firms, as the industry grapples for survival amidst plunging oil prices.

Domestically, the RBA indicated that they would hold rates steady at the historic low of 0.25% "for some time". The Australian dollar also recovered some of its heavy losses of the previous two months rallying +6% against the US dollar over the month. Commodity prices were mixed over the month – the iron ore price remained flat and the gold price moved higher on safe haven buying. While plunging demand, and the exhaustion of storage capacity for US oil, saw the WTI oil price fall heavily with the price hitting an extraordinary US -$37 a barrel at the worst of the panic selling in oil markets.

In sympathy with global peers, the Australian sharemarket as measured by the ASX300 rebounded +9%. All sectors finished the month in positive territory, with the rally led by the sectors most beaten down in the March quarter. The major Banks lagged the strong index returns over the month amidst concerns that rising unemployment and weakening economic conditions would lead to rising bad debt charges.

Thus, the ex 20 segment of the market enjoyed a strong month rebounding +13.5%, with all sectors finishing the month in positive territory. The Resources sector gained +22%, driven by the Energy sector which rallied +26% despite ongoing weakness in the oil price. The Consumer Discretionary sector gained +22% benefiting from expectations the lockdown laws would be eased with the Retail and Gaming sectors enjoying a strong rebound. The Communication Services sector similarly enjoyed a strong month, rebounding +16% as media companies were boosted by the expectation that the lockdown laws would be relaxed, and that advertising expenditure would return with stocks like Southern Cross Media and Nine Entertainment all enjoying a strong month. Over the month, many Australian companies also raised new equity capital to shore up their balance sheets in anticipation of softer economic conditions with well over $10b in equity capital raised by companies such as Oil Search, QBE and Lend Lease.

The ***QVE Portfolio*** had a strong month returning +12.5%, albeit this was below the benchmark's return of +13.5%. The portfolio returns were driven by stocks such as Crown Resorts, Mayne Pharma,Sonic Healthcare and Sky City which recovered well from their March quarter losses. The portfolio remains defensively positioned in sectors such as Packaging, Utilities and Healthcare while we remain cautious of the sectors deemed very economically exposed or that have too much gearing such as REITs and the Resources sector. Over the month we took advantage of weakness in the share prices of good quality industrial companies such as Coles, Orica and Bunnings Property Trust to add to our holdings as all these companies appear well positioned to withstand the uncertain economic environment ahead. Conversely, we reduced our holdings in more economically dependent stocks that we believe are not well positioned for the current economic downturn.

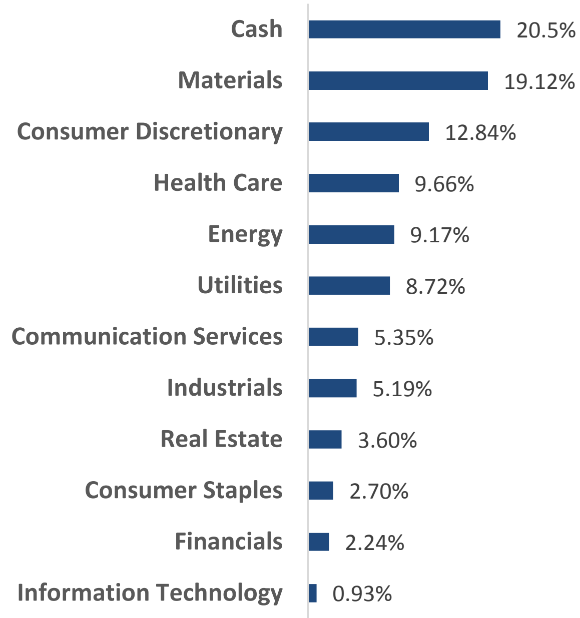
Unprecedented central bank intervention and fiscal stimulus, significantly lower bond yields and optimism regarding the speed of the recovery have all helped sharemarkets regain some of their losses. However major uncertainties remain about what the new 'normal' will look like as various countries gradually allow businesses to open up their doors to start serving their customers again. As such, we remain cautious on the short and medium-term prospects for the global economy.

The length and depth of the current economic downturn as well as the speed and strength of the economic recovery remain very uncertain at this time. As a result, we expect sharemarkets to remain fairly choppy until the prospects for the global economy and various sectors' profitability become clearer. We continue to take a cautious view and focus on companies that in our view have a strong franchise and experienced capable management.

This is not the first major correction in IML's 22-year history and we remain disciplined in our approach to investing at all times. It is impossible to say exactly when the current volatility in sharemarkets will settle down. However when they do stabilise, sound companies with real businesses that can generate sustainable earnings and dividends – which is where the QVE portfolio has always been focused - should again be well sought after by investors and should do well over the long term.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Amcor	AMC	5.8%
Crown Resorts	CWN	4.8%
Aurizon	AZJ	4.6%
Caltex	CTX	4.3%
AusNet	AST	4.2%
Orica	ORI	4.2%
Sonic Healthcare	SHL	4.2%
Tabcorp	TAH	3.5%
Pact Group	PGH	3.0%
Coles	COL	2.7%

SECTOR ALLOCATION



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Release authorised by Company Secretary, Zac Azzi.

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