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QV Equities Ltd.

26 October 2016

QV Equities 2016 AGM Chairman's Address

Before I begin my address I would like to acknowledge QVE's former Chairman, Dr Don Stammer. On behalf of the Board and QVE shareholders, I would like to take the opportunity to thank Don for his significant contributions and guidance. We the Board are appreciative of Don's leadership and want to take this opportunity to wish him well in his retirement. Thank you Don.

I wish to remind shareholders of the objectives of the Company.

Our aim is to provide you with the opportunity to invest successfully in a diversified portfolio of securities listed on the ASX other than those included in the S&P/ASX top 20 index.

The top 20 remains heavily concentrated in the Financials and Resources sectors and accordingly does not provide you with an opportunity to diversify your portfolios.

Our investment objectives are to deliver to you both long-term capital growth and sustainable, growing income streams.

We rely on the proven, disciplined approach to stock selection that our Manager, Investors Mutual Limited (IML) has built up over many years to achieve these objectives.

Investor sentiment towards the Australian sharemarket over the year was affected by many factors both positive and negative. These factors include:

- record low interest rates and wage growth;
- the collapse in capital expenditure by Australian businesses and;
- political uncertainty concerning the direction of economic policy and reform.

Anton will expand on these issues and more in his investment presentation later.

I would now like to report on the investment performance of QVE for the year ended 30 June 2016.

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QVE's investment strategy has continued to be vindicated during the year ended 30 June 2016 as both the Financials and large Resource stocks that dominate the top 20 struggled over the year, while the diversity of the Ex20 market proved valuable.

The percentage increase in the Net Tangible Assets of a QVE share (allowing for the reinvestment of dividends) was 8.2% before tax or 6.7% after tax for the year. A solid result and one that was ahead of the ASX300 index.

However our Manager's investment performance lagged the ex-20 index due to strong gains by several larger companies in the index that the Manager deemed fully valued.

These companies included Sydney Airport and Transurban. The avoidance of these stocks that are considered to be fully priced is consistent with our Manager's disciplined approach to stock selection.
Next, I would like to comment on QVE's financial results and matters subsequent to the end of the financial year.

QVE earned a net profit of $5.7 million for the year ended 30 June 2016. On a per share basis, that was the equivalent of after-tax earnings of 2.77 cents. The net asset value of the Company at 30 June 2016 was $238 million compared to $200million at 30 June 2015.

The Management Expense Ratio for the year ended 30 June 2016 was 1.09%. The figure in last year's annual report was 1.04% but related to a period of 10 months. If last year's Management Expense Ratio was annualised it would have been 1.18%.

The Management Expense Ratio is a measure of what it costs to operate an investment company. An expense ratio is determined through an annual calculation, where the company's operating expenses are divided by the average dollar values of its investment assets.
I'd like to reassure you that your Board is focused on controlling costs wherever possible and would like this Management Expense Ratio to be below 1% in the near future.

I am confident that this will be achieved for the following reasons:

- No performance fee is payable to the Manager;
- The investment management fee is 0.90% of assets up to $150million and 0.75% on assets above that figure and;
- At 30 September 2016 the Net Tangible Assets before tax was $262.5million.

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In March, the QVE options issued at the time of the IPO expired. During the 2016 financial year 27.9m options were exercised. Since QVE listed, a total of 36.767m options were exercised, with the Manager using this additional capital to patiently build on the already established portfolio of quality ex20 shares.

As shareholders of QVE, you received a fully franked interim dividend of 1.5 cent per share on 4 April 2016. Since year end, the Board has declared a fully franked final dividend of 1.8 cents per share to be paid on 31 October 2016.

The Board is pleased to be paying a dividend of 3.3 cents a share from the earnings in our second year of operations and is confident that this will continue to build over time, aiming to provide you with an increasing, sustainable dividend stream – that is franked to the maximum extent possible.

On 26 July 2016 the Board announced a Dividend Reinvestment Plan (DRP) as part of QVE's ongoing capital management strategy and in response to your feedback. The DRP provides you with a simple, cost effective way to increase your investment. Approximately 8% of the number of shareholders, representing 7 million 638 thousand 664 shares will participate in the DRP payment on 31 October 2016. The participation price was $1.21per share.

Turning to the investment performance for the first quarter of the 2017 financial year. The performance for the quarter was a pleasing start to the new financial year. The pre tax returns of +7.0% compared favourably to the benchmark's return of 5.8%.

Also pleasing was the pre tax returns of +11.2% since inception, when compared to the benchmark's returns of +10.5%.

At 30 September 2016 the market value of the Company's investment portfolio was $262.5m representing a NTA of $1.1857 per share before tax or $1.1317 after tax.

The Board is confident the Company will meet its investment objective of delivering a return above the ASX 300 Ex20 Accumulation index over a five year plus time horizon.

This confidence is based on the proven investment abilities of the investment team of our Manager, our investment strategy and a competitive investment management fee.

I would now like to ask Anton Tagliaferro, Co-Portfolio Manager of the QVE portfolio to provide you with the investment director's address.