Monthly Investment Update & Net Tangible Assets Report

May 2020

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)* as at 31 May 2020	QVE
NTA before tax	$0.94
NTA after tax	$0.98

*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 31.05.20)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+4.5%	+3.1%	+7.1%
3 Months	-8.3%	-5.5%	-6.3%
6 Months	-16.7%	-11.6%	-14.0%
1 Year	-13.3%	-8.6%	-3.6%
Since Inception Total Return p.a	+3.5%	+3.6%	+8.0%

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	268.3M
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 continued their recovery from the sell off in the March quarter, with the MSCI World Index gaining +4.2% in May, following April's return of +10%. The US S&P 500 climbed +4.7% in May, building on April's +13% gain, with the index now having retraced over half of its losses from the sell off in March. Similarly, Europe's Stoxx50 and Japan's Nikkei gained +4.7% and +8.3% respectively. Whilst investors have been encouraged by the gradual removal of restrictions and the reopening of economies around the world, equity markets have been driven higher by the scale of both the fiscal and monetary stimulus packages launched across the globe, which at this stage totals around US$8 trillion.

The strong rally in global sharemarkets comes despite the continued poor economic numbers being released in most parts of the world. The US unemployment level in May reached 19%, the highest level since the Great Depression. Across the Atlantic, Euro-Zone GDP dropped -3.8% in the March quarter. Moreover Germany, the economic engine of the continent fell into recession for the first time since the financial crisis. Domestically, the RBA kept rates at a record low of 0.25%. RBA Governor Philip Lowe expressed concern over the RBA's central economic scenario, which has the local economy contracting by 10% over the first half of 2020 and the unemployment rate nearing 10%. Commodities enjoyed a strong month, with oil prices climbing +40% from the record lows seen in April. Iron ore gained +22%, benefiting from the curtailment of supply from Brazil, with many Brazilian iron ore mines shutdown given the chaos caused by COVID-19. Copper, which is used by many as a bellwether for economic activity, finished the month flat although supply disruptions helped support the price.

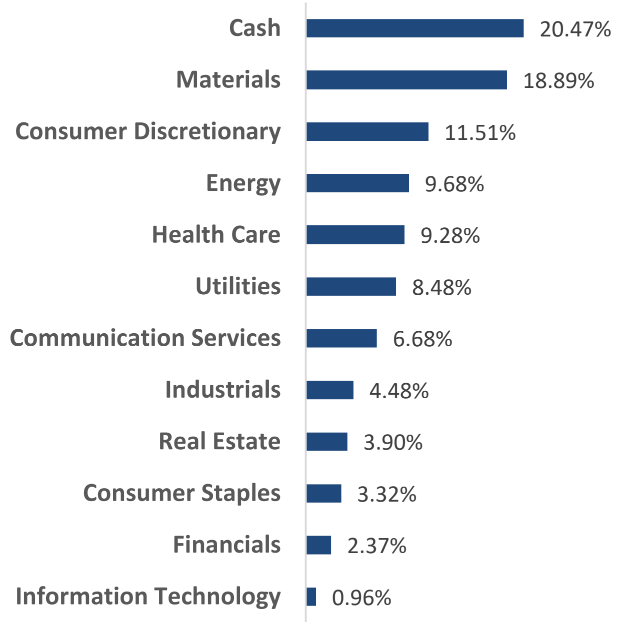
The broader Australian sharemarket as measured by the ASX300 returned +4.6% helped by a strong rise in the last week of the month. The ex20 segment of the market had an even stronger month, returning +7.1%, with all sectors finishing in positive territory. The market rally was fuelled by the more cyclical sectors led by the IT, Resources, Consumer Discretionary, and Financials sectors. The IT sector led the benchmark higher with a strong gain of +14% while the Resources sector gained +8% thanks to strength in the prices of iron ore and gold over the month. The Financials sector rallied +8% as listed fund managers such as Magellan rallied in sympathy with sharemarkets. Virgin UK also enjoyed a solid month off the back of an encouraging 1H result. The Communications Services sector gained +12%, with many media stocks such as Southern Cross Media and Nine Entertainment recovering some of their losses. Defensive sectors such as the Consumer Staples and Utilities sectors lagged the benchmark's return over the month as many investors switched to more economically sensitive sectors on the premise that these sectors have more upside potential in the expected economic recovery.

The QVE Portfolio enjoyed a solid month gaining +4.5%, albeit below the benchmark's strong return of +7.1%. Our caution to the IT and Resources sectors held back our relative performance as did our high cash weighting. The IT sector rose +14% following the US Nasdaq's strong gains, buoyed by 'hot' stocks such as Afterpay and WiseTech, where valuations seem extremely optimistic. The Resources sector was helped as iron ore stock Fortescue and gold stocks like Evolution Mining and Northern Star posted double digit gains on the back of stronger iron ore and gold prices. Many of the Fund's more defensive holdings such as Amcor, Spark Infrastructure and Bunnings Warehouse Property Trust enjoyed a strong month. Over the month we took advantage of weakness in the share prices to top up the portfolio's holdings in good quality industrial companies such as Coles, Tabcorp and Incitec Pivot as these companies appear well positioned to come out of the uncertain economic environment in good shape.

Unprecedented central bank intervention, massive fiscal stimulus, significantly lower bond yields and optimism regarding the speed and strength of the ensuing economic recovery have all contributed to sharemarkets around the world regaining some of their losses from the March quarter. Having said this, major uncertainties remain about the sustainability of economic growth post lockdowns as government handouts and self-imposed bank interest deferrals come to an end. We anticipate unemployment to remain relatively high in the second half of 2020 and given record household debt in Australia, this could impact the level of demand across certain sectors of the economy and cause a material pick up in non-performing bank loans. As such, we remain cautious on the medium term prospects for the global and Australian economies. While many sharemarkets have rapidly recovered much of their March quarter losses, we expect volatility to return at some stage as investors start to question how quickly the profitability of many companies will return to pre-virus levels. The current valuations of many companies implies a fairly quick return to normal profitability despite the many uncertainties. We continue to maintain a cautious stance focusing on companies that, in our view, have a strong franchise, experienced capable management and a resilient business that can continue to generate healthy cash flows through the current uncertain economic times and beyond.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Ampol	ALD	4.4%
Amcor	AMC	4.3%
Crown Resorts	CWN	4.2%
Aurizon	AZJ	3.9%
Sonic Healthcare	SHL	3.8%
Orica	ORI	3.5%
Pact Group	PGH	3.5%
AusNet	AST	3.5%
Tabcorp	TAH	3.4%
Coles	COL	3.3%

SECTOR ALLOCATION



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Release authorised by Company Secretary, Zac Azzi.