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9 March 2015

A note from QV Equities' Chairman Don Stammer

The interim reporting season for corporate results over the six months to end-December was completed recently. On average, most Australian listed companies reported profits just a little ahead of market expectations, which had been revised down in recent months; and about two-thirds of companies announced higher dividends. But revenues and profits were very uneven on a company by company basis and comments on the business outlook were generally highly cautious.

The global bull market in shares continued into February - fuelled by low interest rates, the printing of money by major central banks, and investors' hunt for yield - and valuations on many shares are now at very high levels. As a result, the QVE Board in February gave approval to an extension of time over which IML, the investment manager, needs to meet our target of being 75% invested. Currently, QVE is just over 60% invested.

The QVE Board was delighted with IML being a nominated in three categories of the Morningstar awards for fund manager of the year held last week and the winner of one of the Australian Equities large cap award.

A handwritten signature in black ink, appearing to read 'Don Stammer', is positioned above the printed name.

Don Stammer

For further up to date information on the company and its investment philosophy, please go to:
www.qvequities.com

Investment Update & Net Tangible Assets Report

FEBRUARY 2015



NET TANGIBLE ASSETS (NTA)	AMOUNT
NTA before tax	\$1.0715*
NTA after tax	\$1.0463*

*The NTA per share is as at 28 Feb 2015 and includes the 0.5 cent per share dividend payable on 2 April 2015. The before and after tax numbers relate to the provision for deferred tax on the unrealised 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

PERFORMANCE	QVE's NTA	BENCHMARK
1 Month	+2.7%	+7.1%
Since Inception**	+7.5%	+7.4%

**Inception date: 22 Aug 2014

■ The Australian sharemarket spiked in February, buoyed by RBA's 25bp cut to the official cash rate as well as stronger global markets. Some better than expected half yearly results from the likes of Ansell, Amcor and Ramsay Healthcare also helped overall investor confidence.

■ The overall reporting season however was fairly lacklustre with revenue growth remaining subdued given the current uneven economic environment. Earnings growth was mainly driven by cost-outs and efficiency drives while capital management by several companies was also a feature of the results. Amcor announced a share buyback while Oil Search paid a special dividend.

■ QVE recorded another positive month with the NTA gaining +2.7% to finish at \$1.0715 (pre-tax). The QVE Board declared a fully franked 0.5 cents per share interim dividend to its shareholders. The inaugural dividend will be paid in April following a \$1.5m after-tax half year profit announced by the company.

■ During the month we bought into insurance underwriter Steadfast Group through on market purchases as well as through participating in an equity raising by the company. Steadfast provides insurance and underwriting services to a network of insurance brokers in Australia, NZ and Singapore. The company reported better than expected half yearly results, growing earnings through acquisitions, market share gains and cost savings. During the month, the company raised capital to fund the acquisitions of two underwriting agencies and QBE's insurance broking operations.

■ We also built a position in GWA Group - which supplies bathroom and kitchen products to the household and commercial sectors, after the company's share price fell on a poorly understood interim result. The result was poorly received as GWA is in the midst of selling or closing underperforming divisions but importantly its core Caroma division continues to perform and the outlook remains solid.

■ We also participated in a placement and bought further shares on market in pharmaceutical company Mayne Pharma after it made a strategic acquisition in the US. Mayne's develops and manufactures branded and generic drugs. The company is well known to us and is a well managed medium sized pharmaceutical company with some excellent new generic product releases slated for the next 18 months.

■ We have now invested over 60% of the portfolio and are cautiously on the way to building a well diversified portfolio of quality companies that we believe can continue to grow earnings and dividends in the years ahead despite the uncertain economic conditions.

QV EQUITIES	
ASX Code	QVE
Option Code	QVEO
Listed	22 Aug 14
Shares on issue	185.8 mil
Options Exercised	1.2 mill
Options Outstanding	183.4 mil
Dividend per share	0.5 cents

Benchmark

S&P/ASX 300 Ex20 Accumulation Index

Number of Stocks

20 – 50 ASX listed securities which fall outside the S&P/ASX 20 Index

Suggested investment time frame

5+ Years

Dividend Frequency

Half-Yearly

Options expiry

15 March 2016

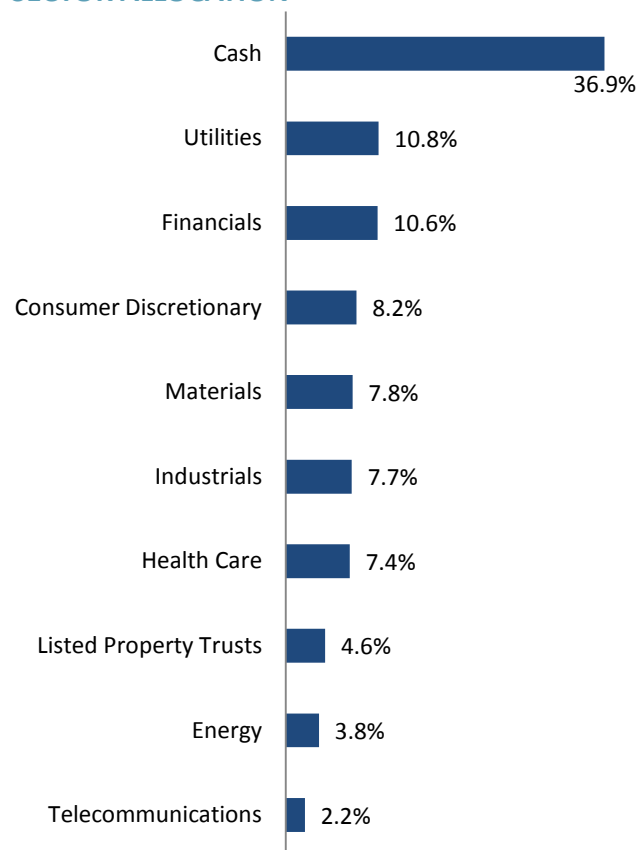
Investment Objective

To provide a rate of return which exceeds the return of the relevant benchmark on a rolling 4 year basis



KEY EQUITY INVESTMENTS	P/E 2015	YIELD 2015
AGL Energy	16.4	4.2%
Orica	12.5	4.9%
Sonic Healthcare	19.4	3.6%
Bank of Queensland	15.2	5.0%
ASX Limited	21.4	4.2%
Ansell	16.2	2.2%
Fletcher Building	15.7	5.0%
Energy Developments	15.2	6.3%
Steadfast Group	15.7	3.5%
Chorus Limited	11.7	NA

SECTOR ALLOCATION



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