Monthly Investment Update & Net Tangible Assets Report

July 2020

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)* as at 31 July 2020	QVE
NTA before tax (cum div)	$0.93
NTA after tax (cum div)	$0.97

*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 31.07.20)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	-1.1%	-0.7%	+1.1%
3 Months	+2.6%	+2.1%	+9.5%
6 Months	-18.3%	-12.5%	-13.4%
1 Year	-17.1%	-11.2%	-8.5%
Since Inception Total Return p.a	+3.1%	+3.3%	+8.1%

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	262M
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

The MSCI World Index continued to rally in July posting +4.0% led by US technology stocks. The US S&P 500 index returned +5.6% in July, its fourth consecutive month of gains, as the technology sector continued to reach new record highs as evidenced by the +7% rise in the Nasdaq over the month. Thanks to this rally, the Nasdaq is now up +20% since the beginning of the year. Other global markets were mixed with Europe's Stoxx50 and Japan's Nikkei shedding -1.5% and -2.6% respectively.

Optimism in the US sharemarket was despite the release of some fairly dismal data over the month. US GDP fell by -9.5% in the June quarter or an annualised rate of -33%, the worst decline on record. Additionally, as COVID-19 cases continue to soar a number of US states are now rolling back reopening plans for their economies. Similarly, European GDP fell by -12.1% in the June quarter, the EU's largest fall on record. In Australia, the Government extended the JobKeeper programme to continue to support small businesses and the many people 'stood down' as a result of the lockdowns and restrictions in place in various states throughout Australia.

Commodities enjoyed a strong month with iron ore continuing to rise strongly, gaining +22% for the month. The iron ore price continues to benefit from Brazil's Vale production outages due to closures of mines because of the coronavirus. However, when Brazilian iron ore comes back online, the price of iron ore seems destined to ease fairly materially from the current price spike. The gold price reached an all-time high in July, buoyed by US negative real yields, weakness in the US Dollar and safe-haven buying.

With the precarious state-of-affairs in Victoria and with the rest of the country on high alert, the ASX300 had a lacklustre month, returning +0.6%. The market was aided by a very strong +5% rise in the Resources sector thanks to stronger iron ore and gold prices. The Industrials index had a lacklustre month returning -0.4%, reflecting the continued uncertain environment for most companies. Similarly, the ex-20 index returned +1.1% for July, driven by the strong return of the ex 20 Resources sector which gained +6.3%, while the Industrials segment of the index shed -0.3%.

The Industrials sector decline would have been larger had it not been for a +5% jump in the IT sector which followed the Nasdaq's lead, despite the fact that many of the stocks in Australia's IT sector are barely, or not at all profitable. The defensive Consumer Staples sector gained +3% buoyed by the supermarkets, Coles and Metcash, as spending data continues to be supportive. In addition, with the prospect of tougher lockdowns in Victoria, supermarkets will likely benefit from a reduction in discretionary food spending. The Consumer Discretionary sector enjoyed a buoyant month helped by Tabcorp which reacted favourably to changes made to the composition of the Board after agitation from shareholders. In addition, discretionary retailers such as Harvey Norman, Nick Scali, Super Retail Group and JB Hi-Fi enjoyed a strong month on the expectation of higher earnings as consumers redirect their savings away from holidays and into home improvement, in many cases using COVID-related hardship payments, such as the early release of superannuation. On the negative side of the ledger within the Industrials sub-sector, Qantas endured a challenging month falling -17%, as did Sydney Airport which fell -8% following the border closures of both Victoria and Queensland and the likely prolonged restrictions on travel. The REIT sector also endured a tough month falling -4%. Office-exposed REITs fell around -10% as the embattled sector contends with rising unemployment and an expected oversupply of floor space, as a number of tower blocks in both Sydney and Melbourne approach completion. Similarly Vicinity, the owner of Chadstone Shopping Centre in Melbourne fell -9% as Victoria closed all non-essential shopping centres under new curfew laws.

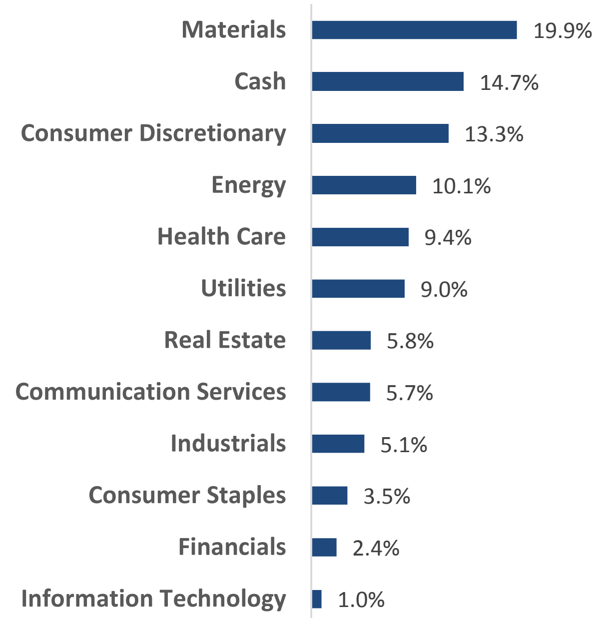
The ***QVE Portfolio*** had a lacklustre month returning -1.1% against the benchmark's return of +1.1%. Our caution to the Resources sector, which had a very strong month, was the primary factor holding back our relative performance. Our holdings in Ampol, Aurizon and Crown also detracted from performance, although we remain comfortable with our positioning in these well-established, good quality businesses. Encouragingly, our holdings in AusNet, Sonic Healthcare, Tabcorp, Coles, Metcash and Orica all enjoyed a better month. Over the month, we took part profits in companies such as Genesis Energy and Integral Diagnostics, using the proceeds to top up on companies we felt offered compelling value such as such as Metcash, SkyCity and Tabcorp.

Major uncertainties remain about the sustainability of economic growth as government income support and self-imposed bank interest deferrals come to an eventual end. We anticipate unemployment to remain relatively high going into 2021 and given record household debt in Australia, this could affect the level of demand across certain sectors of the economy and cause a substantial pick up in non-performing bank loans. Company reporting season in August will highlight that the outlook for many Australian-based companies remains very challenging, as companies continue to defer or cut capex, scale back expansion plans and reduce staff in light of anticipated tougher trading conditions ahead. As such, we remain cautious on the medium-term prospects for the global and Australian economies.

We continue to maintain a cautious stance by 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. While the Fund's performance continues to lag the current market, we remain comfortable with the way the portfolio is positioned in light of the uncertainties ahead.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Amcor	AMC	5.5%
Ampol	ALD	4.5%
AusNet	AST	4.5%
Aurizon	AZJ	4.5%
Crown Resorts	CWN	4.5%
Tabcorp	TAH	4.2%
Sonic Healthcare	SHL	4.0%
Orica	ORI	3.7%
Pact Group	PGH	3.5%
SkyCity Entertainment	SKC	3.0%

SECTOR ALLOCATION



CONTACT US:

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

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

Gavin Butt
State Manager NSW, ACT & NZ
gavin.butt@iml.com.au
M: 0412 485 420

Paul Voges
Key Account Manager
paul.voges@iml.com.au
M: 0416 059 569

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

Jason Guthrie
State Manager QLD & WA
jason.guthrie@iml.com.au
M: 0435 690 377

CORPORATE ENQUIRIES
1300 552 895

INVESTMENT ENQUIRIES
info@qvequities.com
1800 868 464

PORTFOLIO MANAGERS:

Simon Conn and Anton Tagliaferro

Release authorised by Company Secretary, Zac Azzi.