



AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

JANUARY 2020

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. The SMA structure allows the investor to retain beneficial ownership of securities via a custodian while maximising transactional visibility. A unit trust is unable to provide this level of visibility.

JANUARY SUMMARY

January surprised most observers with a potent 6.5% rise in the ASX300 accumulation before the corona virus situation drew selling and reduced the gain to 4.9% at month end.

The Quest January result was ahead of the market at 5.4%.

Quest currently sits in the top quartile of managers over 1 year, 3 years and 5 years. The Morningstar survey has placed Quest 4th of 65 Australian equity managers during calendar 2019.

The 2019 year was a very good year for our investors. We are however in a new year now. Our focus is on wealth preservation, unearthing new ideas (which are likely to be at the smaller end of the market) and assessing the latest updates in the February reporting season.

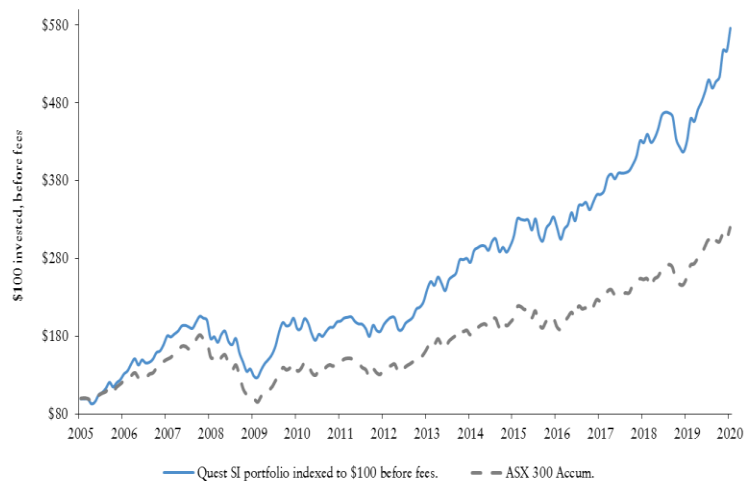
In calendar 2019 our portfolio delivered 30% and outperformed the market by 7% while our Ex 20 portfolio delivered 37% and outperformed that index by 10%.

Our team are in the process of structuring a Quest Australian equities long short unit trust headed by a leading portfolio manager.

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	32 now, maximum 35
Quest AUM	\$1.31 billion
Strategy AUM	\$86 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

PORTFOLIO RETURNS



PERFORMANCE

BEFORE FEES AND TAX

(PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE)

To 31 January 2020	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	5.4%	12.2%	33.5%	16.7%	13.3%	11.7%	12.4%
ASX 300 Accumulation Index	4.9%	6.0%	25.0%	12.4%	9.4%	9.0%	8.1%
Value added	0.5%	6.2%	8.5%	4.3%	3.9%	2.7%	4.3%

*per annum



PORTFOLIO ACTIVITY

Our best absolute performers in January were **Magellan** up 18%, **Orocobre** up 18%, **James Hardie** up 14% **CSL** up 13% while **Dexus** and **Telstra** were both up 8%.

The strength in stocks such as Dexus and Telstra suggests an increasingly defensive move in the market. Note that Woolworths and Wesfarmers (not owned) were also firm, as were most REIT's.

In early January, we sold our position in insurer **IAG**. We have been a holder of the company for two years and rate the management team highly. The business has been streamlined and excess funds returned to shareholders. During late 2019, our target price was lowered leaving little upside in the share price. We are cautious of insurance risk in a market with a declining propensity to afford premiums and increased natural peril risk. After our sale, IAG downgraded earnings and fell 15% so our timing was good.

Funds went to a new position in property developer and manager the **Goodman Group**, and an increase in our **BHP** position and cash.

We also exited **Reece** as our valuation target was lowered. We have doubts about the stock generating enough revenue growth to satisfy the price implied by the market.

In terms of the coming year, coronavirus has shoved trade wars and interest rate rises to one side. We are monitoring our Quest exposures given the uncertainty here. We do not have any exposure to aviation, insurance or tourism stocks. We do however own **A2Milk** which will be affected as Chinese consumers stay away from shops.

We also own mining stocks BHP and RIO and some oil and gas positions that are affected by sentiment in relation to the virus. While the portfolio is currently moving to a more defensive position, this shift is not driven by the coronavirus.

There are always opportunities in the market, particularly in mid and small caps and our efforts this year are in lesser known mid and small stocks, pre-IPO opportunities and the upcoming financial reporting season.

QUEST UPDATE

The Quest ASX300 portfolio delivered a 30% return in calendar 2019.

The Quest Ex 20 portfolio delivered a 37% return in calendar 2019.

THE QUEST PROCESS

The Quest team invest to make an above average return. We pay little heed to any index. We research investments from the ground up and invest based on our assessed valuation. We seek minimum 15% upside.

A Quest portfolio includes known names such as CSL and RIO and James Hardie. We also look to add value outside of the major stocks, recent examples being Alacer Gold, Catapult, Opticomm, Carbon Revolution and pre IPO bank disrupter Lendi.

The portfolio typically carries a number of mid and smaller cap stocks where we believe our experience in this field gives us an advantage.

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