

# QUEST EX-20 AUSTRALIAN EQUITIES PORTFOLIO



## MONTHLY PORTFOLIO REPORT JULY 2020

### PERFORMANCE\*

To 31 July 2020	1month	6months	1yr	3yrs (p.a)	Inception (p.a)
Quest Ex-20 Australian Equities	+7.3%	+0.3%	+12.9%	+15.8%	+15.4%
ASX300 Acc. ex ASX20 index	+1.1%	-13.4%	-8.5%	+6.6%	+6.6%
Value added	+6.2%	+13.7%	+21.4%	+9.2%	+8.8%

\*After fees (note: performance fees, where applicable, are deducted six monthly following the June and Dec periods)

Past performance is no guarantee of future performance. Individual returns will differ for investors, depending when the initial investment was established and the timing of any additional investments or redemptions. Inception date 5 January 2017.

### PORTFOLIO UPDATE

The market posted another positive return in July, despite giving back significant gains from the peak reached mid-month.

The Quest portfolio had a very strong month, delivering a +7.3% return. This compares favourably with the benchmark return of +1.1%. Over the last 12 months the portfolio has returned +12.9%, despite the market turmoil. This contrasts with a -8.5% loss from holding the benchmark.

The portfolio had some big movers in July, which contributed to the outperformance. "COVID beneficiaries" Marley Spoon (+81%) and Kogan (+13%) both surged following profit updates. The market continues to be surprised by the current growth in these businesses. Similarly, Goodman Group (+14%) remains well supported as investors are attracted to their long-dated growth profile, based on servicing the changing property needs of an evolving ecommerce-based economy.

Catapult (+45%) bounced strongly after their trading update which highlighted improving cashflows. The new management team at Catapult appears to be gaining support. Our resource stocks Orocobre (+29%), Mineral Resources (+22%) and Alacer Gold (+9%) also fared well as did Credit Corp (+22%), Mesoblast (+16%) and Atomos (+12%).

The main detractor was Carbon Revolution (-16%), following an update in early July which highlighted ordering delays from a key OEM customer. This company is trying to manage the very steep production ramp-up of carbon wheels to meet customer demand. Any change here can result in swings in cashflow which, for an early-stage business, gets transmitted straight to the share price. We remain positive on the prospects for this company and consider it significantly undervalued. Similarly, we are optimistic about our larger holding in Ramsay Healthcare (-7%), despite its recent underperformance. The backlog in elective surgery continues to grow in all geographies which should drive profit growth in the medium-term.

We were active during the month, trimming some positions and exiting others to manage portfolio risk. Exits included Lend Lease and Aristocrat Group and we sold some Mesoblast, Kogan and Marley Spoon into strength. Funds were redeployed to Orocobre, establishing a new holding in the lab testing business, ALS Group and a small position the workforce management company, People Infrastructure. We also committed to the IPO of medical imaging specialist, 4D Medical which is due to list in August. We remain fully invested with a small cash balance at month end.

### DRIVERS OF PERFORMANCE – JULY 2020

#### POSITIVE

Marley Spoon, Catapult, Kogan, Goodman Group, Credit Corp, Orocobre, Mineral Resources, Mesoblast, ALS Limited, Alacer Gold, Atomos, Kazia

#### NEGATIVE

Carbon Revolution, Ramsay Healthcare, Vista Group, Bravura, Cleanaway

### SIGNIFICANT PORTFOLIO HOLDINGS

#### LARGE CAP

Amcor	Goodman Group
James Hardie	Magellan
Ramsay Healthcare	Realestate.com
Xero	

#### MID CAP

Alacer Gold	Altium
ALS Group	Ansell
Aventus Group	Cleanaway
Credit Corp	Kogan
Mineral Resources	Steadfast

#### SMALL CAP

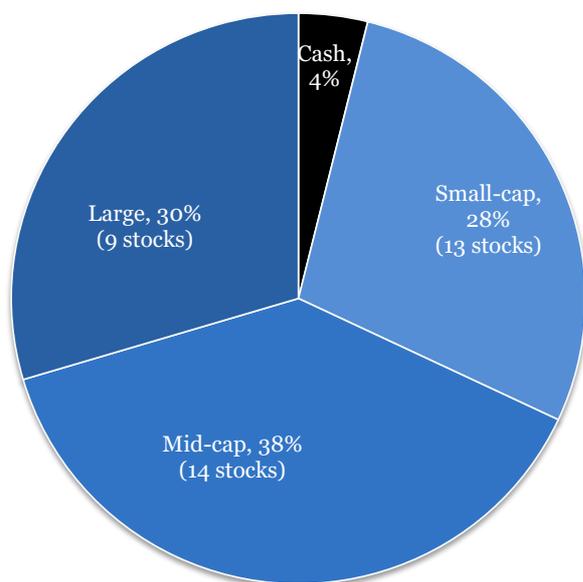
Australian Finance Group	Carbon Revolution
Catapult	OptiComm
Orocobre	Marley Spoon

## PORTFOLIO CHARACTERISTICS

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Holdings	36
Stock specific risk	57% of active risk
Factor risk	43% of active risk
Major factor risks:	
<i>Overweight</i>	<i>IT/Telecom</i>
<i>Underweight</i>	<i>Value, Size, Energy</i>
Active share	83%

## PORTFOLIO AT 31 JULY 2020



## PORTFOLIO STRATEGY

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The Quest Ex-20 Portfolio is a Separately Managed Account (SMA), actively managed by Quest Asset Partners. The Portfolio comprises between 20 and 40 securities and aims to outperform the S&P/ASX 300 index excluding the 20 largest companies. The Portfolio will have significant exposure to mid and small-capitalised stocks benefiting from Quest’s proven investment process and experience with smaller companies.

The assessment of business quality is fundamental to the Quest investment process. We aim to identify companies that can deliver good returns on invested capital and sustain those returns through time. Quest has a long track record of investment performance leveraging this process.

## PORTFOLIO FEATURES

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Inception	5 January 2017
Benchmark	S&P/ASX300 ex S&P/ASX20 Index
No of holdings	20 - 40
Typical cash weight	3 - 10%
Investment horizon	3 - 5 years
Portfolio Manager	Troy Cairns
How to invest	Via the Mason Stevens Platform or the Xplore Wealth Platform

### Disclaimer

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