



# 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.

## JUNE SUMMARY

Global markets continued to push ahead in June with the local market adding another 3.6%. A new all-time market high was posted on the second last day of the fiscal year when the accumulation index closed at 69,868.

The 25 bp cut in rates by the RBA was the first rate cut in Australia in 3 years. The US counterparts, the Federal Reserve, had already embarked on a rate cutting strategy back in January. The local market has assumed this is the "first of a few" and markets surged into month end.

Resources bounded again, up another 6% in June while Banks were again positive up 3.2%. Industrials were selectively strong with the only weakness being in some consumer discretionary stocks. REIT's continued with more yield buying; that index rose 4.2%.

The Australian index is dominated by resources and banking stocks so the month of June was another good one for investors. The local market is up 17% in 6 months and 11.4% for the fiscal year on an accumulation basis.

Gold stocks were highly sought as the gold price pushed towards and through USD\$1,400 oz. Alacer Gold was up 17%, Newcrest Mining up 17%, Evolution rose 12% while Northern Star added 20%.

Amongst the REIT's, Goodman Group and Dexus reached new all-time highs in early June however these recent massive gains attracted selling later in the month. The REIT index has gained 14% in the fiscal year.

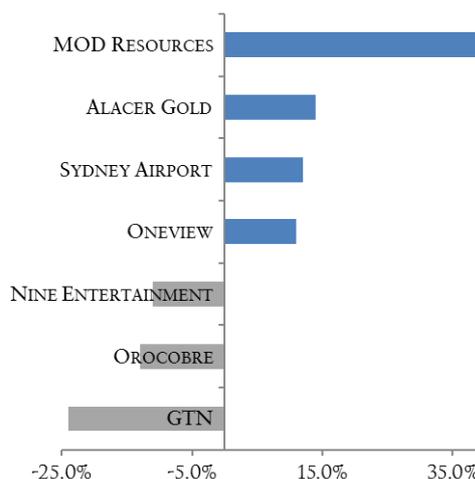
This report is later than usual due to an IT upgrade at Quest. Apologies for the delay.

JUNE 2019

## KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	33 now, maximum 35
Quest AUM	\$1.17 billion
Strategy AUM	\$81 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 2019	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	2.7%	8.4%	6.6%	14.6%	11.2%	12.2%	11.7%
ASX 300 Accumulation Index	3.6%	8.0%	11.4%	12.8%	8.9%	9.9%	7.9%
Value added	-0.9%	0.4%	-4.8%	1.8%	2.3%	2.3%	3.8%

\*per annum



## PORTFOLIO ACTIVITY

---

The RBA cut of 25 bp was the first since August 2016 and lowers the cash rate to a record low of 1.25%. The RBA Statement referred to supporting employment growth and providing confidence that inflation can settle at the “medium term target.” In other words, the RBA are concerned with lack of growth and are stimulating to create that growth. The Statement does imply further cuts this year. Further encouragement was handed to investors as oil rose 6%, iron ore rose another 14% and gold rose 7.5%.

Our best performers were recently purchased **MOD Resources (MOD)** up 40% and long term gold holding Alacer Gold, up 18%. Quest is however under-weight resource stocks generally and these efforts were unable to counter the strength of the broader resources index. This position has troubled us for some months now.

Our small stock holdings including **GTN, Catapult (CAT)** and **Orocobre (ORE)** continued to under-perform in June. The Quest historic ability to deliver from lesser known small stocks has not eventuated this year. The positive here is that, in our view, all remain cheap and may be the catalyst for the approaching year.

While historically we usually add a new stock each month, June saw three new stocks added to the portfolio.

**Worley Parsons (WOR)** has grown from a small Sydney based consultancy business in the 1970's to a global operation in 51 countries with 56,000 employees. The Jacobs ECR acquisition earlier this year further diversifies the business from the old core of hydrocarbon consultancy. Worley is now structured into Energy, Chemical and Resources divisions. Recent acquisitions and mergers have also lowered the exposure to major capital projects to only 13% of Worley activities. We see good momentum from synergies and improving cash flow generation.

Quest participated in the float of **Investec Australia Property Fund (IAP)** which listed in early June. Investec own fringe office and industrial sites mainly in Sydney and Melbourne. There are no residential or retail assets. We were impressed with the management team and strategy of the group which have been listed on the Johannesburg bourse since 2013. The stock offered Australian property exposure to South African

### Disclaimer

This report has been prepared by Quest Asset Partners Pty Limited, AFSL 279207 (wholesale), ABN 47 109 448 802. It should be regarded as general information only rather than advice. It has been prepared without taking into account any person's objectives, financial situation or needs. Whilst Quest has used its best endeavours to ensure the information within this document is accurate it cannot be relied upon in any way and recipients must make their own enquiries concerning the accuracy of the information within. Past performance is not a reliable indicator of future performance. All performance figures are based on the JBWere Multi-Asset platform seed portfolio. Performance can vary by platform and client due to mandate restrictions and other constraints. Before making any financial investment decisions we recommend recipients obtain legal and taxation advice appropriate to their particular needs. Investment in a Quest Asset Partners Separately Managed Account can only be made on completion of all the required documentation. As Quest hold a wholesale AFS licence, this report should not be passed on to any retail client.

The Lonsec Rating (assigned October 2018) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to “General Advice” (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold Quest Asset Partners Pty Limited product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria.

For further information regarding Lonsec's Ratings methodology, please refer to our website at: <http://www.lonsecresearch.com.au/research-solutions/our-ratings>

investors. The company is now dual listed. There are 28 properties and we expect further acquisitions, possibly in the north western suburbs of Sydney near the new Sydney metro rail link. The stock yields more than 6.5% at the float price of \$1.32. A good portion of the distribution is tax deferred. We have increased this position since the float. The stock currently trades higher at \$1.48.

Small business lender **Prospa (PGL)** was added to the portfolio with a June IPO. Founded in 2012, they target the SME sector that major banks find difficult to service. Prospa uses a technology platform to lend to SME's based on their cash flow rather than focusing only on the value of their assets (usually the owners' home). Prospa has experienced strong growth and is now the largest online lender to SME's with 230 staff and a loan book of over \$300m. Scale has allowed a material reduction in funding costs and this benefit is shared with customers via lower rates. A risk will be how Prospa performs in different credit cycles however the company is meeting a genuine need in a large addressable market. We rate Prospa as a “B” grade under our Q Stocks ranking and we see valuation upside from current levels.

## 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 **Amcors**. 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](mailto:quest@questap.com.au) [www.questap.com.au](http://www.questap.com.au)