

QUEST EX-20 AUSTRALIAN EQUITIES PORTFOLIO



MONTHLY PORTFOLIO REPORT MAY 2020

PERFORMANCE*					
To 31 May 2020	1month	6months	1yr	3yrs (p.a)	Inception (p.a)
Quest Ex-20 Australian Equities	+12.1%	-1.6%	+11.5%	+14.3%	+14.2%
ASX300 Acc. ex ASX20 index	+7.1%	-14.0%	-3.6%	+5.5%	+6.3%
Value added	+5.0%	+12.4%	+15.1%	+8.8%	+7.9%

*After fees (note: performance fees, where applicable, are deducted six monthly: June and Dec)

Past performance is no guarantee of future performance. Individual returns will differ for investors, depending when the initial investment was established and the timing of any additional investments or redemptions. Inception date 5 January 2017.

PORTFOLIO UPDATE

The V-shape market bounce continued in May. The Australian market delivered 4.6% for the month, whilst the Ex-20 benchmark did better posting a hefty 7.1% gain. Pleasingly, the Quest portfolio outperformed returning 12.1% for the month. The portfolio is now up +11.5% over 12 months (after fees) compared to the benchmark return of -3.6%.

The driver of the bounce has been the remarkable recovery in the US, where the market closed the month not far off pre-COVID highs. Whilst the Australian market lagged initially, it matched the US market in May and continues to move higher.

Whilst we remain concerned that post-COVID earnings may prove disappointing over the remainder of the year, there is no doubting the resolve of Governments and Central Banks to support the recovery. History has shown that these are powerful forces which can drive markets to levels beyond what appears justified. We can see this now with valuations again looking stretched. The “fear of missing out” as late-comers are enticed into the market, is a further positive factor. Given this, we see the market as well-supported around current levels. Investors should however expect some bumps along the way, given the US does not have COVID under control and, despite this, is making concerted efforts to reopen its economy.

The biggest portfolio movers were Kogan (KGN +40%) with the market liking the latest trading update, wheel-maker Carbon Revolution (CBR +25%), glove-maker Ansell (ANN +24%) and cinema software provider Vista Group (VGL +22%). Other good contributors to portfolio outperformance were Goodman Group (GMG +17%), Catapult (CAT +18%), Mesoblast (+19%), James Hardie (JHX +16%) and Evolution Mining (EVN +19%).

The laggards during the month were stocks that barely moved despite the market bounce: Bravura (BVS -0.2%), Bingo (BIN +0.4%) and Aristocrat (ALL +3.1%). Each of these had popped 20% or during April.

Equity raisings continue apace. Over the last two months we have picked up discounted stock in companies we like, adding to positions in Vista Group, Credit Corp, Mesoblast, Australian Finance Group and Ramsay. We exited positions where we could see better value elsewhere (Dexus, Sydney Airport, Pinnacle, Evolution) and trimmed some strong runners (Bravura, Magellan, Xero and Altium) to manage portfolio risk. Atomos (AMS) and Hansen (HSN) were added to the portfolio.

DRIVERS OF PERFORMANCE – MAY 2020

POSITIVE

Kogan, Goodman Group, Vista Group, Carbon Revolution, Catapult, Mesoblast, James Hardie, Evolution Mining, Alacer Gold, Ramsay Healthcare

NEGATIVE

Bravura, Bingo, Aristocrat

SIGNIFICANT PORTFOLIO HOLDINGS

LARGE CAP

Amcor	Aristocrat
Goodman Group	James Hardie
Ramsay Healthcare	

MID CAP

Altium	Ansell
Aventus Group	Bravura
Cleanaway	Credit Corp
Kogan	Magellan
Mesoblast	Mineral Resources
Steadfast	Xero

SMALL CAP

Australian Finance Group	Alacer Gold
Carbon Revolution	Catapult
OptiComm	Orocobre
Vista Group	

PORTFOLIO CHARACTERISTICS

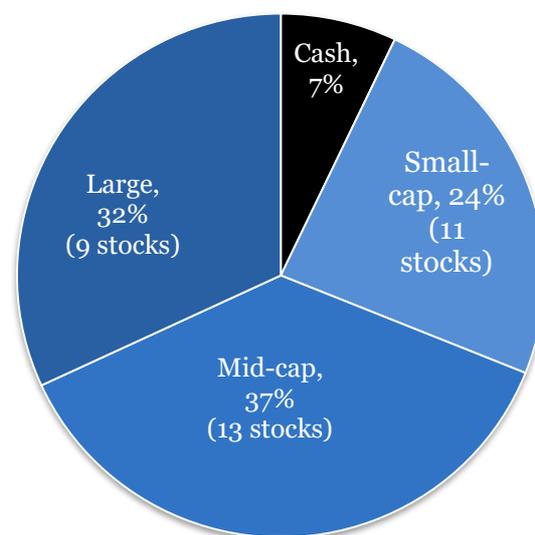
Holdings	33
Stock specific risk	56% of active risk
Factor risk	44% of active risk
Major factor risks:	
<i>Underweight</i>	<i>Value, Size, Energy</i>
<i>Overweight</i>	<i>IT/Telecom</i>
Active share	84%

Source: MSCI

TOP ACTIVE POSITIONS AS AT 31 MAY 2020

Goodman Group
Ramsay Healthcare
James Hardie
Kogan
Catapult
Cleanaway
Amcor

PORTFOLIO AS AT 31 MAY 2020



PORTFOLIO STRATEGY

The Quest Ex-20 Portfolio is a Separately Managed Account (SMA), actively managed by Quest Asset Partners. The Portfolio comprises between 20 and 40 securities and aims to outperform the S&P/ASX 300 index excluding the 20 largest companies. The Portfolio will have significant exposure to mid and small-capitalised stocks benefiting from Quest's proven investment process and experience with smaller companies.

The assessment of business quality is fundamental to the Quest investment process. We aim to identify companies that can deliver good returns on invested capital and sustain those returns through time. Quest has a long track record of investment performance leveraging this process.

Disclaimer

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PORTFOLIO FEATURES

Inception	5 January 2017
Benchmark	S&P/ASX300 ex S&P/ASX20 Index
No of holdings	20 - 40
Typical cash weight	3 - 10%
Investment horizon	3 - 5 years
Portfolio Manager	Troy Cairns
How to invest	Via the Mason Stevens Platform or the Xplore Wealth Platform