



AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

MARCH 2016

INVESTMENT PROFILE

The Quest Australian Equities Concentrated Portfolio is a Separately Managed Account (SMA), actively managed by Quest Asset Partners Pty Limited. The objective is to return 4% p.a. over the S&P/ASX300 Accumulation Index (pre fees). SMA's are professionally managed portfolios where the investor retains beneficial ownership of the underlying securities. This concentrated portfolio is suitable for investors seeking capital gains and income over the medium term via a professionally managed exposure to the Australian share market.

MARCH REVIEW

The Quest portfolio returned 4.3% in March, slightly below the ASX 300 Accumulation Index return of 4.8%.

In annual terms the portfolio has delivered a negative 3.7% return, well ahead of the index return of negative 9.3%.

During March the market rallied for the first two weeks before waning into the end of the month. Despite a strong March, the quarterly market return remained negative.

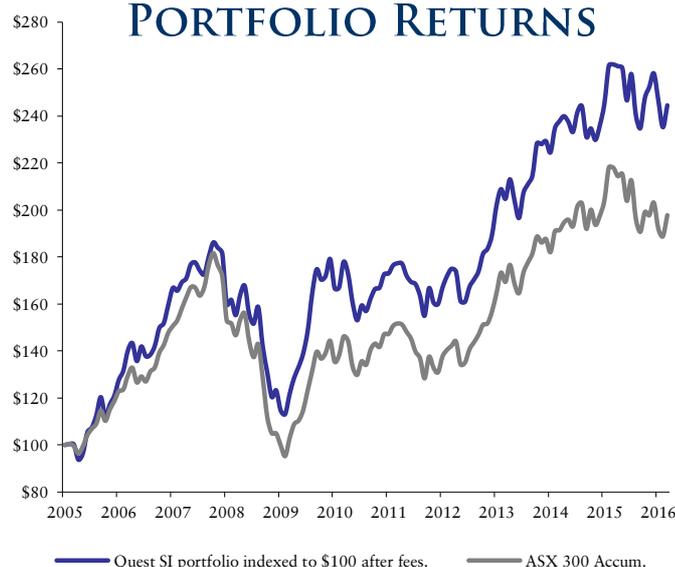
The main issue for local investors in coming weeks is the structural dilemma of our market; how do we progress when the direction of the broader market is dominated by banks and resources. After a six year run the banking sector is struggling to generate growth in a subdued economy. The resource sector, despite a relief rally in February, now faces a rising dollar and little indication that the Chinese economy is recovering.

Quest has reduced our weighting in banks and has only a small exposure to commodities. We continue to own only 6 of the Top 20 stocks with another 24 stocks being mid and small cap investments.

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	Maximum of 35
Quest AUM	\$959 million
Strategy AUM	\$57 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 31st March 2016	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	4.3%	-4.7%	-3.7%	9.0%	9.2%	8.2%	10.9%
ASX 300 Accumulation Index	4.8%	-2.6%	-9.3%	5.3%	5.5%	4.3%	6.5%
Value added	-0.5%	-2.0%	5.6%	3.7%	3.8%	3.9%	4.5%

*per annum



PORTFOLIO ACTIVITY

At the time of writing the sentiment in the market place is quite poor. It is therefore worth noting some significant positive macro issues.

The Australian **unemployment rate** fell to 5.8% in February while **GDP** grew year on year by a solid 3%, well ahead of expectations.

There was also a sea change in consensus thinking on the direction of **US rates** driven by the March commentary from the US Federal Reserve. The threat of multiple US rate rises has eased; it now seems there may only be two rises this year. US interest rates can only rise to the extent that the US economy can endure a higher exchange rate. As such, we continue to be less concerned with this issue.

There is a chance that local rates could actually fall this calendar year.

The Australian dollar has risen 12% this year which will not help the miners who sell in USD denominated commodities. Quest continues to have a low exposure to mining. We do own lithium producer **Orecobre** (ORE) which gives us leverage to lithium demand from the emergence of electric cars and home battery storage. During the quarter we participated in the second tranche of a fund raising by ORE at \$2.10. The stock is now trading at \$2.90

Galileo Japan Trust (GJT) has announced the proposed liquidation of their Japanese property assets at \$2.65, slightly above NTA at current exchange rates. Quest portfolios own 9.7% of Galileo. Galileo has risen 31% this calendar year. Assuming the deal completes, Quest investors will generate a return of more than 90% from Galileo since October 2013.

Oneview Healthcare PLC (ONE) listed on the 17th March at \$3.58 per share. Oneview is a Dublin based hospital software business with an emphasis on patient engagement. The company has raised capital to fund the global roll out of software to existing and potential clients. The company has over 1,000 installed beds and another 2,000 work in progress. We anticipate installed and contracted numbers will double in the next two years. Hospitals contracted to ONE include Epworth Eastern in Victoria and Chris O'Brien Lifehouse in Sydney. ONE currently trades at \$4.30. This will be a news driven investment this year with further contract

wins likely. Execution risk is a factor as clients are scattered around the globe; management will need to be on their game. The successful pursuit of critical mass is the first goal in this market. We have backed management, who we know well, to deliver. Target is well above our 15% minimum requirement at float price.

Quest increased positions in **iSelect** (ISU), and **Suncorp Group** (SUN). Our holding in **Greencross** (GXL) was sold in March while **ANZ Bank** (ANZ), **APA Group** (APA), **TPG Media** (TPM), **Vista** (VGL) and **Link Administration** (LNK) were reduced.

SIGNIFICANT INVESTMENTS

Large	Commonwealth Bank (CBA)
	CSL (CSL)
	AGL Energy (AGL)
Mid Cap	Lend Lease (LLC)
	Ramsay Healthcare (RHC)
	Stockland (SGP)
Small Cap	Surfstitch Group (SRF)
	Link (LNK)
	Galileo Japan Trust (GJT)

TOP ATTRIBUTORS

Orecobre (ORE)
 Healthscope (HSO)
 Surfstitch (SRF)

KEY DETRACTORS

Ramsay Healthcare (RHC)
 Vista (VGL)
 Updater Inc (UPD)



INVESTMENT APPROACH

The Quest Asset Partners team use a three stage process to research opportunities that may not be readily available to investors.

We search for businesses that are mis-priced by the market. We are looking for unrecognised potential.

Our **Stage 1** qualitative business assessment is combined with our **Stage 2** integrated quantitative valuation process to find the best opportunities. Our portfolio is concentrated to a maximum of 35 of our best ideas.

We invest to make a return; not to beat an index.

A Quest portfolio will include known names such as major banks as well as mid-size and smaller companies. We look to add value outside of the major names. The portfolio typically carries a number of recently listed businesses as this is where rival analyst coverage is less thorough.

Our typical client has an interest in the Australian share market but lacks the time to maintain a portfolio. Our clients are unable to access the 10 new floats and other opportunities we have already seen in 2016.

Our client base includes people from all walks of life that have realised an occasional read of the financial press is unable to compete with the experience and contacts available to our four investment professionals.

Quest Asset partners are proud sponsors of the **Norths Pirates Junior Rugby Union Club**.

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<http://www.beyond.lonsec.com.au/intelligence/lonsec-ratings>

INVESTMENT TEAM

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PLATFORMS

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

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

BLOG

To read "**Oneview – The luck of the Irish**" and other Quest Insights visit www.questap.com.au/news/

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