



AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

INVESTMENT PROFILE

The Quest Australian Equities Concentrated Portfolio is a Separately Managed Account (SMA), actively managed by Quest Asset Partners Pty Limited. Our objective is to outperform the S&P/ASX300 Accumulation Index. SMA's are professionally managed portfolios that allow the investor to retain beneficial ownership of underlying securities while maximising transactional visibility.

APRIL 2019

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	31 now, maximum 35
Quest AUM	\$1,215 million
Strategy AUM	\$78 million
Investment Horizon	3 – 5 years
Investment Strategy	Fundamental with a key focus on business quality and free cash flow
Derivatives/Shorting	Nil
Lonsec Rating	Reviewed and Rated by Lonsec

APRIL SUMMARY

The Australian market rose in April for the fourth month in a row. The calendar year return is now above 13%. The market hit a decade high in late April but was still nearly 6% below the all time highs of 2007. Quest did better than the market by 0.9% in April.

Macro influences still dominate with US Federal Reserve announcements and Trump tweets causing sudden shifts in sentiment. Interest rates may fall further as the global economy is perceived to lack growth. Surging equity markets suggest growth abounds! Cash seems to swirl from one opportunistic sector to the next. Once again we are seeing signs of hot money chasing short term opportunity.

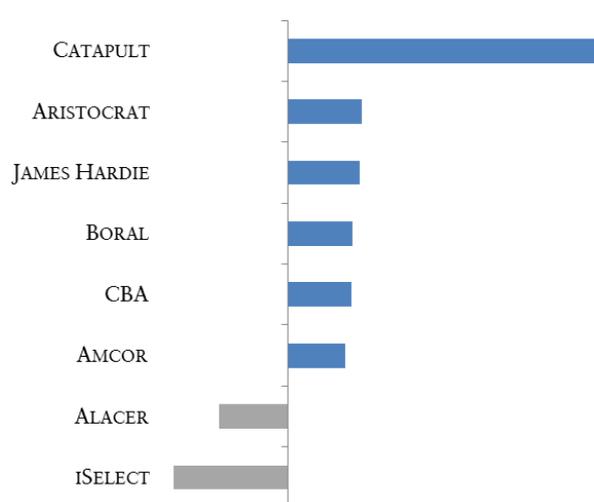
Banks in April performed well after a poor March whilst the resource and REIT sectors were the worst performers in April after leading the market last month. The market currently lacks conviction.

There continues to be a lack of IPO activity however corporate action is rife. Dulux received a take-over bid from Nippon Paint while Wesfarmers bid for Kidman Resources early this month. Woolworths are buying back \$1.7 billion of shares while AP Eagers bid for competitor Automotive Holdings.

Quest added REA Group to the portfolio in April while Janus Henderson was sold.

Quest Asset Partners have been named as a finalist in the Money Management Lonsec awards in the SMA class for the third year in a row. This event will be held in May.

DRIVERS OF PERFORMANCE



PERFORMANCE

BEFORE FEES AND TAX

(PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE)

To 30 April 2019	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	3.4%	9.2%	8.5%	13.3%	9.7%	12.5%	11.5%
ASX 300 Accumulation Index	2.5%	9.4%	10.3%	11.1%	7.6%	9.9%	7.6%
Value added	0.9%	-0.2%	-1.8%	2.2%	2.1%	2.6%	3.9%

*per annum



PORTFOLIO ACTIVITY

We have added a holding in **REA Group** (REA) during April. The ubiquitous property portal, realestate.com.au, will be well known to most readers as Australia's dominant online site for buyers of real estate. REA rates highly in our qualitative assessment by virtue of the power it enjoys within the real estate value chain. The company effectively has the ability to consistently increase yield via price rises each year. REA reinvests in the business to enhance value to sellers, real estate agents and buyers. This has seen the company deliver strong returns for shareholders. The number two player is Domain which has adopted many of the same strategies.

The current downturn in real estate market listings has weakened the share price which hit \$92 in June last year. As the share price of REA fell we became more interested in establishing a position. It is our expectation that real estate in Australia's capital cities will find a base in the next 6-12 months as the election fades into memory and aided perhaps by an RBA interest rate cut. Should listings recover to more normal levels, REA has further upside on our assessment and offers exposure to a high quality business.

We have added further to existing holdings in waste recycler **Bingo Industries**, PNG gas producer **Oilsearch**, **Aristocrat Leisure** and **Nine Entertainment**.

In April our long standing holding in Janus Henderson was sold. While our valuation sits higher than the share price, our quality score has fallen after the Board chose to run with one CEO rather than the post-merger dual CEO strategy. We knew this would resolve but the final decision did not sit well with us. The Janus Henderson share price has struggled post the CEO change and of course Brexit has not helped either.

Catapult was the best performer in April with a 27% burst. Catapult fell after the CEO announced a surprise departure however the market seems more focussed on the operational performance which meets our expectations.

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Our readers will be aware that we thought the market was over bought back in August when the ASX300 peaked for the year at 6287. A major correction delivered a healthy refresh till December but the bourse has regained almost all of that loss in recent months. Currently the ASX 300 is 6221. We see the market taking a break at this level as some commodity prices are starting to ease, a local rate cut is priced in and three major banks go ex dividend in May. Too much too fast! We would like to see a 4-5% fall. We do however remain positive on the market post election.

Cash is again above average at 11%.

FACT OF THE MONTH

The decline in the use of coins in favour of card payment has reduced the need for banks to hold coins in their network. Westpac advised recently that 450 tonnes of coins have been removed from the network as demand for coin falls.

THE QUEST PROCESS

The Quest team invest to make an above average return. We pay less heed to beating an index.

We research investments from the ground up and invest based on our assessed valuation. We seek minimum 15% upside. This valuation becomes our target price.

A Quest portfolio includes known names such as **CSL** and industrials such as **Ancor**. We also look to add value outside of the major stocks, recent examples being **Aurelia Metals**, **Viralytics**, **Bravura**, **Netwealth** and **Bingo Industries**. The portfolio typically carries a number of mid and smaller cap stocks where we believe our experience gives us an advantage.

CONTACT QUEST

Michael 02-9409 2300
Chris 02-9409 2301
Troy 02-9409 2303
Swapan 02-9409 2302
Suite 8.07, 6A Glen St, Milsons Point NSW 2061
quest@questap.com.au www.questap.com.au