



AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

MARCH 2018

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 - MARCH SUMMARY

The Quest portfolio eased 2.4% in March, better than the ASX 300 which fell by 3.7% on an accumulation basis with all sectors falling. Worst were telco's down 6.2% and financials down 6%.

World markets were soft with the Dow falling 3.7% and the FTSE down 2.4%. Germany was down 2.7% and Shanghai 2.8%. Taiwan gallantly rose 1%.

March highlights included the Trump tariff imposition which created trade war concerns and was the biggest influence on global markets. The local Banking Royal Commission saw banks fall 6% on average. Facebook turned from a market winner to a social pariah after releasing customer data and fell 11%.

Small stocks were mixed. Highlights for Quest were **Bravura** up 26%, "Faihtech" enabler **Pushpay** up another 15%, waste recycler **Bingo Industries** up 10% and cinema software leader **Vista Group** up 5%. We did see weakness in smalls as well; **Orocobre** down 18%, **Livehire** down 16% while **iSelect** fell 15%.

Over 12 months the Quest portfolio has outperformed the market by 8.9% and has maintained an annual average outperformance of the ASX 300 benchmark of 4.7%.

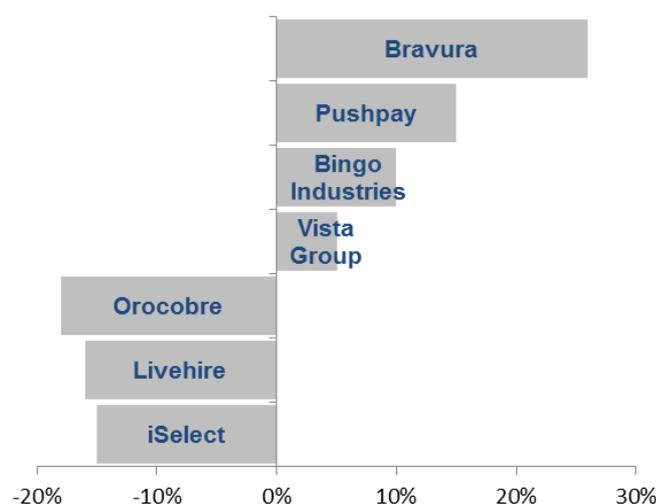
Quest manages \$850 million across 3 portfolios; our Australian Equities Concentrated portfolio as well as the relatively new Ex 20 portfolio and our Highly Concentrated 10 stock portfolio.

Quest is again a finalist in the **Lonsec Fund Manager of the Year Awards** for SMA's, for the second year in a row, in 2018.

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	32 now, maximum 35
Quest AUM	\$850 million
Strategy AUM	\$73 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 31 March 2018	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated**	-2.4%	-0.5%	11.7%	9.1%	11.8%	9.5%	11.7%
ASX 300 Accumulation Index	-3.7%	-3.8%	2.9%	3.9%	7.6%	5.2%	7.0%
Value added	1.3%	3.3%	8.9%	5.2%	4.2%	4.3%	4.7%

*per annum

**Preliminary unaudited returns



PORTFOLIO ACTIVITY

In March, three new stocks were added to the portfolio.

Woodside Petroleum (WPL): Subsequent to a surprise capital raising in February, our team added Woodside to the portfolio in March. Following the latest sell down by Shell Energy in November and the latest raising, there is some stock indigestion at this time. It will pass. Woodside is well capitalised with a high 5.1% yield. Growth potential now exists locally and internationally. Woodside had traded at well above \$30 at the beginning of this year. An ownership reorganisation of hydrocarbon fields near the Burrup Peninsula has increased the likelihood of a Pluto expansion as well as back filling the five train North West Shelf LNG plant in Western Australia.

Ramsay Healthcare (RHC): Private hospitals have been under pressure due to concerns about private health affordability. This has impacted surgical volumes in private hospitals. Ramsay, a former market darling, has re-rated downward as a result. The stock is now trading below our assessed value and we have built an initial holding. The Federal Government is making changes to improve participation in private insurance which should assist at the margin. Without meaningful change here, wait lists for public hospitals will continue to grow and State Governments will be forced to invest even more in the public health system. As both of these developments are unpalatable in the medium term, we see the recent weakness as a chance to accumulate.

Catapult Group (CAT): Catapult is a global leader in wearables and performance analytics for elite sports. Clients include major soccer, NFL, NBA and AFL teams. Quest has been following the business for some time and established a position in March after a \$25M capital raising at \$1.10 per share. Catapult rates well on our quality scale with its strong market position and the high value-add. On our assessment it leads its competitors and is entering the "prosumer" market (sub-elite enthusiasts). A stronger balance sheet and plans to accelerate sales and product development suggest the entry price of \$1.15 at the capital raising is attractive. Our 15% minimum upside is safely achievable here.

The Quest best in March was software services company **Bravura**, up an eye catching 26%. Bravura has traded in the shadow of a sell down by a major holder since listing in November 2016. The recent sale by that vendor appears to have lifted that burden from the stock.

Cash is at 6%.

Disclaimer

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

PLATFORMS

The Quest Australian Equities Concentrated Portfolio is available on the following platforms:

	Web site	Retail	Sophisticated Investors
Mason Stevens	Link	✓	✓
JBWere Multi-Asset Platform	Link		✓
Macquarie	Link	✓	✓
HUB24	Link	✓	✓
Powerwrap	Link	✓	✓

FACT OF THE MONTH

A recent review of Internet and Interactive Entertainment stocks by UBS revealed that very few analysts have neutral or sell recommendations on the big tech names in the US.

Facebook has 45 analysts covering the stock with 2 sell recommendations. Amazon has 46 analysts with coverage but there are no sell recommendations. Alphabet has 45 analysts on the job with 39 buy calls, 6 neutral and no sell recommendations.

THE QUEST PROCESS

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

Our portfolio historically does not represent an index.

A Quest portfolio will include known names such as major banks and industrials but we look to add value outside of the major stocks. The portfolio typically carries a number of mid and smaller stocks as market research in these sectors is often scant. Details of our process are on the website.

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