Investment Update & Net Tangible Assets Report

June 2018

QV Equities Ltd.

NET TANGIBLE ASSETS (NTA)*	QVE-ASX
NTA before tax	1.23
NTA after tax	1.18

*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. All figures are unaudited and approximate.

PERFORMANCE (as at 30.06.18)	QVE's NTA (pre tax)	QVE's NTA (after tax)	BENCHMARK
1 Month	+2.0%	+1.5%	+2.1%
3 Months	+4.7%	+3.8%	+7.4%
6 Months	+1.8%	+1.9%	+3.9%
1 Year	+6.0%	+5.6%	+15.9%
Since Inception Total Return p.a	+9.6%	+8.0%	+11.9%

QV EQUITIES	
ASX Code	QVE
Listed	22 Aug 14
Shares on issue	275.5 M
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

The above returns are after fees and assumes all declared dividends are reinvested and excludes tax paid for pre tax NTA. Due to the Company's turnover being below $25 million the Company's corporate tax rate reduced to 27.5% from 1 July 2017. Past performance is not indicative of future performance.

SHAREMARKET COMMENTARY

Global equity markets closed out FY18 on a weaker note, shedding -0.7% to finish financial year 2018 with a gain of +9% in local currency terms. The US S&P 500 managed to edge up +0.5% for the month, rounding out a yearly gain of +12%, whilst Europe's Stoxx50 shed -0.3% and Japan's Nikkei gained +0.5% for the month. However, it was in the emerging markets and especially China where equity investors felt pain with the MSCI Emerging Market and Shanghai Composite indices falling -4.6% and -8.0% respectively with June representing the worst monthly drop for the Chinese equity markets in two years and with the Yuan experiencing its worst monthly drop in its history.

During the month global tensions escalated with the US imposing new tariffs on foreign goods - ostensibly aimed mainly at China - with China retaliating with their own. This led to investors becoming wary of the potential for a slowdown in global trade and led to a pullback in commodity markets with the Base Metals Index down -4.4% over the month with copper falling to a 7-month low. The iron ore price remained unchanged over the month while the oil price moved +3% higher as a reaction to the US sanctions on Iran and Venezuela while the much anticipated OPEC meeting in Vienna in late June ended up being a nonevent with no firm production increases announced. As expected the US Fed Reserve raised interest rates a further 0.25 % in June - the 6th hike since December 2016, with two further increases expected later in 2018.

The ex 20 segment of the market gained +2.1% during June in what was a strong month for the Australian sharemarket. As was the case in the broader market, the Resource sector performed strongly, particularly the Energy sector, which gained +7.8% as the oil price moved higher. Several Industrial sectors such as the Consumer Discretionary, Utilities and REITs sectors also performed well. Despite interest rates moving higher in the US, expectations for the first RBA rate hike have been pushed back to the end of 2019, thus the yields generated by many of the companies in these sectors remains very attractive to investors in the current environment.

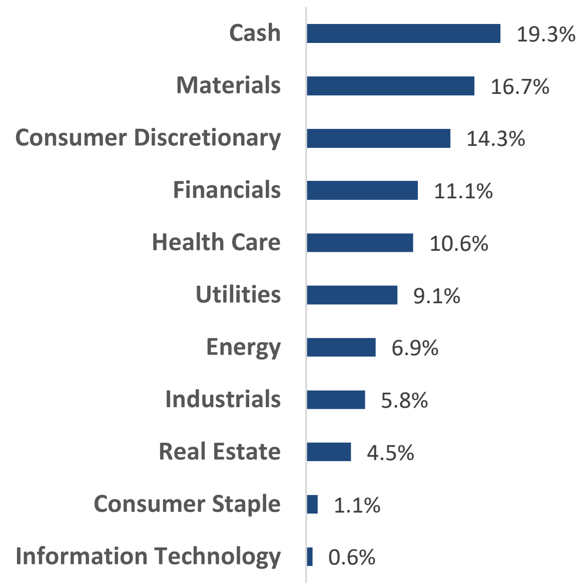
The QVE portfolio had a good month gaining +2.0%, a touch below the benchmark's return. The portfolio had a good month as our core holdings in Clydesdale Bank, Caltex, Mayne Pharma, Integral Diagnostics, Cabcharge, Fletcher Building, Sonic Healthcare and Spark Infrastructure all performed well. Over the month we added Link (LNK) to the portfolio at prices below $7 following a recent sharp fall in its share price following adverse news regarding a proposal to close inactive superannuation member accounts in the Federal Budget in May. Despite the news, we find Link attractive at current prices as the company is a market leader in outsourced Australian super administration with 70% of its revenues of a recurring nature as it is derived from contracts with long standing customers. Link is also expanding offshore following its recent acquisition of Capita.

We used weakness in the share prices of Pact and Aurizon to top up during the month. We believe Aurizon looks attractive at current prices with much of the negative news reflected in the share price, management is doing a good job of taking costs out of the business, with the company trading on a 5.2% cum dividend yield. We also used strength in the share prices of Shopping Centres Australasia, Sonic Healthcare and Bunnings Property Trust to take profits and redeploy for more attractive opportunities.

Whilst investor confidence continues to be buoyant, we remain relatively cautious given the prospect of further interest rate rises in the US, alongside the increased risk of a slowdown in China and the vulnerability of the emerging markets. While the general direction of world growth remains positive, it remains a challenging environment for many companies to grow their earnings given the intensely competitive nature of most sectors. The market remains difficult to navigate with many investors continuing to avoid good quality stocks such as Amcor and Brambles on short term earnings concerns, while many companies where short-term growth is more apparent are being pushed to very high valuations. We continue to use any weakness to buy good quality industrial names that in our view are trading at reasonable valuations and that we believe can do well over the next 3 to 5 years. As true to label value investors we refuse to be carried away with the latest fad, concept or momentum play.

KEY EQUITY INVESTMENTS	ASX Code	Weight
Pact Group	PGH	4.3%
Sonic Healthcare	SHL	4.1%
Caltex Australia	CTX	4.1%
Clydesdale Bank	CYB	4.0%
Amcor Limited	AMC	3.9%
Crown Resorts	CWN	3.8%
Fletcher Building	FBU	3.8%
Spark Infrastructure	SKI	3.7%
Orica	ORI	3.3%
Steadfast Group	SDF	3.0%

SECTOR ALLOCATION



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