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28 October 2020

Company Announcements
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

QV Equities Limited
Chairman's Address, AGM presentation & Investor update

Dear Sir / Madam

Please find the following documents attached:

- Chairman's Address
- AGM presentation slides
- Investor update slides

Yours faithfully

Zac Azzi
Company Secretary

Authorised for release by the Company Secretary

28 October 2020

QV Equities 2020 AGM Chairman's Address

Financial Year 2020 was one of the most turbulent on record. In March 2020 the COVID-19 virus was declared a global pandemic, and most countries around the world, including Australia, implemented varying degrees of shutdowns and lockdowns of many sectors of their economies.

To counter the economic fallout from the pandemic, the Reserve Bank of Australia reduced interest rates to a record low of 0.25%. In addition, the Australian Government introduced unprecedented fiscal stimulus measures – in particular, providing income support to millions through the JobKeeper and JobSeeker programmes.

Despite this, the Australian economy entered its first recession since 1991.

The Australian sharemarket, as measured by the S&P/ASX 300 Index, experienced a sharp correction at the outset of the pandemic, falling 23%. Over the June quarter, despite the uncertain economic outlook, certain sectors of the sharemarket rebounded strongly. However, the ASX300 returned a negative 7.6% for the 2020 financial year.

For the QV Equities portfolio, the total return to shareholders for the year ended 30 June 2020 was a negative 14.5%, compared to the ex-20 benchmark's return of negative 5.3%.

This was a disappointing result, and while the Company's investment performance was broadly in line with the benchmark during the March quarter correction, the portfolio's performance did not match the sharemarket's subsequent strong gains in the June quarter.

The investment manager's caution toward many highly-valued and cyclical sectors such as Technology and Resources affected relative performance. The Manager considers many stocks in these sectors to have higher risks in the current uncertain economic environment. For these reasons, they were excluded from the investment portfolio.

Also, certain stocks in the Company's investment portfolio had disappointing performances during the year.

I will now report on the Company's financial performance.

- The net after-tax profit was \$10.5 million, up 11.6% compared to the prior financial year.
- The net asset value of the Company at 30 June 2020, after dividend payments of \$12 million, was \$260 million compared to \$312 million at 30 June 2019.
- The management expense ratio (MER) rose modestly due to the lower average investment portfolio value over the year, however management expenses were reduced to \$3.0 million from \$3.3 million.
- A dividend of 4.4 cents per share was paid for the 2020 financial year, consistent with the dividend paid in the previous year.

Recognising that these are uncertain times for investors regarding the receipt of dividend income, your Board announced on 8 July 2020 its intention to maintain dividend payments for financial year 2021 at 4.4 cents per share. These payments will be conditional on the Company maintaining sufficient profit reserves and there being no material changes or unforeseen events.

Furthermore, the Board has today adopted a policy of paying dividends on a quarterly basis. The Board's current intention, subject to the conditions previously outlined, is to pay the first quarterly dividend, relating to the September quarter, in December of this year.

Your Board is mindful that the Company's share price continues to trade at a discount to its net tangible assets per share.

The Board and the Investment Manager are focused on building long-term value and income for shareholders and addressing the issue of the Company's share price trading at a discount to net tangible asset per share.

In addition to announcing the dividend outlook for 2021 and the intention to pay quarterly dividends, the share buyback was extended to 8 September 2021.

Under the renewed facility, the Company may purchase up to 10% of its shares over this 12-month period. This is in addition to the shares already purchased under the initial facility.

As at Friday 23 October, 26,602,835 shares, costing \$22,975,535, have been purchased and cancelled.

Apart from supporting the QVE share price, the main advantage of these buybacks is that the shares are purchased at a discount to NTA and cancelled, thereby increasing the NTA per share for remaining shareholders.

In addition to these actions, we are increasing our communication to you to make sure you are fully informed about how the QVE portfolio is performing. This includes the release of the NTA on a weekly basis. The Investment Manager is also providing regular updates to you on the positioning of the portfolio and the investments held by the Company.

As a shareholder myself since inception, I appreciate that for many of you this is a disappointing situation.

However, I view the current price of the Company's shares as relatively attractive when compared to the Company's historical price.

By buying QVE shares in the current market, you are effectively buying the underlying diversified portfolio of quality companies, at a discount to their respective market prices.

Also, the opportunity to receive an annual dividend of 4.4 cents per share is equivalent to a 5.4% yield calculated on the market share price at 30 September. If franking credits are included this equates to a 7.7% gross yield.

I, along with your Board, continue to believe that a carefully selected holding of stocks outside the top 20, managed by Investors Mutual Limited, will provide good opportunities for all shareholders.

The Manager remains a disciplined and true to label value investor and continues to identify good quality companies, underpinned by reasonable valuations. The Company has sufficient cash reserves to not only take advantage of any market volatility but also to continue to pay its dividends to shareholders.

About QV Equities: QV Equities Limited (QVE) is a Listed Investment Company established with the primary objective of providing both long term capital growth and income, through a diversified portfolio of ASX listed entities outside of the S&P/ASX 20 Index. The portfolio is managed by Investors Mutual Limited (IML), a multi award-winning and experienced, value-style investment management company, with a track record of successfully managing Australian equities since 1998.

QV Equities Annual General Meeting

28 October 2020



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Board & Key Personnel

	Name	Position	Independence	Experience
	Peter McKillop	Non-Executive Director	Independent	State Super Financial Services and Perpetual Funds Management
	Jennifer Horrigan	Non-Executive Director	Independent	Greenhill & Co, APN Funds Management, Generation Healthcare Industria REIT, Redkite, Breast Cancer Institute of Australia
	Eamonn Roles	Non-Executive Director	Independent	Mosaic Portfolio Advisers, Snowball Group, Advance Funds Management, PwC
	Anton Tagliaferro	Executive Director	Non-Independent	Perpetual, County NatWest and BNP
	Simon Conn	Executive Director	Non-Independent	QBE Insurance Investment Division, KPMG
	Zac Azzi	Company Secretary		SFG Australia Limited, St George, AMP, Old Mutual (Skandia)

AGM Agenda

- ❑ Chairman's Welcome
- ❑ Chairman's Address
- ❑ Investment Manager's Address
- ❑ Formal Proceedings
 - Item 1: Annual Financial Report for the year ended 30 June 2020
 - Item 2: Adoption of Remuneration Report
 - Item 3: Re-election of Anton Tagliaferro as a Director
- ❑ Other Business and Shareholder Questions
- ❑ Closure

QVE Investment Update presentation from Investors Mutual will follow

FY20 – Australian economy and sharemarket

- ❑ Dominated by the COVID-19 global pandemic since March and its economic impact
- ❑ Reserve Bank of Australia cut interest rates in March to 0.25%
- ❑ Federal Government introduced unprecedented fiscal stimulus measures
- ❑ The Australian economy entered its first recession in 29 years
- ❑ The sharemarket experienced a sharp correction in the March quarter, followed by a strong subsequent recovery

Year ended 30 June 2020:

Portfolio Performance - QVE's Net Tangible Assets per share:

	QVE NTA (pre tax)	QVE NTA (post tax)	ASX 300 Ex20
Year ended 30 June 2020	-14.5%	-9.3%	-5.3%
Since inception* p.a.	+3.4%	+3.5%	+8.1%

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. 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.

*Inception date: 22 August 2014 Source: ASX & QVE

2020 Final Results

☐ Profit After Tax

2019	2020
\$ 9.4 million	\$ 10.5 million

☐ Net Assets

2019	2020
\$ 312 million	\$ 260 million

☐ Management Expense Ratio

2019	2020
1.03%	1.05%

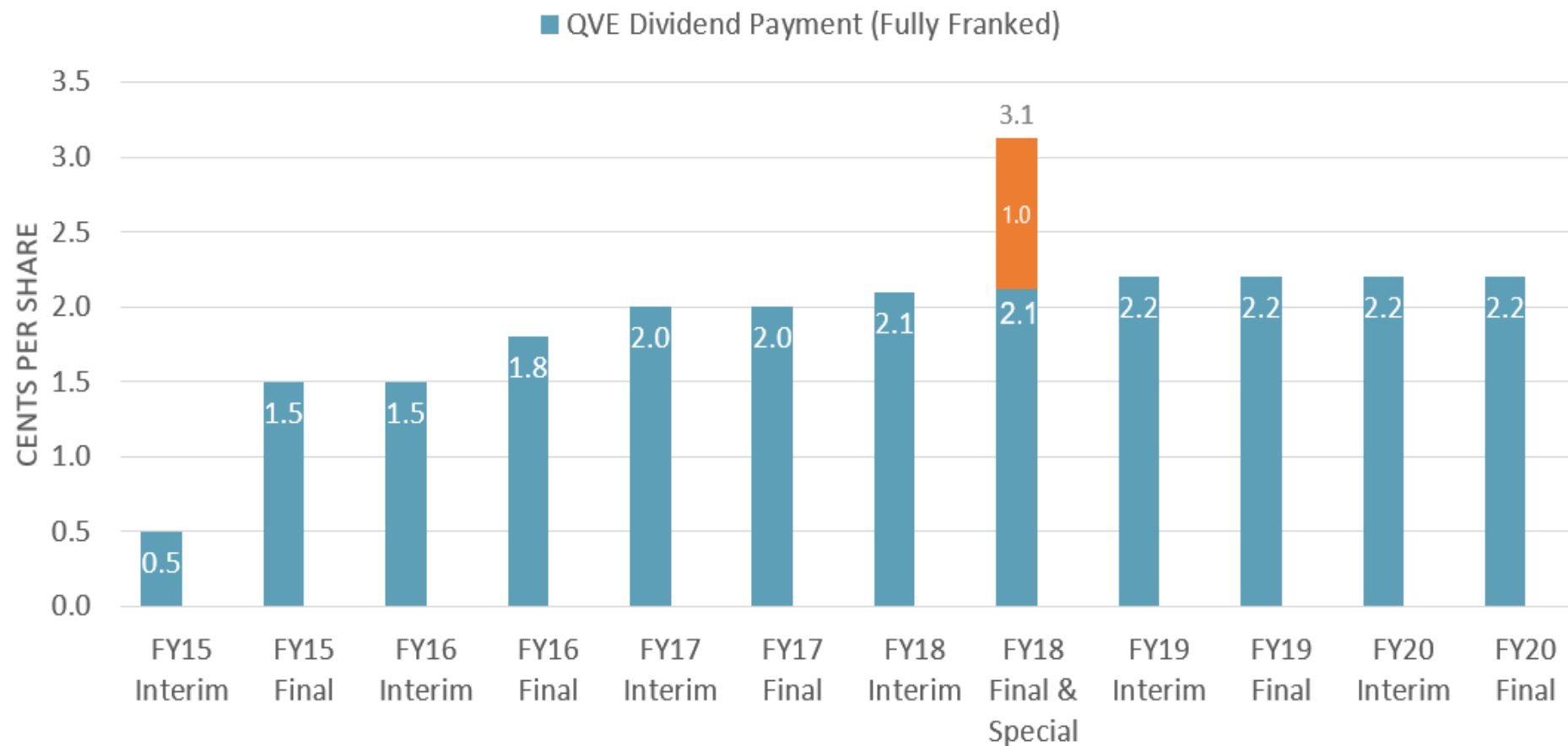
The Board recognises the importance of fully franked dividends

Consistent Dividend Stream – Fully Franked

2018	2019	2020	Dividend Outlook* 2021
4.2 cps Plus 1.0 cps special dividend	4.4 cps	4.4 cps	4.4 cps

*These payments will be conditional on the Company maintaining sufficient profit reserves and there being no material impacts, changes or unforeseen events.

Historical Dividends to QVE Shareholders



Source: QVE Annual report as at 30 June 2020;

Initiatives to address the share price

- ☐ Dividend outlook for FY21
- ☐ Quarterly dividend payment policy
- ☐ Share buyback extended

Ongoing share buyback

- ❑ Initial 12-month, 10% facility commenced in September 2019
- ❑ Extended to 8 September 2021, allowing for the Company to purchase an additional 10% of its shares over the next 12-months
- ❑ Over 26 million shares bought back to date
- ❑ The Company intends to continue to use available surplus cash for the buyback facility, as the Board has confidence in the underlying quality and long-term prospects of the companies held in the QVE investment portfolio.

Expected benefits of the buyback

- ❑ Helps to support the QVE share price
- ❑ Should lead to incremental growth of the Company's NTA

QV Equities Investment Manager's Address

Anton Tagliaferro



Why focus on an ex-20 managed portfolio?

- ❑ More diverse entities in terms of market capitalisation and industry sectors
- ❑ Less researched opportunities
- ❑ Investors typically underweight in this segment
- ❑ Solid yields on offer
- ❑ IML has a long track record of value-add in this segment

QVE Portfolio Strategy

- ❑ Buying quality stocks
- ❑ Main focus is on well established and good quality industrial stocks
- ❑ Selectively taking profits
- ❑ Cash available to take advantage of any good opportunities

Performance & NTA – 30 September 2020

NET TANGIBLE ASSETS (NTA)	QVE-ASX
NTA before tax	\$0.92
NTA after tax	\$0.97

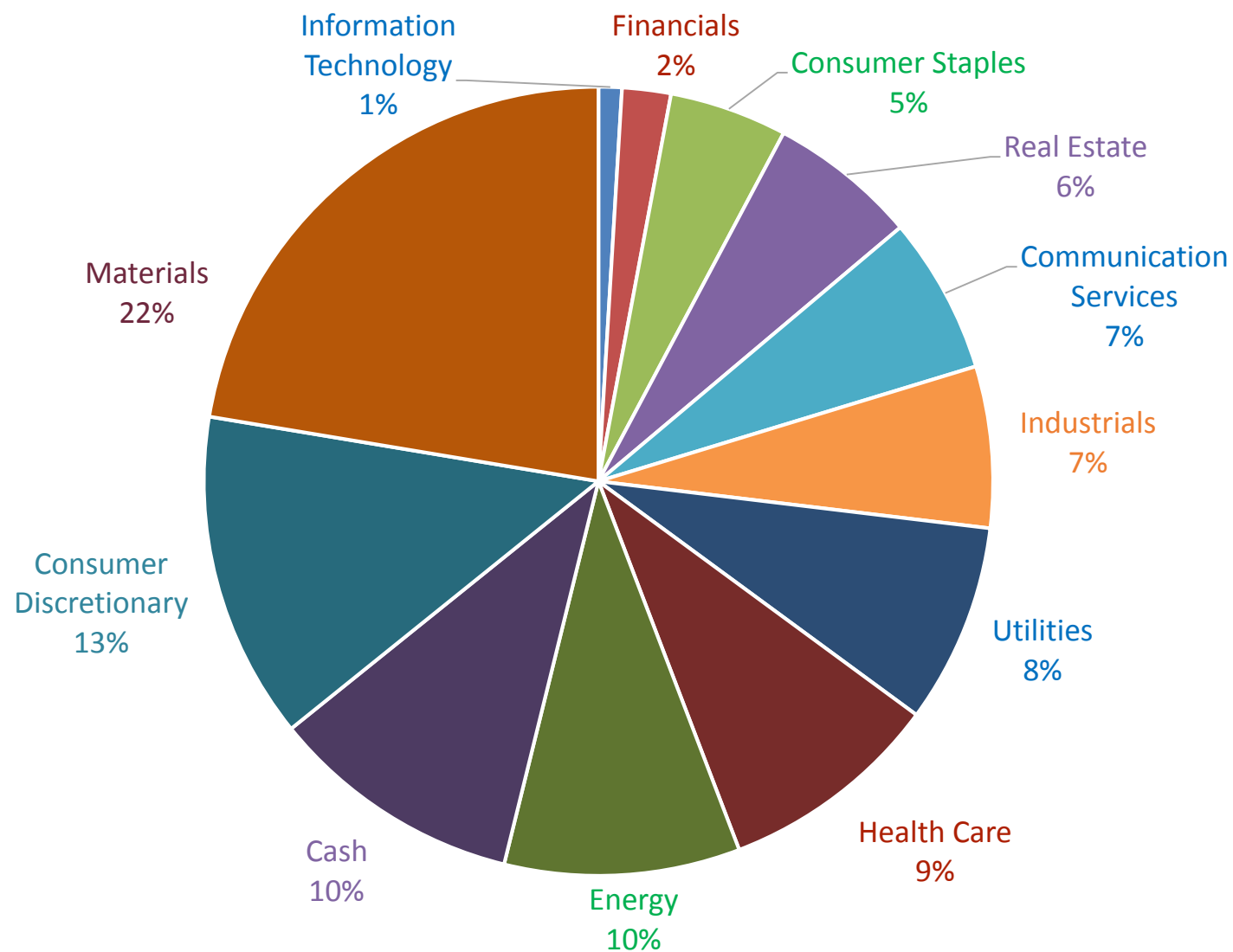
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PERFORMANCE	QVE's NTA (pre tax)	BENCHMARK
1 Month	-1.1%	-3.6%
3 Months	+0.5%	+2.3%
6 Months	+17.4%	+25.9%
1 Year	-14.1%	-7.3%
Since Inception Total Return p.a.	+3.3%	+8.1%

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.

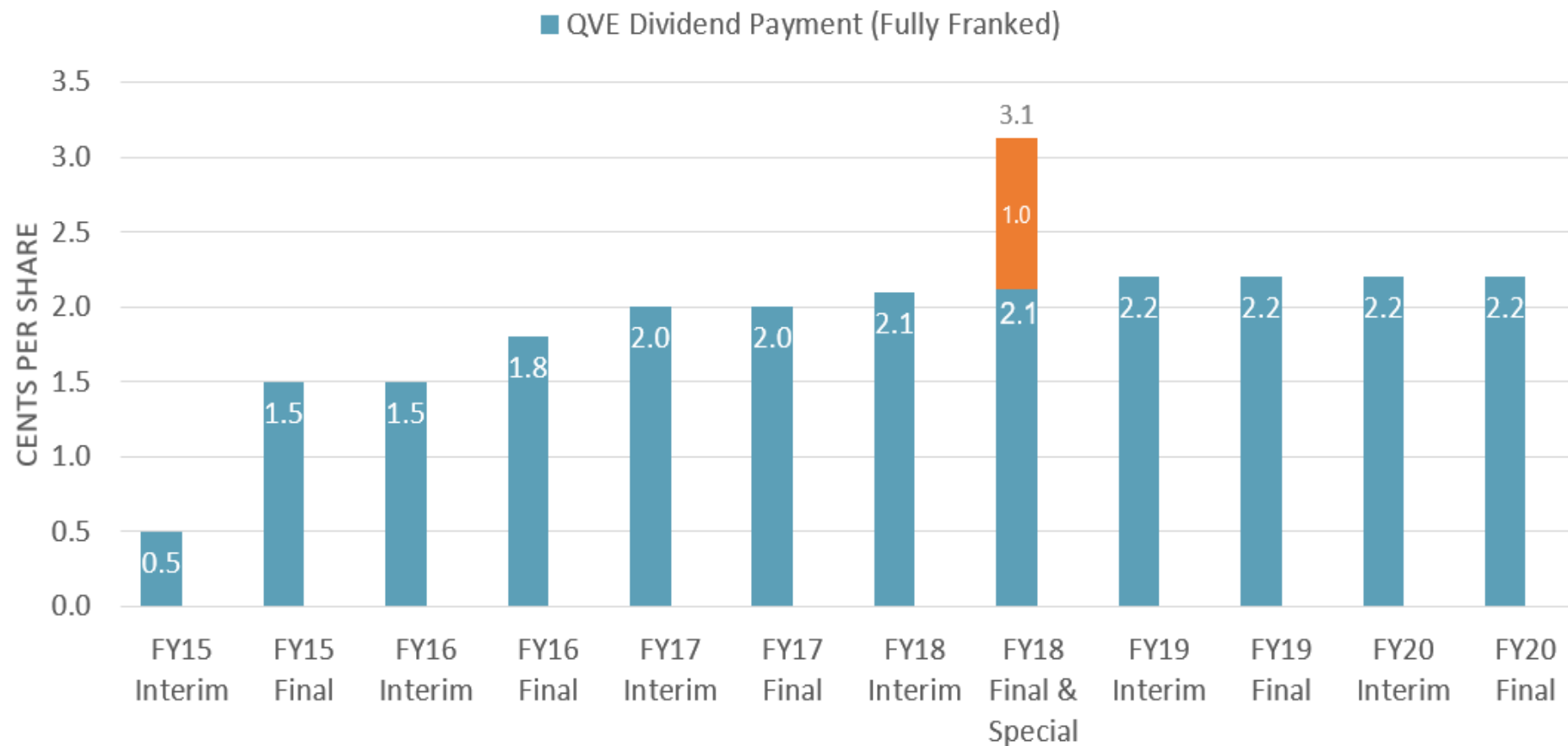
Source: QVE NTA as at 30 September 2020

QVE Portfolio as at 30 September 2020



Source: Investors Mutual Limited; As at 30 September 2020
Due to rounding the numbers in the chart above may not add up to 100%

Historical Dividends to QVE Shareholders



Source: QVE Annual report as at 30 June 2020;

QV Equities AGM

Resolutions



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Financial statements and reports

Questions

Adoption of Remuneration Report

☐ To consider and if thought fit pass the following resolution as an ordinary resolution:

“That, for the purposes of section 250R(2) of the Corporations Act, the Company adopt the Remuneration Report contained in the Company’s Annual Financial Report for the year ended 30 June 2020.”

Proxy Voting Results – Item 2

	Number	Percentage
FOR	39,058,496	94.91%
AGAINST	835,802	2.03%
OPEN	1,257,065	3.05%

Re-election of Anton Tagliaferro as a Director

☐ To consider and if thought fit pass the following resolution as an ordinary resolution:

“That Anton Tagliaferro, a Director who retires by rotation in accordance with the Company’s constitution and ASX Listing Rule 14.4 and being eligible offers himself for re-election, be re-elected as a Director of the Company.”

Proxy Voting Results – Item 3

	Number	Percentage
FOR	46,342,676	96.76%
AGAINST	218,094	0.46%
OPEN	1,335,261	2.79%

Comments & Questions

QV Equities Investor Update

Anton Tagliaferro and Simon Conn

October 2020



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- ❑ *Release authorised by the Company Secretary, Zac Azzi*

QV Equities Limited

- ❑ Listed 22 August 2014
- ❑ Managed by Investors Mutual
- ❑ Focused on Ex-20 stocks
- ❑ Experienced Board with independent majority
- ❑ Focus on long-term capital growth & income

Why hold QVE?

- ❑ Good quality ex 20 portfolio
- ❑ More diversified set of companies
- ❑ Less researched opportunities
- ❑ Often some good yields on offer
- ❑ IML has a long record of significant value add in this segment

Investment Philosophy: focus on quality

We seek to buy and own:

Companies with a **competitive advantage**,

with **recurring earnings**,

run by **capable management**,

that can **grow**,

.....at a **reasonable price**.

QVE's performance disappointing

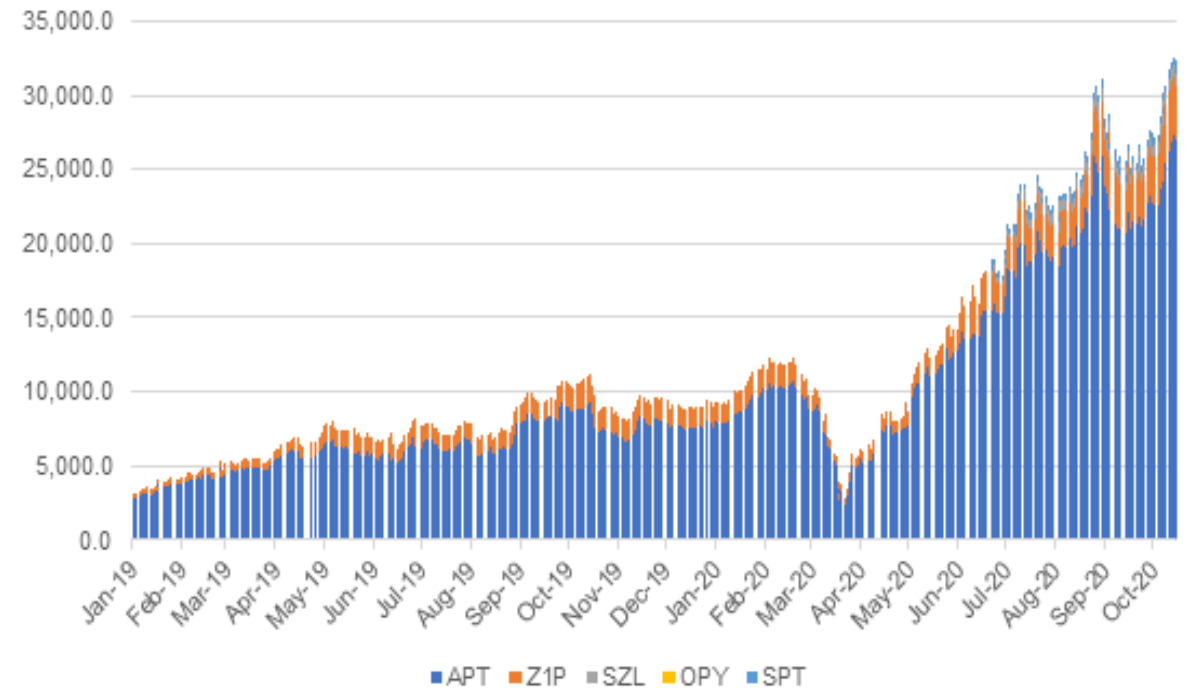
- ❑ "Momentum" based market with concept stocks the focus
- ❑ Not a great time for value managers
- ❑ Many traditional stocks appear undervalued
- ❑ The market will ultimately revert back to fundamentals

Ignoring fads which often dominate the small caps market

- Dot.com boom of 2000/2001
- LPT boom of 2005 – 2008
- Resources/mining services boom 2005-2008
- Technology/"Medtech" – ongoing
- Buy Now Pay Later (BNPL) the latest instalment

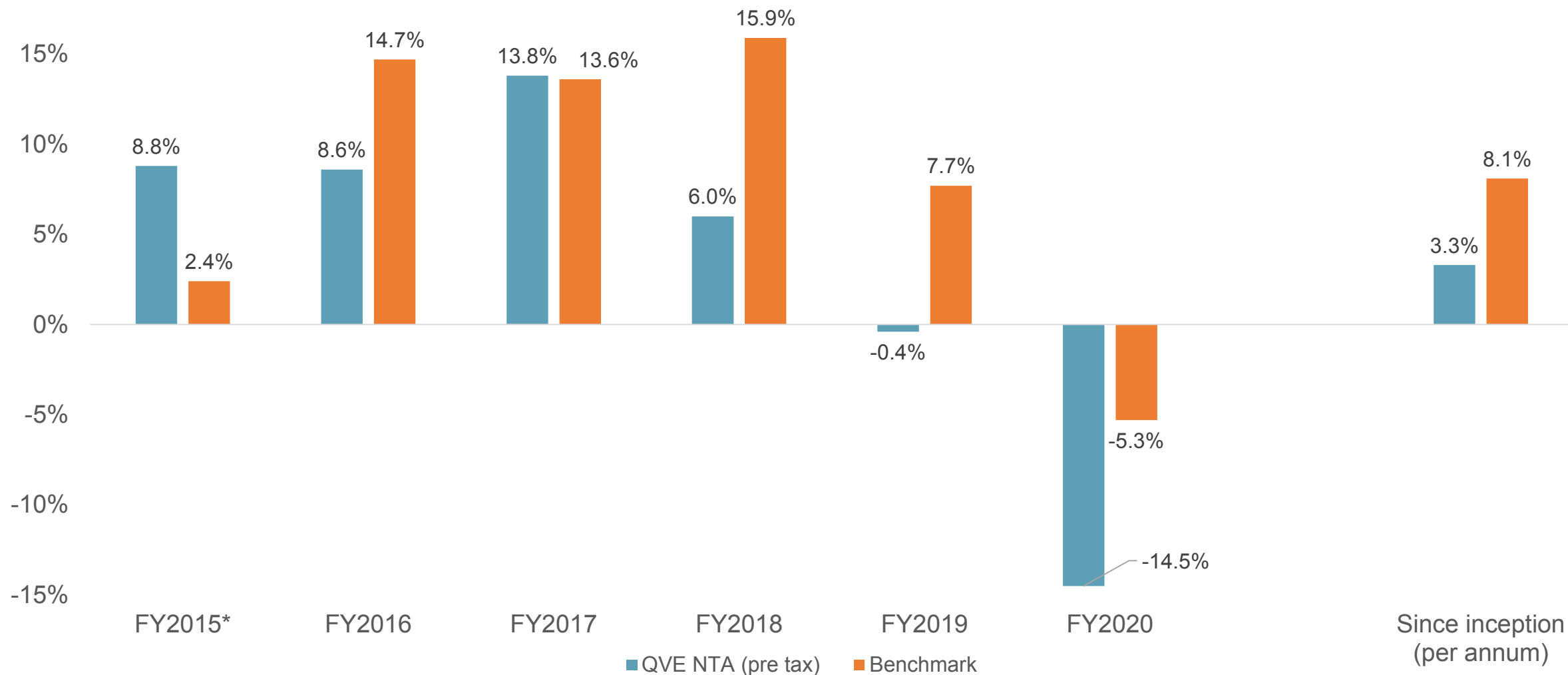
	Market Cap	FY20F PE
Afterpay	\$28.7bn	1,324x
Zip	\$3.5bn	NA
Splitit	\$0.5bn	NA
Sezzle	\$0.8bn	NA
Openpay	\$0.2bn	NA
Total	\$33.7bn	

BNPL aggregate market capitalisations – A\$m



Source: Factset, IRESS;
As at 22 October 2020

QVE: Performance since inception by Financial Years



*Returns are from inception date 22 August 2014

Source: QVE NTA announcements; 22 August 2014-30 Sept 2020

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.

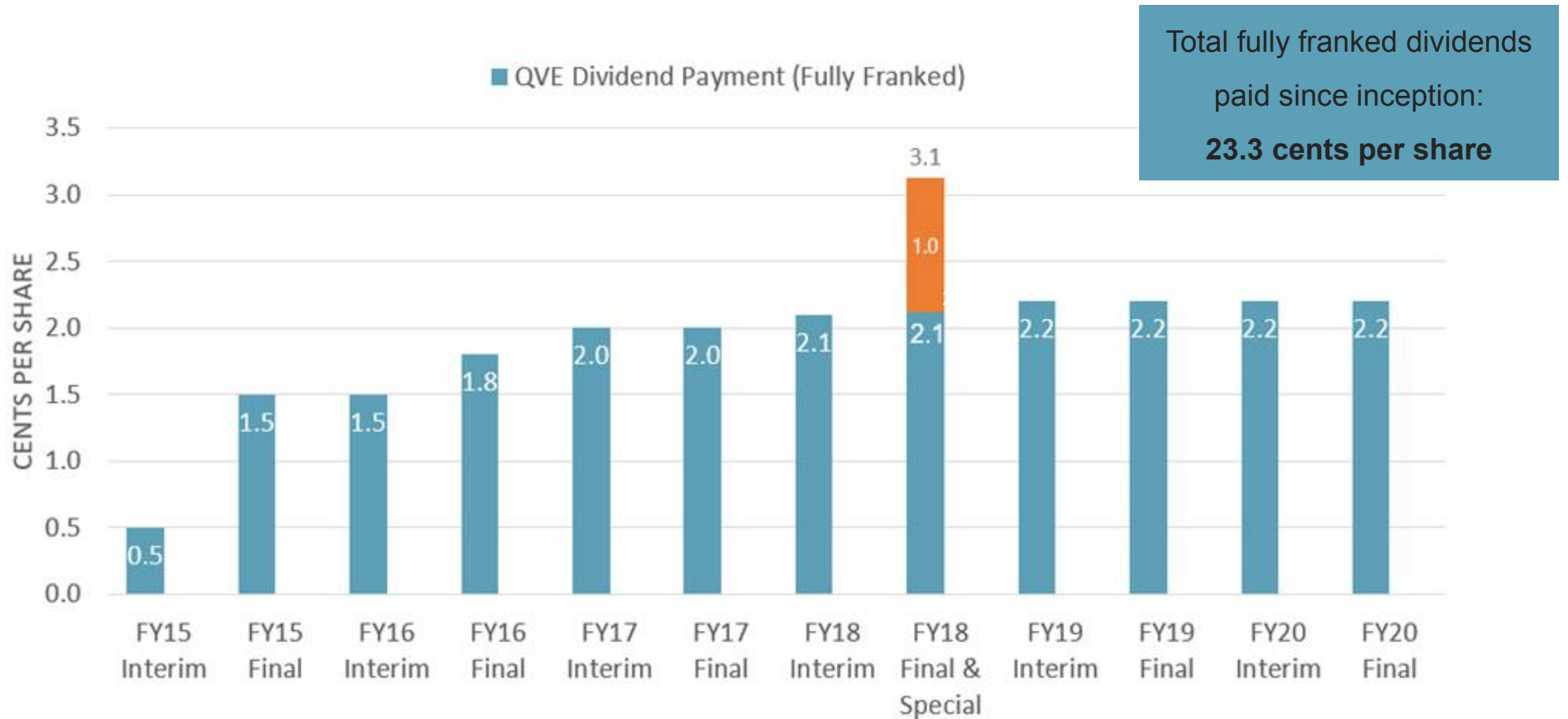
Portfolio dynamics

- ❑ Portfolios underpinned by good quality companies
- ❑ Sustainable earnings from a diverse range of sectors
- ❑ Looking for solid and consistent dividends
- ❑ Cash ready to take advantages of a pull back

Top 10 stocks

Top 10 holdings	
Amcor	5.0%
Crown Resorts	4.6%
AusNet	4.6%
Orica	4.5%
Aurizon	4.5%
Ampol	4.5%
Tabcorp	4.4%
Pact	3.9%
Sonic Healthcare	3.6%
Coles	3.5%

Historical Dividends to QVE Shareholders



QVE positioning - focusing on company specifics

Company specific initiatives – growth through the cycle	
Cost-outs →	Coles, Orica
Accretive Acquisition strategy →	Amcor, Sonic Healthcare, Pro-Pac Packaging
Contracted growth→	Charter Hall Retail, AusNet
Market share gains→	Metcash
Restructuring →	Ampol, Orora

Best performers over 2020

- ❑ Sonic Healthcare
- ❑ Integral Diagnostics
- ❑ Bunnings Warehouse
- ❑ Ausnet
- ❑ Pro-Pac Packaging
- ❑ Nine Network

Disappointing performers

- ❑ Crown Resorts, Sky City and Tabcorp
- ❑ Southern Cross Media and oOh!Media
- ❑ Events Hospitality
- ❑ Virgin Money
- ❑ Origin Energy and Oil Search

Sold during 2020

- ☐ Sydney Airports
- ☐ Unibail Rodamco
- ☐ Myer
- ☐ Bank of Queensland
- ☐ Steadfast
- ☐ GWA

Purchased during 2020

- ☐ Coles
- ☐ Metcash
- ☐ Bunnings Warehouse
- ☐ Cleanaway
- ☐ Alumina
- ☐ Orora
- ☐ Home Consortium

QVE's strategy

- ❑ Actively managing the portfolio
- ❑ Always on the look out for new opportunities
- ❑ Using the ASX Options market to generate extra income
- ❑ Cash also being used to buyback shares at a discount



- Dominant global leader in explosives
 - Well located ammonium nitrate (AN) plants located close to customers
 - Well diversified by region and commodity
 - Recurring earnings backed by 3-5 year contracts
 - Significant R&D pipeline (particularly in Wireless blasting)
 - Experienced management team & board

Orica – value attributes



- Trading on 14x on FY22 earnings (normalised post Covid)
- Strong balance sheet (Net debt to EBITDA <1.5x)
- AN prices at a cyclical low with upside as contracts get re-priced (FY23-25)
- Company which should drive earnings over the next 3-5yrs :
 - SAP introduced - cost savings
 - Exsa acquisition in Peru synergies
 - Operating efficiencies (SKU reductions & plant optimisation)
 - New products (Wireless initiating systems, Blast IQ, Bulk Master 7)

Crown Resorts - quality attributes



- Leading integrated casino and resorts operator in Australia
- Long term licences :
 - Melbourne to 2050
 - Perth to 2060
 - Barangaroo to 2113
- Strong balance sheet
- Domestic grind business earnings are highly recurring
 - >90% of EBITDA derived from grind customers and non-gaming





- Share price weighed down by :
 - current regulatory enquiries
 - shutdown of Crown Melbourne
- Capex spend will be materially lower than D&A going forward
- Expect strong FCF generation over the medium term.
- Trading on FY22 FCF multiple of ~12x.



Pact Group – Quality attributes



- Leading scale player in the domestic rigid packaging market
- Increasing earnings exposure to the growing plastics re-use and circular economy, now almost 28% of group EBITDA.
- Plastics recycling and access to recycled resin creates genuine competitive advantage for the core packaging business
 - 2025 sustainability targets from major customers mean sourcing recycled resin will be a key priority
- Balance sheet will be significantly improved post sale of contract manufacturing assets



Pact Group – value attributes



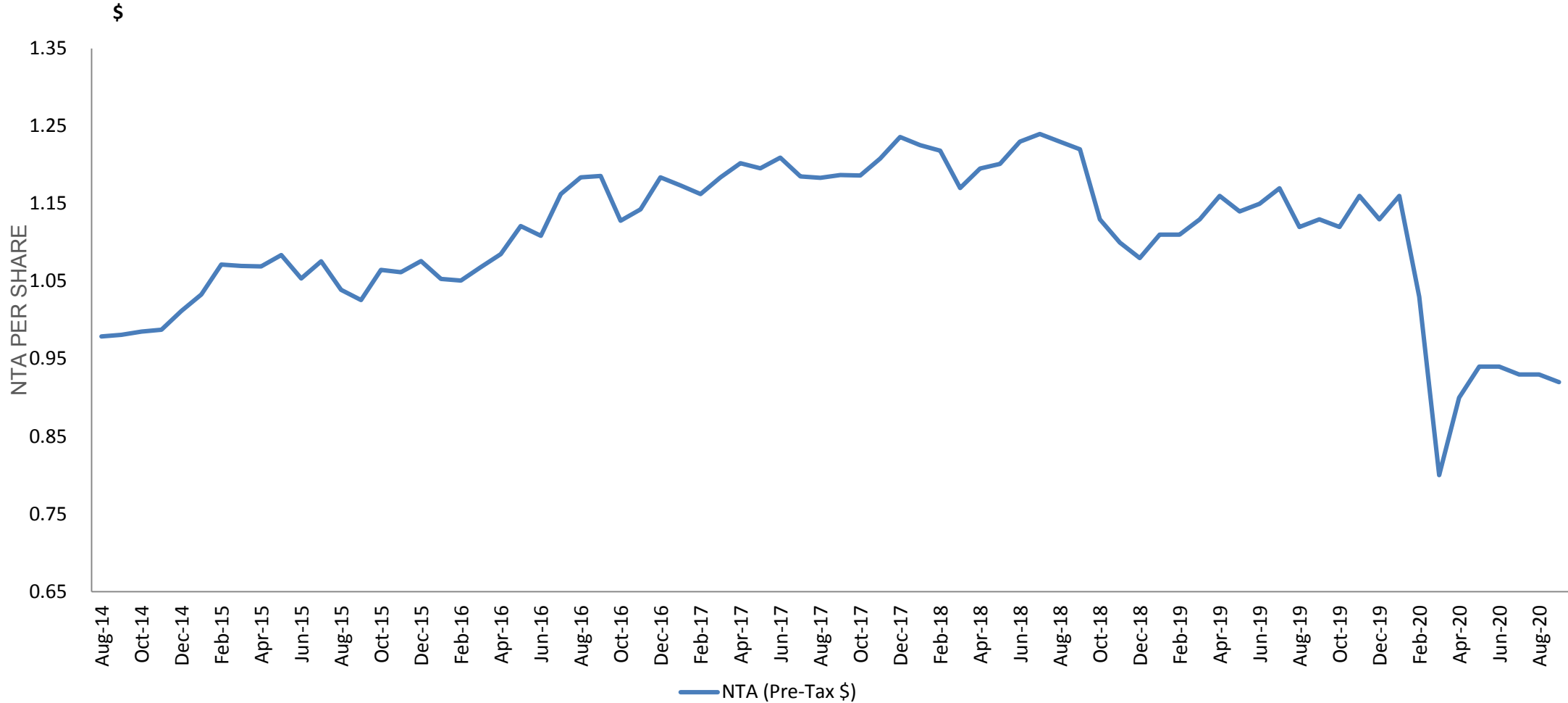
- Re-organisation of packaging segment should see business stabilise and grow over next 12 – 18 months
- Sale of contract manufacturing
- Quality of business and earnings improves as pooling's share of earnings continues to grow
- Significant medium term cost out/efficiency improvement opportunity
- FY22 PE of only 11x



QVE's portfolio strategy

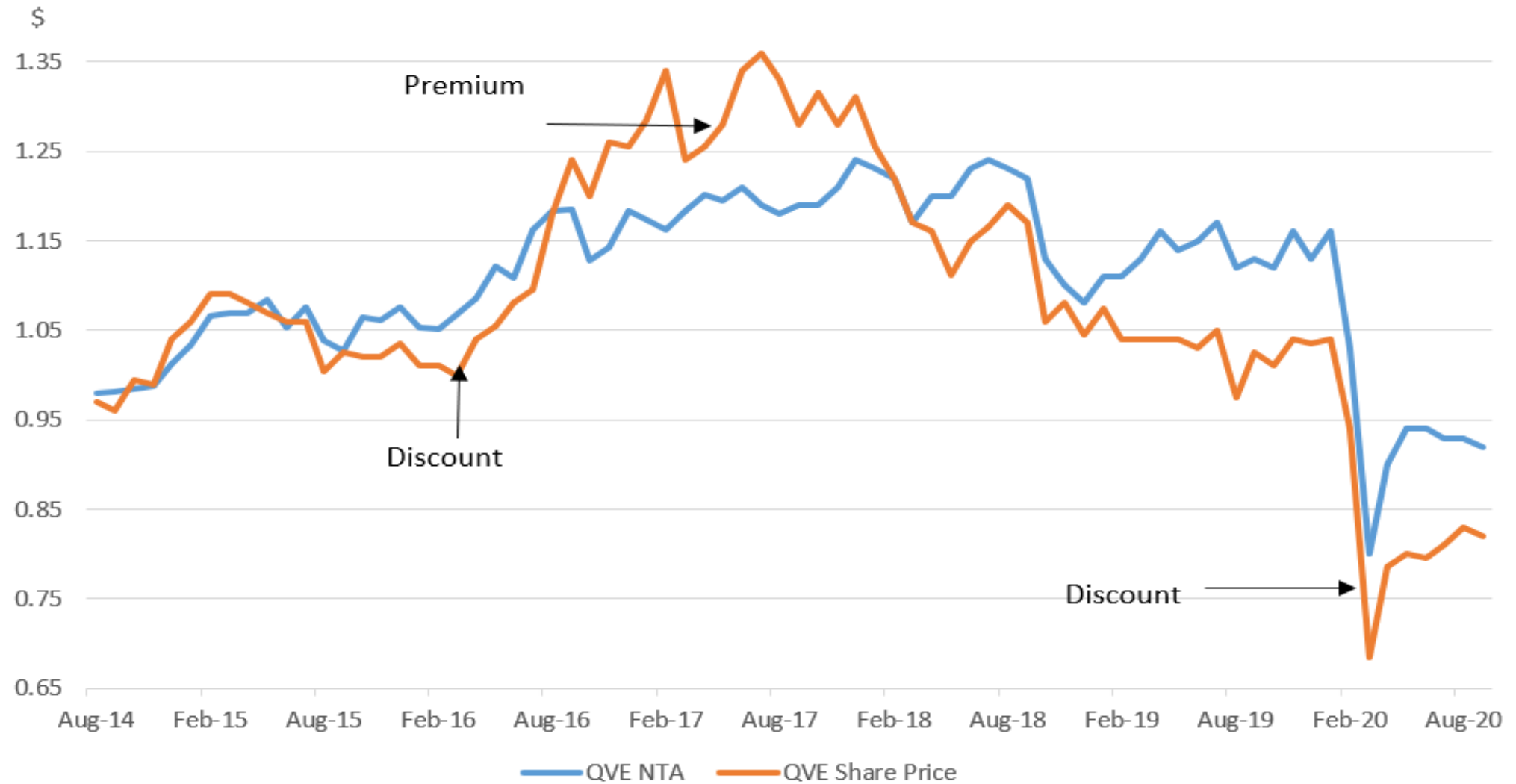
- ❑ Only holding well established, good quality companies
- ❑ Generating income with the aim of maintaining dividends to shareholders
- ❑ Options writing to generate income for the portfolio
- ❑ Adding good stocks on price weakness
- ❑ Cash being used to buyback shares at a discount to NTA

Historical NTA



Past performance is not a reliable indicator of future performance

NTA v Share price: Trading at Discount v Premium



Past performance is not a reliable indicator of future performance

Source: IML letter to QVE Shareholders;
As at 18 August 2020

QVE dividends & capital management

- ❑ The Board has announced its intention to maintain dividend payments to shareholders for the half year and full year 2021 at 4.4 cps, payable at regular quarterly intervals
- ❑ The on-market buyback commenced in September 2019, and has been extended to 8 Sept 2021.
- ❑ Over 26 million shares have been bought back to date

Why hold QVE ?

- ❑ Experienced fund manager
- ❑ A portfolio of good quality, well established companies
- ❑ Currently trading at a discount to NTA
- ❑ Underpinned by dividends for 2021 of 4.4 cps
- ❑ Directors have all been buyers in recent times

Q & A

Contact us

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