



AUSTRALIAN EQUITIES CONCENTRATED PORTFOLIO

MAY 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.

KEY PORTFOLIO FEATURES

Inception	9 February 2005
Investment Universe	ASX listed
No. of holdings	Maximum of 35
Quest AUM	\$1,222 million
Strategy AUM	\$53 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

MAY REVIEW

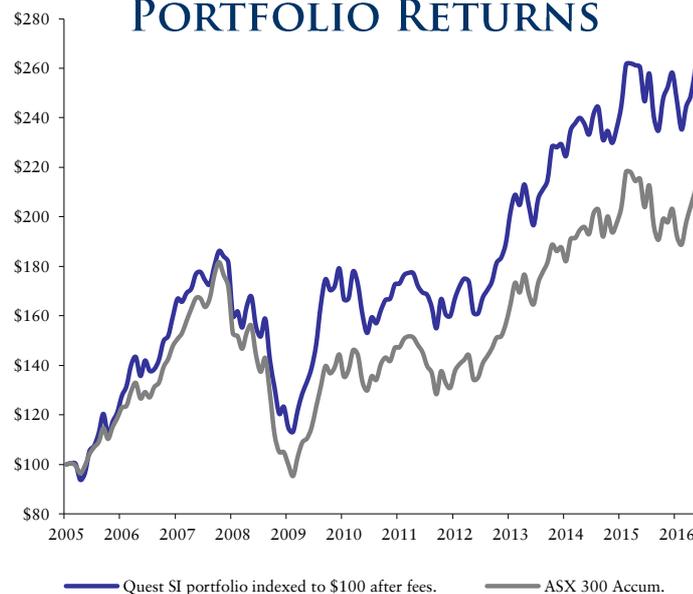
May was an action month for the market with another lift of 3.1%. **Quest delivered a 4.7% return.** The index has gained 12% over the last three months but is only up 2% year to date after a 5% slide in January.

The monthly highlights were the RBA cutting the cash rate to 1.75%, reporting of first half results for ANZ, NAB and WBC and a clever proposal from **Oilsearch** to buy **InterOil** prior to a partial sell down to French multinational Total SA.

The Quest portfolio performed well in May with **10 stocks** lifting more than 10%. The list includes **CSL, Healthscope, Ramsay Healthcare, Greencross, Magellan, Henderson, Updater, Viralytics, Amaysim** and **Orcobre**. Orcobre was a bolter, up 36% in May.

The ASX 300 accumulation was one of the stronger major markets globally in May. The Dow Jones, MSCI World Index and the FTSE were flat amidst conflicting interest rate scenarios, the ongoing emergence of Trump for US President and the suspenseful Euro exit vote in June.

PORTFOLIO RETURNS



PERFORMANCE

BEFORE FEES AND TAX

(PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE)

To 31st May 2016	1 month	3 months	1 year	3 years*	5 years*	10 years*	Since inception*
Quest Aust. Equities Concentrated	4.7%	11.2%	2.9%	11.0%	11.2%	9.0%	11.4%
ASX 300 Accumulation Index	3.1%	11.7%	-2.1%	7.7%	7.3%	5.2%	7.0%
Value added	1.6%	-0.4%	5.0%	3.3%	3.9%	3.8%	4.4%

*per annum



PORTFOLIO ACTIVITY

In May we saw a change in market sentiment as buyers returning to growth and yield investments while abruptly shunning resources and materials. The resources sector was down more than 5% with **BHP** down 7% and **RIO** down 13%.

This rotation suited our portfolio. We are weighted toward sustainable growth which is why healthcare is the dominant sector within our portfolio. The Healthcare sector rose 9.4% in May with Quest holdings in **CSL**, **Healthscope** (HSO) and **Ramsay Healthcare** (RHC) lifting 10% or more. Fund managers **Magellan** (MFG) and **Henderson Group** (HGG) were back in favour, up 14% and 12% respectively.

Our holding in lithium carbonate producer **Oreobre** (ORE) lifted 36% this month. The company continues to ramp up lithium carbonate production in Argentina. The company also seems to have tapped a new cohort of investors post a Las Vegas lithium conference and lithium research initiation by three large local brokers.

We continue to see a flow of clinical data from **Viralytics** (VLA) which rose another 17% in May to 87 cents. The company continues trials of CAVATAK, a novel cancer immunotherapy based on a proprietary formulation of the common cold virus for both isolated and combination usage. Our base entry portfolio price in March 2014 was 28 cents.

Recently listed plumbing supplier **Reliance Worldwide Corporation** (RWC) lifted 6% in May and traded above \$3 as we had expected. RWC is one of only two IPO's we have invested in during the current IPO season. The Quest team has sifted through 15 IPO's so far this year. We believe the quality is dropping!

While most gold stocks have had big moves already, we have invested in laggard **Alacer Gold** (AQG). Alacer are in JV in the Copler mine in central eastern Turkey around 550 km from Ankara. This is an open pit heap leach operation transitioning to a sulphide project commencing in 2018. Quest visited the site in 2012. Alacer expects to produce 160,000 oz gold in 2016 and have one of the world's lowest costs of production at US\$600 per oz on a C1 basis.

Our holding in **Greencross** (GXL) has already been bought back after our very recent sale. A sudden price

tumble caused by the exit of a long term holder gave us an opportunity to restore the position at less than \$7.20. The stock has now moved to \$7.90, an all time high.

Holdings in **ANZ** (ANZ), **Stockland** (SGP), **Suncorp** (SUN), **Henderson** (HGG), **Oneview** (ONE) and **Reliance** (RWC) were increased during the month.

Our holding in **Motorcycle Holdings** (MTO) was sold shortly after the float for a solid gain above the \$2 listing price. Quest completed the sale of our holding in **Surfstitch** (SRF) in May and also sold our holding in **Ansell** (ANN).

SIGNIFICANT INVESTMENTS

Large	Commonwealth Bank (CBA)
	CSL (CSL)
	Stockland (SGP)
Mid Cap	Lend Lease (LLC)
	Origin Energy (ORG)
	Stockland (SGP)
Small Cap	Reliance (RWC)
	Greencross (GXL)
	Vista Group (VGL)

TOP ATTRIBUTORS

Oreobre (ORE)
BHP (BHP)
Henderson (HGG)
Ramsay (RHC)

KEY DETRACTORS

Surfstitch (SRF)
Macquarie (MQG)
iSelect (ISU)



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		✓
Macquarie	Link	✓	✓
HUB24	Link	✓	✓
Powerwrap	Link	✓	✓

BLOG

To read "**Lithium potential finally recognised by the market**" and other Quest Insights visit

www.questap.com.au/news/

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