



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.

KEY EVENTS – JUNE SUMMARY

The Australian equity market surged into the year end, adding 3.2% in June. Energy, Technology and Consumer Staples dominated whilst Telstra slid another 6.4%. The Telco sector was the only sector to finish in negative territory.

Australia was firmer than most global markets with the Dow Jones down 0.6%, S&P 500 up 0.5%, NASDAQ up 0.6%, Japan up 0.5% and Euro Stoxx down 0.3%. The MSCI world was down 0.7%. Argentina fell a nasty 22%.

Our portfolio travelled well into the fiscal close adding 3.9% and has returned 19% pre fees for the year.

Quest out performance is 5.8% in 2018 pre fees and maintains our since inception out performance at 4.4% ahead of the market per annum since inception in 2005.

Quest portfolio returns have been above 15% per annum after fees for 4 of the last 6 years.

Significant events in June included a bid for **APA Group** by Hong Kong based infrastructure group **CK Infrastructure**. **Santos** rejected a bid by **Harbour Energy** while affordable housing group **Gateway Lifestyle** is now the subject of a bidding war.

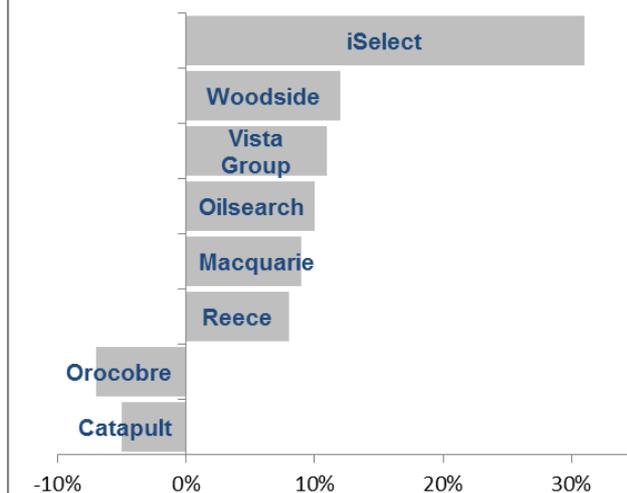
Stocks in this report include **Aurelia Metals**, **Boral**, **Catapult**, **CBA**, **Orocobre**, **iSelect**, **Oilsearch**, **Macquarie Group**, **Ramsay Healthcare**, **RIO**, **Viralytics**, **Vista Group** and **Woodside**.

JUNE 2018

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	30 now, maximum 35
Quest AUM	\$921 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

DRIVERS OF PERFORMANCE



PERFORMANCE

BEFORE FEES AND TAX

(PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE)

To 30 June 2018	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	3.9%	8.1%	19.0%	13.6%	14.2%	10.4%	12.1%
ASX 300 Accumulation Index	3.2%	8.4%	13.2%	9.2%	10.0%	6.3%	7.7%
Value added	0.7%	-0.3%	5.8%	4.4%	4.2%	4.1%	4.4%

*per annum



PORTFOLIO ACTIVITY

The Quest portfolio returned 3.9% in June and exceeded the benchmark with **iSelect** up 31%, **Woodside** up 12%, **Vista Group** up 11%, **Oilsearch** up 10%, **Macquarie Group** up 9%, **Reece** up 8% and **IAG** up 6%. **Orocobre** fell 7% while **Catapult** fell 5%.

iSelect was our worst performer last quarter after a downgrade resulting from an ineffective marketing program. If you endured the terrible TV campaign you will sympathise. The company offers a comparison website allowing customers to compare health insurance deals, energy deals and telco providers on line. The company is in fierce marketing combat with Compare the Market (associated with **IHA Group**) who operate in the same space. Compare the Market are known for their eclectic advertising campaign led by Aleksandr the billionaire Meerkat. Quest own 6.7% of iSelect.

The emergence of IHA Group as a substantial shareholder suggests corporate action is likely. Large synergies in back office operations and advertising exist in merging these companies. iSelect has disclosed that it has received several unsolicited and non-binding proposals from both listed and unlisted parties. As Aleksandr would say, "Simples !"

During June we received the proceeds from the take-over of **Viralitics** by US pharmaceutical giant **Merck & Co. Inc** at a 140% premium to last trade at 62 cents. Quest has owned Viralitics since January 2014 with an initial purchase price of only 28 cents. The bid was at a bulky \$1.75 per share.

There were few portfolio changes in June. Gold producer **Aurelia Metals** (AMI) was added at 50c to the portfolio after a total sell down by a major shareholder. Aurelia is a gold and base metals producer near Cobar in NSW. The company is capitalised at \$475m and expects production of over 100,000 ounces of gold this year. Currently 56 cents.

Ramsay Healthcare is back in the portfolio after a few years absence. The stock has downgraded and traded well below historical pricing metrics. Historically a premium stock, Ramsay is 34% off the highs of 2016. The price has also been damaged by political factors with the Opposition intending to freeze health insurance premiums for two years if it wins office.

Portfolio positions were increased in **Boral**, **Rio** and **CBA**. CBA is carrying a large \$2 dividend due to be ex dividend in August.

Our May call that the Financial Services Royal Commission had actually resulted in banks being overly sold has proven to be correct. CBA was up 4.7% in June (and another 4% so far in July) while Westpac rose 5.2% in June.

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QUEST EX-20 PORTFOLIO

The Quest Ex-20 portfolio is now active for sophisticated investors. Already own a few big stocks but need some non- mainstream ideas?

The portfolio is currently running at 8.8% ahead of the benchmark over 1 year to May 2018 with a return of 23% pre fees. Best performers this year have been **Updater**, **Pushpay**, **Bingo** and **Bravura**. Interested? Ring Troy on 9409 2303 for a chat.

FACT OF THE MONTH

The Chamber of Minerals and Energy of Western Australia have noted a slump in students studying mining engineering. There are only 32 students in first year studies over 4 universities compared to the last peak of 307. Enrolments have been falling for 7 years. The cause seems to be a lack of knowledge of the opportunities in mining, the lure of the east coast infrastructure boom and possibly a millennial aversion to mining as a career.

THE QUEST PROCESS

The Quest team invest to make an above average return; not to beat an index.

A Quest portfolio includes known names such as Commonwealth Bank and industrials such as Lendlease. We also look to add value outside of the major stocks, recent examples being Viralitics and Bingo Industries. The portfolio typically carries a number of mid and smaller cap stocks where we believe our experience gives us an advantage.

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