

06 April 2016

A Note from the Chairman

So far in 2016, investor sentiment has swung from extreme gloom, motivated by intense concerns for the Chinese economy, to a rebound that has about recouped many of the earlier losses, as investors acknowledged the many shades of grey in the investment outlook. Here's an update on key influences on investment markets:

1. China's economy is showing signs of stabilising; risks of the much-feared hard landing have moderated recently.
2. Commodity prices have moved up from their lows in February; but the global over-supply of most bulk commodities has not yet corrected.
3. The US central bank re-iterating it will be "cautious" and "gradual" as it "normalises" the US cash rate and will specifically take account of the fragility of the global economy having contributed to the more positive tone in investment markets globally. But with the US economy having added 14 million jobs since 2009 and halving its unemployment rate to five per cent, investors need be aware of the danger of mild inflation re-appearing in the US and globally.
4. Central banks in Japan and Europe are purchasing large amounts of government bonds and targeting negative cash rates. Europe seems likely to continue its modest growth but the Japanese economy is again losing momentum.
5. The Australian economy appears set to grow by 2.5 per cent this year – perhaps a little faster if the Australian dollar resumes its downward trend. On average, profit increases will generally be modest; and earnings gains are likely to be very uneven across different companies.

Given the likely cross currents and challenges in investment markets, the best opportunities for investors are likely to come from carefully selected and diversified holdings of assets that hold good prospects for growth and dividends in the medium- and longer-term.

We are pleased that an investment in QV Equities has delivered a reasonable total return to shareholders, as measured by the growth in the net tangible assets of the portfolio as well as the dividends paid to shareholders since our initial capital raising - including the recent fully franked interim dividend of 1.5 cents paid to shareholders on the 4 April.



A handwritten signature in black ink, appearing to read 'Don Stammer'.

Don Stammer
QV Equities Chairman

Investment Update & Net Tangible Assets Report

March 2016



NET TANGIBLE ASSETS (NTA)		QVE-ASX	QV EQUITIES	
NTA before tax		\$1.0684	ASX Code	QVE
NTA after tax		\$1.0410	Listed	22 Aug 14
			Shares on issue	221.4M
			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	

PERFORMANCE	QVE's NTA (after tax)	BENCHMARK
1 Month	+2.4%	+4.0%
3 Months	+0.5%	+3.2%
6 Months	+5.2%	+11.2%
1 Year	+2.5%	+3.7%
Since Inception Total Return	+10.6%	+10.8%

The above returns assumes all declared dividends are reinvested

SHAREMARKET COMMENTARY

Global bourses rebounded sharply in March after a tumultuous January and February of 2016 and as the MSCI World Index finished the month +6.5% higher. All major markets finished in positive territory, with the S&P500 rallying +6.6% to move into positive territory for calendar year 2016, whilst Europe's EuroStoxx 50 and Japan's Nikkei finished the month with gains of +2.0% and +4.6% respectively. The improved confidence spilt over to China's Shanghai Composite Index, which gained +11% and in turn spurred the MSCI E.M Index up +13%, enjoying its best month since March 2009. The positive sentiment led the emerging market inflows to reach their highest level in two years, thanks to further news of monetary easing from most global central banks as well as rebounds in the prices of many commodities.

The Australian sharemarket as measured by the ASX300 rebounded +4.8% in March, in line with global peers, with the ASX ex 20 returning +4.0% for the month and a healthy +3.2% return for the first quarter of 2016. All ASX sectors with the exception of Healthcare squeezed out positive gains, with the Energy and Materials sectors up +5% benefiting from the rebound in commodity prices, as the prices of both iron ore and oil contracts rallied +8.3% and +7.7% respectively. Financials rebounded strongly following February's strong sell off as global concerns of a financial crisis continued to ease. Although the rally soured somewhat late in the month, with announcements from both ANZ, that it was increasing its bad debt provision charge, and Westpac, noting caution in some of its larger corporate exposures.

The QVE portfolio's NTA rose by +2.4% in March, which whilst a solid result lagged the benchmark's return of +4.0%. Our large cash weighting as well as our almost zero weighting to Resources held back our relative performance as the sector rallied +5% due to the rebound in commodity prices. Despite the short term bounce in the Resource sector we continue to exercise caution as there have been no significant fundamental changes in correcting the supply/demand imbalances and weakening global growth dynamics.

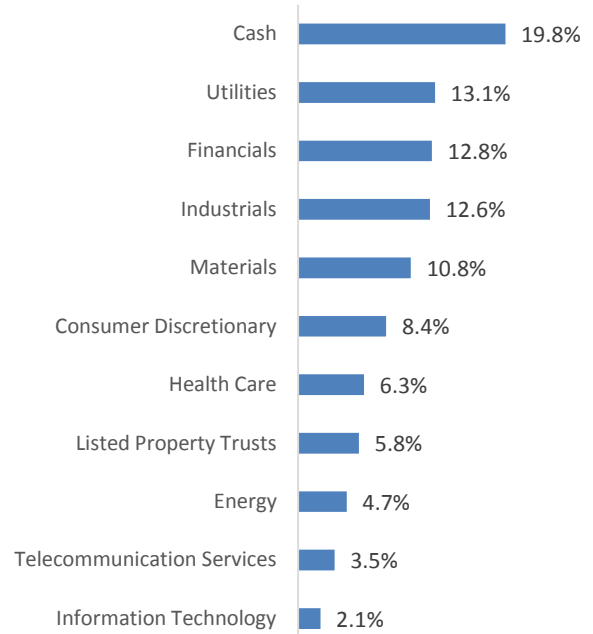
Strong performers over the month included Tox Free Solutions, Bank of Queensland, Cabcharge, Skycity, Orora, Steadfast and Fletcher Building as many of our key holdings received ongoing support from their respective results release. Over the month we added to our holdings in Clydesdale Bank, which we continue to view as undervalued and which we believe will be revitalised now it is independent of NAB and in Cabcharge, where we remain confident in the new management team's medium term turnaround strategy.

We continue to maintain our cautious stance towards the Australian sharemarket due to the many economic uncertainties. While equity markets continue to be supported by loose monetary conditions in most parts of the world, we believe stock selection will be the key in the years ahead. As evidenced in the interim reporting season in February, several Australian companies continue to do relatively well. The vast majority of companies in the portfolio declared higher dividends and expressed confidence in their outlook for the balance of 2016. We will continue to monitor our favoured companies closely and will use any sustained weakness to buy shares in good quality companies when we believe they offer good long term value.



KEY EQUITY INVESTMENTS	ASX Code	Weight
Fletcher Building	FBU	3.7%
Bank of Queensland	BOQ	3.5%
Sonic Healthcare	SHL	3.4%
Steadfast	SDF	3.4%
AGL Energy	AGL	3.3%
Orica	ORI	3.2%
GWA	GWA	2.9%
ASX	ASX	2.8%
AusNet	AST	2.7%
Pact Group	PGH	2.5%

SECTOR ALLOCATION



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