Investment Update & Net Tangible Assets Report

August 2016

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)*	QVE-ASX
NTA before tax	1.1839
NTA after tax	1.1276

*The before and after tax NTA numbers relate to the provision for tax on net profit in addition to deferred tax on the un-realised 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 (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+1.8%	+1.6%	-0.9%
3 Months	+5.6%	+4.3%	+5.5%
6 Months	+14.2%	+10.9%	+17.2%
1 Year	+17.2%	+13.2%	+23.7%
Since Inception Total Return	+11.6%	+9.1%	+11.2%

The above returns are after fees and assumes all declared dividends are reinvested

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	221.4
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 4 year basis

SHAREMARKET COMMENTARY

Global sharemarkets took a breather in August following July's strong showing as investors looked for further clues as to the direction of US monetary policy. The MSCI World Index was little changed over the month finishing -0.1% lower. Regional performance diverged slightly with the US S&P500 ending its 6 month winning streak declining -0.1%, whilst both Europe's EuroStoxx 50 and Japan's Nikkei fared a little better up +1.1% and +1.9% respectively.

The focus of the month was US Fed Chair Janet Yellen's speech at the annual Jackson Hole Economic Symposium on the future direction of US monetary policy. The case for future rate rises was made off the back of improving macro-economic data, particularly US consumption, however, very little guidance was given in respect to the timing of any potential rate hikes. US markets consolidated in the wake of the symposium with the raft of commentary from various Fed Governors being interpreted as being slightly more hawkish.

As was widely expected the RBA cut its overnight rate at the beginning of the month by 0.25% to a new record low of 1.5% citing ongoing weakness in headline inflation. The $A lost a little of its recent momentum, falling -1% against the USD as the cut in Australian rates and the increased expectation for US interest rates to rise in 2016 taking some steam out of the $A. Whilst oil rebounded +11% over the month, it came under heavy pressure late in the month off news of a large build in US crude supplies. Iron ore finished the month slightly lower losing -1%, capping a three and half month rally.

The broader Australian sharemarket as measured by the ASX300 fell -1.6%, as reporting season hit full gear. The Top 20 Index continued its relative underperformance against the broader market falling -2.0% weighed down by fairly lacklustre results from the Banks, along with earnings misses from large caps such as QBE and CSL. While the ASX ex 20 Index did better than the overall market, it also struggled to make headway over the month and fell -0.9% during August.

In regards to the recent reporting season, as has been the theme for some time now, many companies continued to see their top lines subdued as challenges in the wider economy and increased competition continued to bite, with a large portion of company earnings driven by ongoing cost cutting strategies. From an aggregate level, company earnings fell approximately 8% for the financial year across the ASX300, driven by a 50% earnings decline from the Resources sector, whilst rather tepid results from the Banks did little to boost earnings amongst the Large Caps segment. Taking the ASX Top 20 out of the equation where earnings remained lacklustre, the ASX ex 20 segment of the market produced earnings growth of approximately 7%, which was a very good result given the environment.

The ***QVE portfolio*** performed well in August rising +1.8%, which was a much better result than the benchmark's fall of -0.9%. Portfolio holdings such as GWA, Ansell, Flight Centre, Fletcher Building and Pact Group all performed well after announcing higher profits and dividends than expected. Conversely, Cabcharge and AGL fell over the month as their respective results releases fell slightly short of expectations. Our caution towards the Aged Care sector, which had a very poor month, also benefited the portfolio as we continued to avoid the likes of Estia, Japara and Regis given the continued uncertain nature of Government funding.

We continue to remain cautious on the near term outlook for the stockmarket given the high valuations of many stocks together with a continued subdued earnings outlook. We continue to look for companies we believe can grow their earnings in the next 3 to 5 years and which in our view are reasonably priced.

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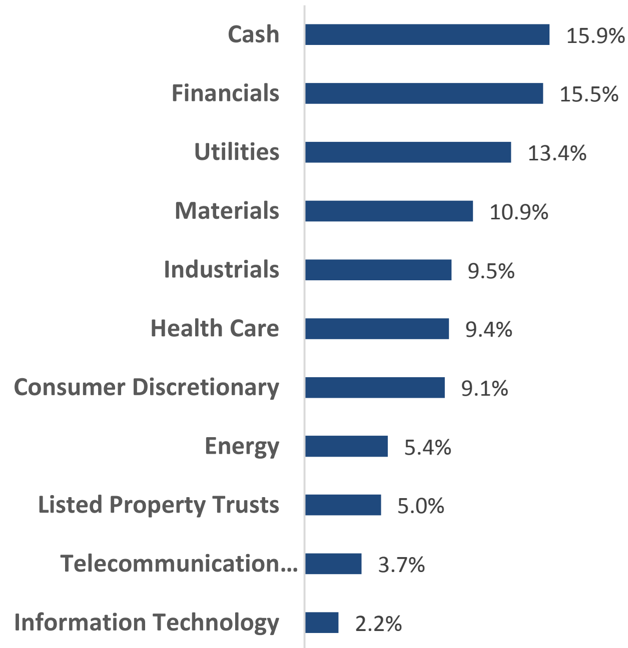
KEY EQUITY INVESTMENTS	ASX Code	Weight
Fletcher Building Limited	FBU	4.6%
Steadfast Group Limited	SDF	3.8%
AGL Energy Limited.	AGL	3.5%
GWA Group Limited	GWA	3.4%
Orica Limited	ORI	3.4%
Sonic Healthcare Limited	SHL	3.3%
Bank of Queensland Limited	BOQ	3.2%
Pact Group Holdings Ltd	PGH	2.8%
AusNet Services Limited	AST	2.7%
Clydesdale Bank	CYB	2.7%

SECTOR ALLOCATION



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